



# GOOD FELLOW RESOURCES HOLDINGS LIMITED

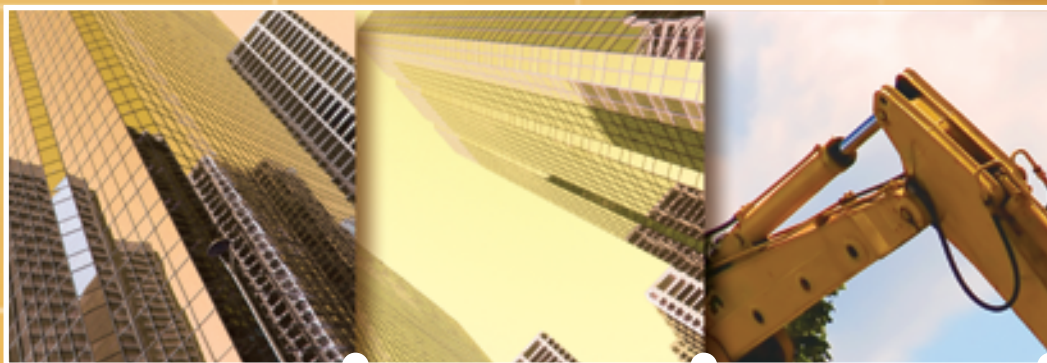
## 金威資源控股有限公司\*

(Incorporated in Bermuda with limited liability)



# 2010

ANNUAL REPORT



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## Corporate Information

### BOARD OF DIRECTORS

#### Executive Directors:

Mr. Ng Leung Ho (*Chairman*)  
Mr. Lo Wan Sing, Vincent (*Vice-Chairman*)  
Mr. Ho Kam Hung (*Managing Director*)

#### Independent Non-Executive Directors:

Mr. Law Wai Fai  
Mr. Chau On Ta Yuen  
Mr. Wang Yan Ming

### COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Chan Chi Ming, Tony

### AUTHORIZED REPRESENTATIVES

Mr. Ng Leung Ho  
Mr. Chan Chi Ming, Tony

### AUDIT COMMITTEE

Mr. Law Wai Fai (*Chairman of Audit Committee*)  
Mr. Chau On Ta Yuen  
Mr. Wang Yan Ming

### REMUNERATION COMMITTEE

Mr. Law Wai Fai (*Chairman of Remuneration Committee*)  
Mr. Ng Leung Ho  
Mr. Chau On Ta Yuen  
Mr. Ho Kam Hung  
Mr. Wang Yan Ming

### NOMINATION COMMITTEE

Mr. Chau On Ta Yuen  
(*Chairman of Nomination Committee*)  
Mr. Ng Leung Ho  
Mr. Law Wai Fai  
Mr. Ho Kam Hung  
Mr. Wang Yan Ming

### GENERAL COMMITTEE

Mr. Law Wai Fai (*Chairman of General Committee*)  
Mr. Ng Leung Ho  
Mr. Lo Wan Sing, Vincent  
Mr. Ho Kam Hung

### REGISTERED OFFICE OF THE COMPANY

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS OF THE COMPANY IN HONG KONG

Units 3312  
33rd Floor, West Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Sheung Wan  
Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

**Butterfield Fund Services (Bermuda) Limited**  
Rosebank Centre  
11 Bermudiana Road  
Pembroke, HM 08  
Bermuda

## Corporate Information

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

#### **Tricor Tengis Limited**

26th Floor, Tesbury Centre  
No. 28 Queen's Road East, Wanchai  
Hong Kong

### LEGAL ADVISERS

*On Hong Kong law:*

#### **D.S. Cheung & Co, Solicitors**

1910-1913, Hutchison House  
10 Harcourt Road, Central  
Hong Kong

*On Bermuda law:*

#### **Conyers Dill & Pearman**

2901, One Exchange Square  
No. 8 Connaught Place, Central  
Hong Kong

### AUDITOR

#### **BDO Limited**

25th Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong

### PRINCIPAL BANKERS

**Bank of China (Hong Kong) Limited**  
**Chiyu Banking Corporation Ltd.**

### STOCK CODE

SEHK 00109

### WEBSITE

[www.gfellow.com](http://www.gfellow.com)

## Chairman's Statement

### BUSINESS REVIEW

A net loss of approximately HK\$2,490,000 of the Group incurred in current year in comparison to a loss of HK\$44,366,000 in last year and our turnover has increased by approximately HK\$60,378,000 to approximately HK\$134,942,000. The large decrease in loss in current year was mainly due to realisation of listed shares investments held for trading on hand reverted to a position of realisation gain in current year as financial tsunami subsided whereas last year realisation loss was recorded. I am delighted to see the new joint venture project located at Fuzhou, China brought in other income of approximately HK\$22,038,000 to the Group for the year under review.

During last year in view of the worldwide financial tsunami's aftermath, as a counter measure we had focused on sell trades offloading our investments during different times in the re-bounce of the worldwide stock market in last year. During the current year, the recovery from the tsunami has been more affirmative and we have more buy and sell trades and turnover from the investment and financial services became important drive for our overall turnover.

The Group's trading of children's playground equipment, rubber tiles manufactured from recycled rubber shreds, and the related accessories started in May 2006 have not contributed turnover to the Group during the current year. The Group will review and determine on new strategy, and identify new products and market position for the distribution and trading of goods segment of the Group.

### OUTLOOK

Preserving assets and managing the risks of our assets portfolio are core focus of the Group. The Group's strategies continue to be applying due care and prudence on expansion and diversification.

The Group's core business of investment and financial services and distribution and trading will continue to be managed with goal of bringing constant income to the Group. Under a global fiscal policies' changing environment subsequent to the financial tsunami incidence, the Group has secured the joint venture project with guaranteed income to alleviate downside risk of overall income for the Group. The stronger buffer and internal resources of the Group compared to prior periods allow the Group to continue maneuver through the changing environment and to take up possible new opportunities and arising new business segments which can mitigate our investment risks on a portfolio basis.

With the investment into the joint venture project located at Fuzhou, China completed, we have tapped into the strong domestic consumption market in China in which the shopping mall to be constructed under the joint venture will gain from the expanding consumption base in China. With central banks around the world decided to stimulate economic growth using accommodative monetary policy, and China applying a loose monetary policy, the improving export market of China together with domestic demands will create more wealth in China and likely to give a positive boost to the domestic consumption.

## Chairman's Statement

### APPRECIATION

On behalf of the Board of Directors, I would like to thank our valued customers, suppliers and business associates for their invaluable contributions and support. I also want to express my gratitude to our management team and all staff of the Group for their hard work during the year. Last but not least, I am most grateful to our shareholders for their continuous support and confidence.

**Ng Leung Ho**

*Chairman*

Hong Kong, 20th October, 2010

## Management Discussion and Analysis

### FINANCIAL REVIEW

For the year ended 30th June, 2010, the turnover of the Group increased by approximately HK\$60,378,000 to approximately HK\$134,942,000 (2009: approximately HK\$74,564,000), representing an increase of approximately 80.97% from last year. Increase in turnover was primarily caused by increase in turnover related to business activities in investment and financial services with increase in number of buy trades and more sell trades of investment portfolio.

With the worldwide economy back to a more healthy state, the Group has increased and built up its portfolio of investments held for trading during the current year. In turn, the Group effected trading transactions for shares under the investment and financial services segment during the current year with increase in buy and sell volumes. However, business activities in distribution and trading segment have not contributed to turnover (2009: approximately HK\$2,037,000) for the year under review.

The Group incurred a net loss of approximately HK\$2,490,000 for the year under review compared to a net loss of approximately HK\$44,366,000 of last year. The decrease in net loss by approximately HK\$41,876,000 was mainly due to realised sales of listed shares investments held for trading for the year ended 30th June, 2010 resulted in profit of approximately HK\$8,364,000 (2009: loss of approximately HK\$31,619,000) and increase in other net gains and income pertaining to the guaranteed income received of approximately HK\$21,534,000 resulting from completion of the formation of the new joint venture company in the PRC. The positive profit impact from the realised sales of listed shares investments and the guaranteed income was partly net-off by the loss impact of the increase in administrative expenses for the current year by approximately HK\$17,144,000 to HK\$32,448,000 (2009: approximately HK\$15,304,000) mainly attributable to increase in share-based payments recognized during the current year by approximately HK\$10,855,000 to approximately HK\$16,188,000 and general increase in expenses during the current year. The profit impact was further reduced by the finance costs of approximately HK\$3,958,000 related mainly to the convertible notes issued by the Group during the current year whereas there were no finance costs incurred in last year. Overall there was HK\$41,876,000 decrease in net loss of the Group for current year.

### BUSINESS REVIEW

The Group carries on its diversified income source strategy and has applied its funds to invest into new opportunity which is described in more detail under the heading "New Joint Venture". The Group will continue to explore and moderate its investment and financial services segment under the current volatile environment with key goal to mitigate the investment risk. With the guaranteed return from the "New Joint Venture" started to roll into the Group, more internal resources can be made available to the investment and financial services segment to expand and prosper. The Group will continue re-positioning of the distribution and trading segment and will review expansion into products less impacted by the global fiscal policies' changes which could help to bring turnover to this segment.

## Management Discussion and Analysis

### NEW JOINT VENTURE

Pursuant to the approval by shareholders in special general meeting on 29th July, 2009, the formation of the new joint venture as further detailed in the Company's circular dated 13th July, 2009 was completed on 21st October, 2009. The property development project undertaken by the jointly controlled entity at Fuzhou, PRC, has commenced and new arena of income source is brought to the Group.

### FUTURE PROSPECTS

The Group will continue to diversify its income sources by reviewing and considering investment projects which bring stable and regular income to the Group, the existing investment portfolio including the new joint venture will continue to contribute the Group's net profit during the global recovery from the financial tsunami.

### LIQUIDITY AND FINANCIAL RESOURCES

On 18th June, 2009, the Company and a placing agent entered into a share placing agreement, pursuant to which the Company has conditionally agreed to place a maximum of 231,000,000 placing shares of HK\$0.10 each to not fewer than six placees at a price of HK\$0.30 per placing share. The placement was completed on 17th August, 2009. The placing shares were issued with net proceeds of approximately HK\$68.3 million.

On 18th June, 2009, the Company appointed a placing agent for the purpose of placing convertible notes up to an aggregate principal amount of HK\$46,200,000. The placement was completed on 17th August, 2009. The net proceeds raised from the placing is approximately HK\$45.7 million.

On 28th August, 2009, two subscribers converted the convertible notes in an aggregate principal amount of HK\$42 million at a conversion price of HK\$0.3 each, which resulted in the issuance of 140 million shares of the Company.

On 18th June, 2009, the Company entered into a convertible note subscription agreement with Top Rise Capital Resources Limited (the "Subscriber"), pursuant to which the Company has conditionally agreed to issue the Subscriber the convertible notes in the principal amount of HK\$115.5 million. The Subscriber is wholly-owned by Mr. Ng Leung Ho, a substantial shareholder of the Company. The subscription was completed on 17th August, 2009. The net proceeds raised from the placing is approximately HK\$115.5 million.

On 28th August, 2009 and 9th November, 2009, the Subscriber converted the convertible notes in an aggregate principal amount of HK\$55.5 million and HK\$30.0 million, respectively, both at a conversion price of HK\$0.3 each, which resulted in the issuance of 185 million and 100 million shares of the Company, respectively.

The Group maintains its strong financial position with cash and cash equivalents of approximately HK\$119,582,000 (2009: approximately HK\$158,985,000).



## Management Discussion and Analysis

As at 30th June, 2010, the Group had net current assets of approximately HK\$227,453,000 (2009: approximately HK\$168,805,000). The shareholders' equity was approximately HK\$400,327,000 (2009: approximately HK\$169,544,000) and there was no borrowing (not including convertible notes liabilities). The Group's gearing ratio, calculated using the total borrowings (including convertible notes liabilities) as a percentage of total shareholders' equity as basis, was approximately 6.74%.

### DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 30th June, 2010.

### EMPLOYMENT AND REMUNERATION POLICIES

As at 30th June, 2010, the Group employed approximately 10 employees. The Remuneration Committee and the Directors of the Company reviewed remuneration policies regularly. The structure of the remuneration packages would take into account the level and composition of pay and the general market conditions in the respective countries and businesses.

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 30th June, 2010.

### SHARE OPTION SCHEME

The Company has a share option scheme to enable the directors of the Company to grant options to eligible participants, including executive directors, of the Company and its subsidiaries to subscribe for shares in the Company. Details of movements in the Company's share options during the year ended 30th June, 2010 are set out in note 27 to the consolidated financial statements.

## Directors and Senior Management's Profiles

### EXECUTIVE DIRECTORS

**Mr. NG Leung Ho ("Mr. Ng")**, aged 59, was previously an executive Director and Chairman of the Company and a member of each of the Remuneration Committee, Nomination Committee and General Committee of the Company from 14th June, 2007 to 10th November, 2008. He was appointed as Non-Executive Director and Chairman of the Company on 8th September, 2009 and re-designated to Executive Director and member of each of the Remuneration Committee, Nomination Committee and General Committee of the Company on 30th September, 2009. He had been the director of certain subsidiaries of the Company. He had also been the chairman and an executive director of China Grand Forestry Green Resources Group Limited ("**CGFGR**"), the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Mr. Ng has more than 37 years of experience in the field of apparel business. Mr. Ng is currently a JP and a member of the Chinese People's Political Consultative Conference.

**Mr. LO Wan Sing, Vincent ("Mr. Lo")**, aged 63, was appointed as an Independent Non-Executive Director of the Company on 3rd July, 2007 and re-designated as an Executive Director and Chairman of the Board and appointed as member of the General Committee on 10th November, 2008. Mr. Lo was re-designated as Vice-Chairman of the Board on 8th September, 2009. He was previously the Chairman of Remuneration Committee, and member of each of Audit Committee and Nomination Committee of the Company from 3rd July, 2007 to 10th November, 2008. He has more than 30 years of experience in the field of jewelry and property investment. He is currently the president of Plateria Jewelry Limited and Kwok Cheong Ind. Limited, and also the managing director of Hong Kong New Century Real Estate Limited. He is a member of the Chinese People's Political Consultative Conference.

**Mr. HO Kam Hung ("Mr. Ho")**, aged 59, was appointed as an Executive Director, Managing Director of the Company, a member of each of the Remuneration Committee, Nomination Committee and General Committee of the Company on 20th November, 2007. Mr. Ho is also the director of Able Business Developments Limited, an entity engaged in sales and marketing of apparel products. Mr. Ho was an executive director of CGFGR and has more than 33 years of experience in the apparel business and general management.

**Mr. ZHENG Jie ("Mr. Zheng")**, aged 41, was appointed as an Executive Director of the Company on 15th August, 2008 and he resigned from the position of Executive Director on 30th September, 2009. Mr. Zheng is also a director of 中國江蘇省金鼎置業有限公司, a company involved in the development and sales of properties in the JiangSu Province of the PRC. Mr. Zheng graduated from the department of law at Fujian Institute of Engineering in 1991. Mr. Zheng has extensive experience in tourism, property development and large scale project management and has held various senior management positions for those areas within the People's Republic of China (the "PRC").

## Directors and Senior Management's Profiles

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. CHAU On Ta Yuen ("Mr. Chau")**, aged 63, was appointed as an Independent Non-Executive Director of the Company on 3rd July, 2007. He was also appointed the Chairman of Nomination Committee, a member of each of the Audit Committee and Remuneration Committee of the Company on 3rd July, 2007. He graduated from Xiamen University majoring in Chinese language and literature. Mr. Chau is also Chairman and executive director of China Ocean Shipbuilding Industry Group Limited (formerly known as "Wonson International Holdings Limited") and an independent non-executive director of Come Sure Group (Holdings) Limited, all of which are listed on the Main Board of the Stock Exchange. Mr. Chau previously held positions for companies listed on the Main Board of the Stock Exchange: (i) as the executive director and the deputy chairman of Everbest Energy Holdings Limited (formerly known as "Everbest Century Holdings Limited") (from 20th March, 2003 to 20th November, 2006), (ii) as independent non-executive director of Buildmore International Limited (from 1st December, 2008 to 24th September, 2010); Mr. Chau also held position for company listed on the GEM Board of the Stock Exchange: as a member of the audit committee of Hao Wen Holdings Limited (formerly known as "Everpride Biopharmaceutical Company Limited") (from 28th May, 2003 to 20th August, 2009). He is also a member of the Chinese People's Political Consultative Conference, with a Bronze Bauhinia Star (BBS) awarded on 1st July, 2010 by the Government of HKSAR.

**Mr. LAW Wai Fai ("Mr. Law")**, aged 42, was appointed as an Independent Non-Executive Director of the Company on 3rd July, 2007. He was also appointed as the Chairman of Audit Committee, the Chairman of General Committee, members of Remuneration Committee and Nomination Committee of the Company on 3rd July, 2007. Mr. Law has been re-designated from a member to the Chairman of the Remuneration Committee on 10th November, 2008. He had been an executive director of Superb Summit International Timber Company Limited, a company listed on the Main Board of the Stock Exchange. Mr. Law has extensive experience in financial management. He holds a master of Business Administration degree from the Hong Kong Polytechnic University and a bachelor degree in Accountancy from the City University of Hong Kong. He is also a member of the Hong Kong Institute of Certified Public Accountants and a member of The Institute of Chartered Accountants in England and Wales.

**Mr. WANG Yan Ming ("Mr. Wang")**, aged 47, was appointed as an Independent Non-Executive Director of the Company on 25th February, 2009. He was also appointed as a member of the Audit Committee, a member of the Remuneration Committee and a member of the Nomination Committee. He is currently a director of 福建中信房地產開發有限公司 and he has extensive experience in financial and accounting management. He holds a certificate in financial accounting from 福建省商業學校 and a Bachelor's degree in Business Accounting from the 安徽財貿學院 of the PRC.

### SENIOR MANAGEMENT

**Mr. CHAN Chi Ming, Tony ("Mr. Chan")**, aged 42, chief financial officer and company secretary of the Company, is responsible for strategic investment and financial management of the Company. Mr. Chan graduated from Australian National University, with a Bachelor Degree in Commerce (Major in Accounting). Mr. Chan is a member of the CPA Australia and has over 17 years' experience in the field of business advisory, accounting and auditing. Mr. Chan was formerly senior manager of an international accounting firm.

## Corporate Governance Report

The Company is committed to upholding good corporate governance practices and procedures to ensure greater transparency and quality of disclosure as well as more effective risk control.

### CODE ON CORPORATE GOVERNANCE PRACTICE

In the opinion of the Directors, the Company has complied throughout the year ended 30th June, 2010 with the Code on Corporate Governance Practice (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for the following deviations:

Under the code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election. All Independent Non-Executive Directors of the Company are not appointed for a specific term. However, they are subject to retirement by rotation in the annual general meeting according to the provisions of the Company's Bye-Laws.

### THE BOARD OF DIRECTORS

The Board of the Company is collectively responsible for overseeing the management of the business and affairs of the Group with the objective to protect and enhance long-term shareholders' value. The position of the Chairman of the Board was held by Mr. Ng Leung Ho and Mr. Lo Wan Sing, Vincent throughout the current financial year. The position of the Chief Executive Officer (i.e. the Managing Director) was held by Mr. Ho Kam Hung from 20th November, 2007 onwards. These two positions are held separately by different directors to ensure their respective independence, accountability and responsibility. This separation of positions can ensure a clear delineation of roles between the Chairman's responsibility to oversee the Group's business strategies and the Chief Executive Officer's responsibility to monitor the day-to-day business.

The Board now comprises of six Directors, with three Executive Directors and three Independent Non-Executive Directors. The Directors' biographical information is set out on pages 9 and 10 under the heading "Directors and Senior Management's Profiles".

The Independent Non-Executive Directors come from diverse business and professional backgrounds, rendering valuable expertise and experience for promoting the best interests of the Group and its shareholders as a whole by taking care of the interests of all shareholders and that issues are considered in a more objective manner. The Company has received, from each of the Independent Non-Executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the Independent Non-Executive Directors are independent.

All Directors (including Independent Non-Executive Directors) are subject to retirement by rotation once every three years in accordance with the Company's Bye-laws and the Code. None of the Directors has a service contract with any member of the Group which is not determinable by the relevant employer within one year without compensation payment (other than statutory compensation).

## Corporate Governance Report

The Board conducts at least four regular Board meetings a year at approximately quarterly intervals in addition to other Board meetings that are required for significant and important issues, and for statutory purposes. Appropriate and sufficient information is provided to Board members in a timely manner to keep them abreast of the Group's latest developments and thus assist them in discharging their duties.

The Board has established Board Committees, namely Audit Committee, Remuneration Committee, Nomination Committee and General Committee to oversee particular aspects of the Company's affairs and to assist in the execution of the Board's responsibilities.

### AUDIT COMMITTEE

The Company formulated written terms of reference for the Audit Committee in accordance with the requirements of the Stock Exchange. The Audit Committee comprises the three Independent Non-Executive Directors of the Company. The primary duties of the Audit Committee are to review the Company's annual results and to review and supervise the Company's financial reporting and internal control procedures.

The Audit Committee meets at least twice annually to review and discuss the interim results and annual results. Each member of the Audit Committee has complete and unrestricted access to the Auditor and all senior staff of the Group.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed the auditing, internal controls and financial reporting matters, including review of the audited financial statements of the Group for the year.

As a resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint the current external Auditor, Messrs. BDO Limited, no explanation from the Audit Committee is applicable to the reason why the Board has taken a different view from that of the Audit Committee regarding the selection, appointment, resignation or dismissal of the external Auditor.

### REMUNERATION COMMITTEE

The Remuneration Committee consists of the Chairman, the Managing Director, and the three Independent Non-Executive Directors with one of them acts as the Chairman of the Remuneration Committee.

The Remuneration Committee is responsible for formulating transparent procedures for developing remuneration policies and packages for the Executive Directors and other key staff of the Group. It takes into account whether the packages offered are appropriate to the respective duties and performance of the Directors and Staff, and whether the packages are competitive and sufficiently attractive to retain the executive Directors and the key staff concerned. The Remuneration Committee meets at least once during the financial year.

## Corporate Governance Report

### NOMINATION COMMITTEE

The Nomination Committee consists of the Chairman, the Managing Director, and the three Independent Non-Executive Directors with one of them acts as the Chairman of the Nomination Committee.

The Nomination Committee has been established to enhance transparency and fairness in the evaluation, selection and appointment of Board members. The Nomination Committee meets at least once during the financial year or/ and when circumstances required.

### GENERAL COMMITTEE

The General Committee consists of four members, the majority of which are Executive Directors.

The General Committee has been established to take care of various administrative matters of the Board. The General Committee meets at least once during the financial year and when circumstances required.

### ATTENDANCE RECORD AT BOARD AND BOARD COMMITTEE MEETINGS

#### Board of Directors Meetings

A total of twenty-five Board of Directors meetings of the Company were held during the year. The attendance rates of individual Board members of the Company are as follows:

| <b>Name of Directors</b>   | <b>Attendance</b> |
|--|-------------------|
| <b>Executive Directors</b>   |                   |
| Mr. Ng Leung Ho ( <i>Chairman</i> ) ( <i>resigned on 10th November, 2008 and re-appointed on 8th September, 2009</i> ) | 14/20             |
| Mr. Lo Wan Sing, Vincent ( <i>Vice-Chairman</i> )  | 13/25             |
| Mr. Ho Kam Hung ( <i>Managing Director</i> )   | 24/25             |
| Mr. Zheng Jie ( <i>appointed on 15th August, 2008 and resigned on 30th September, 2009</i> )                           | –                 |
| <b>Independent Non-Executive Directors</b>   |                   |
| Mr. Law Wai Fai  | 15/25             |
| Mr. Chau On Ta Yuen  | 20/25             |
| Mr. Wang Yan Ming  | 22/25             |

## Corporate Governance Report

### Audit Committee Meetings

A total of two Audit Committee meetings of the Company were held during the year. The attendance rates of individual Audit Committee members of the Company are as follows:

| <b>Name of Audit Committee members</b>                 | <b>Attendance</b> |
|--|-------------------|
| <b><i>Independent Non-Executive Directors</i></b>      |                   |
| Mr. Law Wai Fai ( <i>Chairman of Audit Committee</i> ) | 2/2               |
| Mr. Chau On Ta Yuen                                    | 2/2               |
| Mr. Wang Yan Ming                                      | 2/2               |

### Remuneration Committee Meetings

A total of one Remuneration Committee meeting of the Company was held during the year. The attendance rates of individual Remuneration Committee members of the Company are as follows:

| <b>Name of Remuneration Committee members</b>  | <b>Attendance</b> |
|--|-------------------|
| <b><i>Independent Non-Executive Directors</i></b>  |                   |
| Mr. Law Wai Fai ( <i>Chairman of Remuneration Committee</i> )                                    | 1/1               |
| Mr. Chau On Ta Yuen  | 1/1               |
| Mr. Wang Yan Ming  | 1/1               |
| <b><i>Executive Directors</i></b>  |                   |
| Mr. Ng Leung Ho ( <i>resigned on 10th November, 2008 and appointed on 30th September, 2009</i> ) | 1/1               |
| Mr. Ho Kam Hung  | 1/1               |

## Corporate Governance Report

### Nomination Committee Meeting

A total of one Nomination Committee meeting of the Company was held during the year. The attendance rates of individual Nomination Committee members of the Company are as follows:

| Name of Nomination Committee members   | Attendance |
|--|------------|
| <b>Independent Non-Executive Directors</b>   |            |
| Mr. Chau On Ta Yuen ( <i>Chairman of Nomination Committee</i> )                                  | 1/1        |
| Mr. Law Wai Fai  | 1/1        |
| Mr. Wang Yan Ming  | 1/1        |
| <b>Executive Directors</b>   |            |
| Mr. Ng Leung Ho ( <i>resigned on 10th November, 2008 and appointed on 30th September, 2009</i> ) | 1/1        |
| Mr. Ho Kam Hung  | 1/1        |

### General Committee Meeting

A total of one General Committee meeting of the Company was held during the year. The attendance rates of individual General Committee members of the Company are as follows:

| Name of General Committee members  | Attendance |
|--|------------|
| <b>Independent Non-Executive Director</b>  |            |
| Mr. Law Wai Fai ( <i>Chairman of General Committee</i> )   | 1/1        |
| <b>Executive Directors</b>   |            |
| Mr. Ng Leung Ho ( <i>resigned on 10th November, 2008 and appointed on 30th September, 2009</i> ) | –          |
| Mr. Ho Kam Hung  | 1/1        |
| Mr. Lo Wan Sing, Vincent   | 1/1        |



## Corporate Governance Report

### MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions By Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") during the year under review. The Company has made specific enquiry with all directors and all of them confirmed that they have complied with the required standard set out in the Model Code for the year ended 30th June, 2010 except that on 7th September, 2009, each of Mr. Ho Kam Hung, Mr. Lo Wai Sing, Vincent, Mr. Law Wai Fai and Mr. Chau On Ta Yuen was granted with 4,100,000, 1,400,000, 600,000 and 600,000 share options of the Company respectively (the "Grant"). On 23rd October, 2009, a board meeting of the Company was held to consider and approve the annual results of the Company for the period ended 30th June, 2009 (the "Annual Results") and the announcement of the Annual Results was published on that date. The Grant took place during the black-out period for Directors' dealings in the shares of the Company which resulted in non-compliance with Rule A.3 of the Model Code. In light of the aforesaid, the Company has taken various measures, including periodic update of the Company's policies on compliance with the Listing Rules, updates on the Listing Rules will be brought to the attention of the directors of the Company periodically and periodic discussions between the company secretary and the directors of the Company relating to any update on the Listing Rules and internal control matter was made.

Written guidelines on no less exacting terms than the Model Code relating to securities transactions for employees are adopted by the Company.

### DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group and ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the financial statements of the Group.

The statement of the external Auditor of the Company, Messrs. BDO Limited, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 27 and 28.

The Directors confirm that, to the best of their knowledge, information and belief having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

### AUDITOR'S REMUNERATION

For the year ended 30th June, 2010, the Auditor of the Company would receive approximately HK\$430,000 for statutory audit services. Payments for other non-audit services of approximately HK\$100,000 in total to the Auditor were made during the year. No payments for consultancy services to the Auditor was made during the year.

## Corporate Governance Report

### INTERNAL CONTROL AND RISK MANAGEMENT

To facilitate the effectiveness and efficiency of operations and to ensure compliance with relevant laws and regulations, the Group emphasizes on the importance of a sound internal control system which is also indispensable to mitigating the Group's risk exposures. The Group's system of internal control is designed to provide reasonable, rather than absolute, assurance against material misstatement or loss and to manage but not eliminate risks of failure in operational systems and fulfillment of the business objectives.

The internal control system is reviewed on an ongoing basis by the Board in order to make it practical and effective in providing reasonable assurance in relation to protection of material assets and identification of business risks.

The Group is committed to the identification, monitoring and management of risks associated with its business activities and has implemented a practical and effective control system which includes a defined management structure with limits of authority, a sound cash management system and periodic review of the Group's performance by the Audit Committee and the Board.

### INVESTOR RELATIONS

The Company recognises the need and the importance of timely and continuous communication with shareholders. In addition to the Company's annual reports and interim reports, the Company maintains a policy of ongoing communication with shareholders whose enquiries are directed to and dealt with by the Company's senior management.

## Report of the Directors

The directors present their annual report and the audited consolidated financial statements of the Company for the year ended 30th June, 2010.

### PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 32 to the consolidated financial statements.

### RESULTS

The results of the Group for the year ended 30th June, 2010 are set out in the consolidated statement of comprehensive income on page 29.

The directors do not recommend the payment of a dividend for the year ended 30th June, 2010.

### FINANCIAL SUMMARY

The financial summary of the consolidated results of the Group for each of the five years ended 30th June, 2010 and of the net assets of the Group as at 30th June, 2010, 2009, 2008, 2007, and 2006 are set out on page 86.

### CHARITABLE DONATIONS

Charitable donations made by the Group amounted to HK\$1,000,000 for the year ended 30th June, 2010.

### INTEREST IN A JOINTLY CONTROLLED ENTITY

Details of movements during the year in the interest in a jointly controlled entity of the Group including advance of an unsecured shareholders' loan of HK\$200 million to a jointly controlled entity and details for the balance and attributable interest of the Group are set out in note 18 to the consolidated financial statements.

### PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

### SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 25 to the consolidated financial statements.

## Report of the Directors

### SHARE OPTIONS

Details of movements during the year in the share options of the Group are set out in note 27 to the consolidated financial statements.

### CONVERTIBLE NOTES

Details of movements during the year in the convertible notes of the Company are set out in note 23 to the consolidated financial statements.

### RESERVES

Details of movements during the year in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 32 of the annual report and in note 26 to the consolidated financial statements respectively.

### DISTRIBUTABLE RESERVES

The Company's reserves available for distribution amounted to approximately HK\$172,271,000 at 30th June, 2010.

Under the Companies Act 1981 of Bermuda (as amended), the balances in a company's contributed surplus and share premium accounts are available for distribution. However, the company cannot declare or pay a dividend, or make a distribution out of contributed surplus and share premium if:

- (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the assets of the company would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

## Report of the Directors

### DIRECTORS

The directors of the Company during the year and up to the date of this report were:

#### Executive Directors:

Mr. Ng Leung Ho *(resigned on 10th November, 2008 and re-appointed as Non-executive Director on 8th September, 2009 and re-designated to Executive Director on 30th September, 2009)*

Mr. Lo Wan Sing, Vincent  
Mr. Ho Kam Hung  
Mr. Zheng Jie *(resigned on 30th September, 2009)*

#### Independent Non-Executive Directors:

Mr. Law Wai Fai  
Mr. Chau On Ta Yuen  
Mr. Wang Yan Ming

In accordance with Clause 87(1) of the Company's Bye-laws, Mr. Lo Wan Sing, Vincent will retire by rotation at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

The term of office for each Non-Executive Director is the period up to his retirement by rotation in accordance with the Company's Bye-Laws.

None of the Director being proposed for re-election at the forthcoming annual general meeting has any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES

At 30th June, 2010, the interests or short positions of each Director and the Chief Executive in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provision of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or (c) were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules on the Stock Exchange to be notified to the Company and the Stock Exchange were as follows:

## Report of the Directors

### Ordinary shares or underlying shares of the Company

| Directors                         | Capacity  | Number of issued ordinary shares held | Number of share options held | Total       | Approximate percentage of issued share capital of the Company |
|-----------------------------------|---|---------------------------------------|------------------------------|-------------|---|
| Mr. Ng Leung Ho ( <i>Note 1</i> ) | Beneficial owner/<br>Interest of controlled corporation | 506,741,883                           | –                            | 506,741,883 | 35.13%  |
| Mr. Lo Wan Sing, Vincent          | Beneficial owner  | 40,600,000                            | 1,400,000                    | 42,000,000  | 2.91%   |
| Mr. Ho Kam Hung                   | Beneficial owner  | 5,100,000                             | 5,900,000                    | 11,000,000  | 0.76%   |
| Mr. Law Wai Fai                   | Beneficial owner  | –                                     | 1,200,000                    | 1,200,000   | 0.08%   |
| Mr. Chau On Ta Yuen               | Beneficial owner  | 300,000                               | 900,000                      | 1,200,000   | 0.08%   |

*Note 1:*

Included (i) personal interests in 100,000,000 underlying shares representing the conversion rights attached to the convertible notes of principal amount of HK\$30,000,000 issued by the Company and (ii) corporate interests attributed to Mr. Ng Leung Ho of 100,000,000 shares held by Rich Capital Global Enterprises Limited, which is directly wholly owned by Mr. Ng Leung Ho.

Save as disclosed above, as at 30th June, 2010, none of the directors and the chief executive of the Company were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required pursuant to the Model Code adopted by the Company to be notified to the Company and the Stock Exchange.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Details of the share option scheme of the Company in which the directors of the Company are entitled to participate are set out under the heading "Share Option Scheme" below.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors or their spouses or children under the age of eighteen had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

## Report of the Directors

### SHARE OPTION SCHEME

Pursuant to the ordinary resolution passed at the annual general meeting of the Company held on 29th January, 2008, the Company adopted the share option scheme.

Up to 30th June, 2010, there were 48,400,000 share options granted and 7,800,000 option cancelled or lapsed. 15,520,000 options have been exercised during the current year. Details of which were as follows:

#### Number of shares under option

| Director                 | Beginning of year | Granted during the year | Exercised during the year | End of year            | Subscription price per share | Date of grant of share options | Exercisable period                         |
|--------------------------|-------------------|-------------------------|---------------------------|------------------------|------------------------------|--------------------------------|--|
| Mr. Ho Kam Hung          | 5,900,000         | -                       | -                         | 5,900,000 <sup>1</sup> | 1.25                         | 5th February, 2008             | 5th February, 2008 to 4th February, 2018   |
|                          | -                 | 4,100,000               | (4,100,000)               | -                      | 0.80                         | 7th September, 2009            | 7th September, 2009 to 6th September, 2019 |
| Sub-total                | 5,900,000         | 4,100,000               | (4,100,000)               | 5,900,000              |                              |                                |  |
| Mr. Law Wai Fai          | 600,000           | -                       | -                         | 600,000 <sup>1</sup>   | 1.25                         | 5th February, 2008             | 5th February, 2008 to 4th February, 2018   |
|                          | -                 | 600,000                 | -                         | 600,000 <sup>2</sup>   | 0.80                         | 7th September, 2009            | 7th September, 2009 to 6th September, 2019 |
| Sub-total                | 600,000           | 600,000                 | -                         | 1,200,000              |                              |                                |  |
| Mr. Lo Wan Sing, Vincent | 600,000           | -                       | (600,000)                 | -                      | 1.25                         | 5th February, 2008             | 5th February, 2008 to 4th February, 2018   |
|                          | -                 | 1,400,000               | -                         | 1,400,000 <sup>2</sup> | 0.80                         | 7th September, 2009            | 7th September, 2009 to 6th September, 2019 |
| Sub-total                | 600,000           | 1,400,000               | (600,000)                 | 1,400,000              |                              |                                |  |
| Mr. Chau On Ta Yuen      | 600,000           | -                       | -                         | 600,000 <sup>1</sup>   | 1.25                         | 5th February, 2008             | 5th February, 2008 to 4th February, 2018   |
|                          | -                 | 600,000                 | (300,000)                 | 300,000 <sup>3</sup>   | 0.80                         | 7th September, 2009            | 7th September, 2009 to 6th September, 2019 |
| Sub-total                | 600,000           | 600,000                 | (300,000)                 | 900,000                |                              |                                |  |

## Report of the Directors

| <b>Non-Director</b>         | <b>Beginning of year</b> | <b>Granted during the year</b> | <b>Exercised during the year</b> | <b>End of year</b>       | <b>Subscription price per share</b> | <b>Date of grant of share options</b> | <b>Exercisable period</b>                  |
|-----------------------------|--------------------------|--------------------------------|----------------------------------|--------------------------|-------------------------------------|---------------------------------------|--|
| Employees/<br>Non-Directors | 8,400,000                | -                              | -                                | 8,400,000 <sup>4</sup>   | 1.11                                | 31st January, 2008                    | 31st January, 2008 to 30th January, 2018,  |
| Non-Director                | 5,600,000                | -                              | -                                | 5,600,000 <sup>5</sup>   | 1.27                                | 6th February, 2008                    | 6th February, 2008 to 5th February, 2018   |
| Employees/<br>Non-Directors | -                        | 12,200,000                     | (10,520,000)                     | 1,680,000 <sup>6</sup>   | 0.80                                | 7th September, 2009                   | 7th September, 2009 to 6th September, 2019 |
|                             | <u>14,000,000</u>        | <u>12,200,000</u>              | <u>(10,520,000)</u>              | <u>15,680,000</u>        |                                     |                                       |  |
| <b>Total</b>                | <u><u>21,700,000</u></u> | <u><u>18,900,000</u></u>       | <u><u>(15,520,000)</u></u>       | <u><u>25,080,000</u></u> |                                     |                                       |  |

### Notes:

1. The outstanding options at the end of year can be exercised in whole from 5th February, 2010.
2. The outstanding options at the end of year can be exercised not more than 40% from 7th September, 2009, not more than 70% from 7th September, 2010 and in whole from 7th September, 2011.
3. The outstanding options at the end of year can be exercised not more than 120,000 options from 7th September, 2010 and in whole from 7th September, 2011.
4. The outstanding options at the end of year can be exercised not more than 40% from 31st January, 2008, not more than 70% from 31st January, 2009 and in whole from 31st January, 2010.
5. The outstanding options at the end of year can be exercised not more than 40% from 6th February, 2008, not more than 70% from 6th February, 2009 and in whole from 6th February, 2010.
6. The outstanding options at the end of year can be exercised not more than 720,000 options from 7th September, 2010 and in whole from 7th September, 2011.

The weighted average closing price of shares on the dates on which the options were exercised was HK\$1.30. The weighted average closing price of shares immediately before the dates on which the options were exercised was HK\$1.34.



## Report of the Directors

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARE CAPITAL OF THE COMPANY

At 30th June, 2010, the shareholder who had an interest or short position in the shares and underlying shares of the Company which have been disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO was as follows:

| Name of shareholder                                     | Capacity         | Number of<br>issued ordinary<br>shares held | Approximate<br>percentage<br>of the issued<br>share capital<br>of the Company |
|---|------------------|---|---|
| Rich Capital Global Enterprises Limited ( <i>Note</i> ) | Beneficial owner | 100,000,000                                 | 6.93%   |
| Mr. Dong Xue Jian                                       | Beneficial owner | 72,650,000                                  | 5.03%   |

*Note:* The entire issued capital of Rich Capital Global Enterprises Limited is directly wholly owned by Mr. Ng Leung Ho.

Save as disclosed herein, no other person had any interests or short positions in the shares or underlying shares of the Company as at 30th June, 2010, which were disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

### CONNECTED TRANSACTION

The following is summary of transaction which was disclosed in the announcements during the year ended 30th June, 2010:

As stated in the announcement dated 25th June, 2009, the Company entered into a convertible note subscription agreement with Top Rise Capital Resources Limited (the "Subscriber"), pursuant to which the Company has conditionally agreed to issue the Subscriber the convertible notes in the principal amount of HK\$115.5 million. The Subscriber is wholly-owned by Mr. Ng Leung Ho, a substantial shareholder of the Company. The subscription was completed on 17th August, 2009. The net proceeds raised from the subscription is approximately HK\$115.5 million.

The subscription was approved by shareholders at special general meeting on 29th July, 2009. On 28th August, 2009 and 9th November, 2009, the Subscriber converted the convertible notes in an aggregate principal amount of HK\$55.5 million and HK\$30.0 million, respectively, both at a conversion price of HK\$0.3 each, which resulted in the issuance of 185 million and 100 million shares of the Company, respectively.

The Company made a press announcement dated 31st October, 2005 in relation to, inter alia, continuing connected transactions involving the leasing of office premises from an associate of a connected person of the Company. For the year ended 30th June, 2010, the total rentals (inclusive of building management fee and services fees but excluding government rates and government rent) amounting to approximately Nil (2009: approximately HK\$150,000) were paid to the said associate of a connected person of the Company.

## Report of the Directors

### DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance, to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30th June, 2010, there was no sales and purchases for the Group's segment of distribution and trading.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

### CORPORATE GOVERNANCE

Corporate governance practices of the Company is set out in the Corporate Governance Report of the Company.

### INDEPENDENCE CONFIRMATION

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

### DIRECTOR'S INTERESTS IN COMPETING BUSINESSES

None of the directors of the Company is interested in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

### AUDIT COMMITTEE

The Company has appointed three independent non-executive directors of the Company as members of the Audit Committee to assist the board of directors in fulfilling its duties by providing review and supervision of the Company's financial reporting process and internal controls. The audit committee has reviewed the Group's annual and interim results.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws, or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## Report of the Directors

### EMOLUMENT POLICY

The Group's employee emolument policy is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

### SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the best knowledge of the directors, the Company has maintained a sufficient public float throughout the year ended 30th June, 2010.

### CHANGE OF NAME

On 16th October, 2009, the Board of Directors announced that the Company intended to change its English name from "Wonderful World Holdings Limited" to "Good Fellow Resources Holdings Limited" and the Chinese name from 榮德豐控股有限公司 to 金威資源控股有限公司 (for identification purposes only). The special resolution for proposed change of name was duly passed by the shareholders at the special general meeting held on 30th November, 2009. The Certificate of Incorporation on Change of Name was issued by the Registrar of Companies in Bermuda on 11th December, 2009. The Certificate of Registration of Change of Corporate Name of Non-Hong Kong Company confirming registration of the Company under the name of "Good Fellow Resources Holdings Limited" under Part XI of the Companies Ordinance was issued by the Registrar of Companies in Hong Kong on 12th January, 2010.

### AUDITOR

Shu Lun Pan Hong Kong CPA Limited (formerly known as Shu Lun Pan Horwath Hong Kong CPA Limited) acted as auditor of the Company for the two years ended 30th June, 2008 and 2009. On 1st May, 2009, Shu Lun Pan Hong Kong CPA Limited has merged their business with BDO McCabe Lo Limited and renamed as BDO Limited. As such, BDO Limited was appointed as the Company's auditor.

The financial statements for the year ended 30th June, 2010 have been audited by BDO Limited. BDO Limited shall retire and a resolution for its reappointment will be proposed at the forthcoming Annual General Meeting of the Company.

On behalf of the Board

**Ng Leung Ho**  
*Chairman*

Hong Kong, 20th October, 2010

## Independent Auditor's Report



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### TO THE SHAREHOLDERS OF GOOD FELLOW RESOURCES HOLDINGS LIMITED

金威資源控股有限公司

(FORMERLY KNOWN AS WONDERFUL WORLD HOLDINGS LIMITED 榮德豐控股有限公司)

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Good Fellow Resources Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 29 to 85, which comprise the consolidated and company statement of financial position as at 30th June, 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

## Independent Auditor's Report

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of the affairs of the Group and of the Company as at 30th June, 2010 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **BDO Limited**

*Certified Public Accountants*

20th October, 2010

### **Wong Chi Wai**

Practising Certificate number P04945

## Consolidated Statement of Comprehensive Income

For the year ended 30th June, 2010

|  | Notes | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
|--|-------|------------------|------------------|
| Turnover   | 7     | <b>134,942</b>   | 74,564           |
| Revenue  | 8     | <b>11,759</b>    | (26,391)         |
| Cost of sales  |       | –                | (1,630)          |
| Gross profit/(loss)  |       | <b>11,759</b>    | (28,021)         |
| Net changes in fair value of investments held for trading                              |       | <b>(1,470)</b>   | (1,865)          |
| Other net gains and income   | 9     | <b>23,437</b>    | 1,100            |
| Distribution costs   |       | –                | (276)            |
| Administrative expenses  |       | <b>(32,448)</b>  | (15,304)         |
| Finance costs  | 10    | <b>(3,958)</b>   | –                |
| Share of loss of a jointly controlled entity   |       | <b>(330)</b>     | –                |
| Loss before taxation   | 11    | <b>(3,010)</b>   | (44,366)         |
| Taxation   | 13    | <b>520</b>       | –                |
| Loss and total comprehensive income for the year attributable to owners of the Company |       | <b>(2,490)</b>   | (44,366)         |
|  |       | <b>HK Cents</b>  | <i>HK Cents</i>  |
| <b>Loss per share attributable to owners of the Company</b>                            | 15    |                  |                  |
| – Basic and diluted  |       | <b>(0.2)</b>     | (6.2)            |

## Consolidated Statement of Financial Position

At 30th June, 2010

|   | Notes | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
|---|-------|------------------|------------------|
| <b>Non-current assets</b>   |       |                  |                  |
| Property, plant and equipment                                     | 16    | 1,388            | 739              |
| Interest in a jointly controlled entity                           | 18    | 199,670          | –                |
|   |       | <b>201,058</b>   | 739              |
| <b>Current assets</b>   |       |                  |                  |
| Trade and other receivables                                       | 19    | 7,000            | 1,178            |
| Investments held for trading                                      | 20    | 102,874          | 11,640           |
| Bank balances and cash  | 21    | 119,582          | 158,985          |
|   |       | <b>229,456</b>   | 171,803          |
| <b>Current liabilities</b>  |       |                  |                  |
| Trade and other payables  | 22    | 2,003            | 2,868            |
| Taxation payable  |       | –                | 130              |
|   |       | <b>2,003</b>     | 2,998            |
| Net current assets  |       | <b>227,453</b>   | 168,805          |
| Total assets less current liabilities                             |       | <b>428,511</b>   | 169,544          |
| <b>Non-current liabilities</b>                                    |       |                  |                  |
| Convertible notes   | 23    | 26,996           | –                |
| Deferred tax liabilities  | 24    | 1,188            | –                |
|   |       | <b>28,184</b>    | –                |
| NET ASSETS  |       | <b>400,327</b>   | 169,544          |
| <b>Capital and reserves attributable to owners of the Company</b> |       |                  |                  |
| Share capital   | 25    | 144,221          | 77,069           |
| Reserves  |       | 256,106          | 92,475           |
| TOTAL EQUITY  |       | <b>400,327</b>   | 169,544          |

The consolidated financial statements on pages 29 to 85 were approved and authorised for issue by the Board of Directors on 20th October, 2010 and are signed on its behalf by:

**Ng Leung Ho**  
DIRECTOR

**Ho Kam Hung**  
DIRECTOR

## Statement of Financial Position

At 30th June, 2010

|   | Notes | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
|---|-------|------------------|------------------|
| <b>Non-current assets</b>   |       |                  |                  |
| Property, plant and equipment                                     | 16    | 1,386            | 737              |
| Investments in subsidiaries                                       | 17    | 1,390            | 1,390            |
|   |       | <b>2,776</b>     | 2,127            |
| <b>Current assets</b>   |       |                  |                  |
| Trade and other receivables                                       | 19    | 408              | 1,121            |
| Amounts due from subsidiaries                                     | 17    | 305,261          | 167,285          |
| Bank balances and cash  | 21    | 100,765          | 2,487            |
|   |       | <b>406,434</b>   | 170,893          |
| <b>Current liabilities</b>  |       |                  |                  |
| Trade and other payables  | 22    | 1,432            | 1,702            |
| Amounts due to subsidiaries                                       | 17    | 1,053            | 6,313            |
|   |       | <b>2,485</b>     | 8,015            |
| Net current assets  |       | <b>403,949</b>   | 162,878          |
| Total assets less current liabilities                             |       | <b>406,725</b>   | 165,005          |
| <b>Non-current liabilities</b>                                    |       |                  |                  |
| Convertible notes   | 23    | 26,996           | –                |
| Deferred tax liabilities  | 24    | 1,188            | –                |
|   |       | <b>28,184</b>    | –                |
| <b>NET ASSETS</b>   |       | <b>378,541</b>   | 165,005          |
| <b>Capital and reserves attributable to owners of the Company</b> |       |                  |                  |
| Share capital   | 25    | 144,221          | 77,069           |
| Reserves  | 26    | 234,320          | 87,936           |
| <b>TOTAL EQUITY</b>   |       | <b>378,541</b>   | 165,005          |

The consolidated financial statements on pages 29 to 85 were approved and authorised for issue by the Board of Directors on 20th October, 2010 and are signed on its behalf by:

**Ng Leung Ho**  
DIRECTOR

**Ho Kam Hung**  
DIRECTOR



## Consolidated Statement of Changes in Equity

For the year ended 30th June, 2010

|  | Share<br>capital | Share<br>premium <sup>(a)</sup> | Contributed<br>surplus <sup>(a)</sup> | Special<br>reserve <sup>(b)</sup> | Other<br>reserve <sup>(c)</sup> | Share-based<br>compensation           |                        | Convertible      | Accumulated<br>losses | Total          |
|--|------------------|---------------------------------|---------------------------------------|-----------------------------------|---------------------------------|---------------------------------------|------------------------|------------------|-----------------------|----------------|
|  |                  |                                 |                                       |                                   |                                 | Translation<br>reserve <sup>(d)</sup> | reserve <sup>(e)</sup> | notes<br>reserve |                       |                |
|  | HK\$'000         | HK\$'000                        | HK\$'000                              | HK\$'000                          | HK\$'000                        | HK\$'000                              | HK\$'000               | HK\$'000         | HK\$'000              | HK\$'000       |
| At 1st July, 2008  | 64,229           | 538,285                         | -                                     | 847                               | 39,387                          | (5)                                   | 9,392                  | -                | (468,545)             | 183,590        |
| Loss and total comprehensive<br>income for the year  | -                | -                               | -                                     | -                                 | -                               | -                                     | -                      | -                | (44,366)              | (44,366)       |
| Issue of shares for cash (Note 25)   | 12,840           | 12,840                          | -                                     | -                                 | -                               | -                                     | -                      | -                | -                     | 25,680         |
| Expenses incurred in connection<br>with issue of shares  | -                | (693)                           | -                                     | -                                 | -                               | -                                     | -                      | -                | -                     | (693)          |
| Lapse of options   | -                | -                               | -                                     | -                                 | -                               | -                                     | (2,525)                | -                | 2,525                 | -              |
| Equity settled share-based payments  | -                | -                               | -                                     | -                                 | -                               | -                                     | 5,333                  | -                | -                     | 5,333          |
| At 30th June, 2009   | 77,069           | 550,432                         | -                                     | 847                               | 39,387                          | (5)                                   | 12,200                 | -                | (510,386)             | 169,544        |
| Loss and total comprehensive<br>income for the year  | -                | -                               | -                                     | -                                 | -                               | -                                     | -                      | -                | (2,490)               | (2,490)        |
| Issue of shares by placement<br>(Note 25)  | 23,100           | 46,200                          | -                                     | -                                 | -                               | -                                     | -                      | -                | -                     | 69,300         |
| Expenses incurred in connection<br>with issue of shares  | -                | (1,004)                         | -                                     | -                                 | -                               | -                                     | -                      | -                | -                     | (1,004)        |
| Recognition of equity component<br>of convertible notes (Note 23)                                  | -                | -                               | -                                     | -                                 | -                               | -                                     | -                      | 45,256           | -                     | 45,256         |
| Deferred tax recognised on issuance<br>of convertible notes (Note 24)                              | -                | -                               | -                                     | -                                 | -                               | -                                     | -                      | (7,474)          | -                     | (7,474)        |
| Issue of shares upon conversion<br>of convertible notes (Note 25)                                  | 42,500           | 85,748                          | -                                     | -                                 | -                               | -                                     | -                      | (35,693)         | -                     | 92,555         |
| Deferred tax realised on conversion<br>of convertible notes (Note 24)                              | -                | -                               | -                                     | -                                 | -                               | -                                     | -                      | 5,766            | -                     | 5,766          |
| Issue of shares on exercise of<br>share options (Note 25)  | 1,552            | 24,715                          | -                                     | -                                 | -                               | -                                     | (13,581)               | -                | -                     | 12,686         |
| Cancellation of share premium<br>towards accumulated losses and<br>credited to contributed surplus | -                | (681,175)                       | 170,789                               | -                                 | -                               | -                                     | -                      | -                | 510,386               | -              |
| Equity settled share-based payments  | -                | -                               | -                                     | -                                 | -                               | -                                     | 16,188                 | -                | -                     | 16,188         |
| <b>At 30th June, 2010</b>  | <b>144,221</b>   | <b>24,916</b>                   | <b>170,789</b>                        | <b>847</b>                        | <b>39,387</b>                   | <b>(5)</b>                            | <b>14,807</b>          | <b>7,855</b>     | <b>(2,490)</b>        | <b>400,327</b> |

## Consolidated Statement of Changes in Equity

For the year ended 30th June, 2010

- (a) The application of the share premium account is governed by Section 46(2) of the Bermuda Companies Act. On 30th November, 2009, the shareholders approved the proposed cancellation of the entire amount standing to the credit of the share premium account of the Company as at the date of the approval in the sum of approximately HK\$681,175,000 and applying part of the credit arising therefrom towards elimination of all the accumulated losses of approximately HK\$510,386,000 with the remaining balance of approximately HK\$170,789,000 being credited to the contributed surplus account of the Company.
- (b) The special reserve of the Group represents the differences between the nominal value of the aggregate share capital of the subsidiaries acquired pursuant to a group reorganisation in December 1997, over the nominal value of the Company's shares issued in exchange.
- (c) Other reserve of the Group represents the aggregate of the credit arising from the reduction of nominal value of the Company's share capital in March 1999 and March 2001 less the amount utilised for a bonus issue of shares in September 2000.
- (d) The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3.
- (e) The share-based compensation reserve represents the fair value of the share options granted by the Company which are yet to be exercised, and recognised in accordance with the accounting policy adopted for share-based payments in note 3.

## Consolidated Statement of Cash Flows

For the year ended 30th June, 2010

|  | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
|--|------------------|------------------|
| <b>OPERATING ACTIVITIES</b>                              |                  |                  |
| Loss before taxation                                     | <b>(3,010)</b>   | (44,366)         |
| Adjustments for:   |                  |                  |
| Bank interest income                                     | <b>(93)</b>      | (1,237)          |
| Other interest income                                    | <b>(504)</b>     | –                |
| Dividend income  | <b>(3,395)</b>   | (3,191)          |
| Depreciation of property, plant and equipment            | <b>330</b>       | 303              |
| Guaranteed return from investment                        | <b>(21,534)</b>  | –                |
| Share of loss of a jointly controlled entity             | <b>330</b>       | –                |
| Impairment of loans receivable                           | –                | 300              |
| Impairment of available-for-sale investments             | –                | 80               |
| Loss on disposal of property, plant and equipment        | –                | 73               |
| Reversal of long outstanding payables and accruals       | <b>(831)</b>     | –                |
| Share-based payments                                     | <b>16,188</b>    | 5,333            |
| Interest expenses  | <b>3,958</b>     | –                |
| Operating cash flows before movements in working capital | <b>(8,561)</b>   | (42,705)         |
| Decrease in inventories                                  | –                | 400              |
| Decrease in trade and other receivables                  | <b>712</b>       | 1,929            |
| (Increase)/decrease in investments held for trading      | <b>(91,234)</b>  | 27,863           |
| Decrease in trade and other payables                     | <b>(165)</b>     | (115)            |
| Cash used in operations                                  | <b>(99,248)</b>  | (12,628)         |
| Dividends received from investments held for trading     | <b>3,395</b>     | 3,191            |
| <b>NET CASH USED IN OPERATING ACTIVITIES</b>             | <b>(95,853)</b>  | (9,437)          |
| <b>INVESTING ACTIVITIES</b>                              |                  |                  |
| Purchase of property, plant and equipment                | <b>(979)</b>     | (826)            |
| Investment in and loan to a jointly controlled entity    | <b>(200,000)</b> | –                |
| Interest received on bank balances                       | <b>93</b>        | 1,237            |
| Guaranteed return from investment received               | <b>15,000</b>    | –                |
| Interest received from a joint venture partner           | <b>504</b>       | –                |
| Proceeds from disposal of available-for-sale investments | –                | 800              |
| <b>NET CASH (USED IN)/FROM INVESTING ACTIVITIES</b>      | <b>(185,382)</b> | 1,211            |

## Consolidated Statement of Cash Flows

For the year ended 30th June, 2010

|  | <i>Notes</i> | <b>2010</b><br><b>HK\$'000</b> | 2009<br>HK\$'000 |
|--|--------------|--------------------------------|------------------|
| <b>FINANCING ACTIVITIES</b>  |              |                                |                  |
| Proceeds from issue of shares by placement   | 25           | <b>69,300</b>                  | 25,680           |
| Proceeds from issue of convertible notes, net of issue costs                                   | 23           | <b>161,658</b>                 | –                |
| Proceeds from exercise of share options  | 25           | <b>12,686</b>                  | –                |
| Interest paid  |              | <b>(808)</b>                   | –                |
| Expenses paid in connection with issue of shares   |              | <b>(1,004)</b>                 | (693)            |
| <b>NET CASH FROM FINANCING ACTIVITIES</b>  |              | <b>241,832</b>                 | 24,987           |
| <b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>                                    |              | <b>(39,403)</b>                | 16,761           |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>                                      |              | <b>158,985</b>                 | 142,224          |
| <b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR,<br/>represented by bank balances and cash</b> |              | <b>119,582</b>                 | 158,985          |

## Notes to the Financial Statements

For the year ended 30th June, 2010

### 1. GENERAL

Good Fellow Resources Holdings Limited (the “Company”), formerly known as Wonderful World Holdings Limited is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business of the Company is located at Room 3312, 33rd Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

The Company is an investment holding company. The principal activities of the Group are provision of investment and financial services, and distribution and trading. The principal activities of its principal subsidiaries are set out in note 32.

### 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

#### (a) Adoption of new and revised HKFRSs

The Group has adopted the following new or revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are effective for the current accounting period.

|                                  |   |
|----------------------------------|---|
| HKFRS (Amendments)               | Improvements to HKFRSs issued in 2008   |
| HKFRS (Amendments)               | Improvements to HKFRSs issued in 2009   |
| HKAS 1 (Revised)                 | Presentation of Financial Statements  |
| HKAS 23 (Revised)                | Borrowing Costs   |
| HKAS 27 (Revised)                | Consolidated and Separate Financial Statements                                |
| HKAS 32 and 1 (Amendments)       | Puttable Financial Instruments and Obligations Arising on Liquidation         |
| Amendment to HKAS 39             | Eligible Hedged Items   |
| HKFRS 1 and HKAS 27 (Amendments) | Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate |
| HKFRS 1 (Revised)                | First-time Adopters of HKFRS  |
| HKFRS 2 (Amendment)              | Vesting Conditions and Cancellations  |
| HKFRS 3 (Revised)                | Business Combination  |
| HKFRS 7 (Amendment)              | Improving Disclosures about Financial Instruments                             |
| HKFRS 8                          | Operating Segments  |
| HK(IFRIC) – Interpretation 15    | Agreements for the Construction of Real Estate                                |
| HK(IFRIC) – Interpretation 16    | Hedges of a Net Investment in a Foreign Operation                             |
| HK(IFRIC) – Interpretation 17    | Distributions of Non-cash Assets to Owners                                    |
| HK(IFRIC) – Interpretation 18    | Transfers of Assets from Customers  |

## Notes to the Financial Statements

For the year ended 30th June, 2010

### 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

#### (a) Adoption of new and revised HKFRSs (continued)

The adoption of the above new or revised HKFRSs had no material effect on the reported results or financial position of the Group for both the current and prior reporting periods, except for the following changes.

##### *HKAS 1 (Revised), Presentation of Financial Statements*

The revised standard has introduced a number of terminology changes (including revised titles for financial statements) and has resulted in a number of changes in presentation and disclosure but have no effect on the reported results and financial position of the Group. Under the revised standard, the Income Statement, the Balance Sheet and the Cash Flow Statement are renamed as the “Statement of Comprehensive Income”, the “Statement of Financial Position” and the “Statement of Cash Flows” respectively.

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard also introduces the statement of comprehensive income, with all items of income and expenses recognised in profit or loss, together with other items of recognised income or expenses recognised in other comprehensive income, either in one single statement, or in two linked statements. The Group has elected to present one statement.

##### *HKAS 27 (Revised), Consolidated and Separate Financial Statements*

The revised standard requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions are recognised within equity and no longer give rise to goodwill, nor gain from bargain purchase. Furthermore, the revised standard specifies that accounting when control is lost and any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The revised standard affects transactions occurred after 1st July, 2009 and has had no impact on the current year as there has been no transaction with non-controlling interest or transaction whereby an interest in an entity is retained after the loss of control of that entity.

##### *HKFRS 3 (Revised), Business Combination*

The revised standard introduces significant changes in the accounting for business combinations occurring after 1st July, 2009. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results. The revised standard has had no impact on the current year as there has been no business combination transaction as defined in revised HKFRS 3 for the current year.

## Notes to the Financial Statements

For the year ended 30th June, 2010

### 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

#### (a) Adoption of new and revised HKFRSs (continued)

##### *HKFRS 7 (Amendments), Improving Disclosures about Financial Instruments*

The amendments to HKFRS 7 expand the disclosures relating to fair value measurements for financial instruments that are measured at fair value and liquidity risk of financial liabilities. A three-level fair value hierarchy has been introduced to categorise the fair value measurements according to the degree they are based on observable market data. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision.

##### *HKFRS 8, Operating Segments*

HKFRS 8 replaces HKAS 14 “Segment Reporting”, and requires operating segments to be identified on the basis of internal reports of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to the segments and to assess their performance. As the business segments reported by the Group in accordance with the requirements of HKAS 14 are the same as the operating segments provided to the chief operating decision-maker as required by HKFRS 8, there are no changes to the operating segments and the relevant segment information on the adoption of HKFRS 8.

#### (b) Potential impact arising on HKFRSs not yet effective

The following new or revised HKFRSs, potentially relevant to the Group’s operations, have been issued but are not yet effective and have not been early adopted by the Group.

|  |  |
|--|--|
| HKFRS (Amendments)                         | Improvements to HKFRSs issued in 2009 <sup>1</sup>                                     |
| HKFRS (Amendments)                         | Improvements to HKFRSs 2010 <sup>2</sup>   |
| HKAS 24 (Revised)                          | Related Party Disclosures <sup>5</sup>   |
| Amendments to HKAS 32                      | Classification of Rights Issues <sup>3</sup>   |
| Amendments to HKFRS 2                      | Share-based Payment – Group Cash-settled Share-based Payment Transactions <sup>1</sup> |
| HKFRS 9                                    | Financial Instruments <sup>6</sup>   |
| Amendment to HK(IFRIC) – Interpretation 14 | Prepayments of a Minimum Funding Requirement <sup>5</sup>                              |
| HK(IFRIC) – Interpretation 19              | Extinguishing Financial Liabilities with Equity Instruments <sup>4</sup>               |

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2010

<sup>2</sup> Effective for annual periods beginning on or after 1st July, 2010 and 1st January, 2011, as appropriate.

<sup>3</sup> Effective for annual periods beginning on or after 1st February, 2010

<sup>4</sup> Effective for annual periods beginning on or after 1st July, 2010

<sup>5</sup> Effective for annual periods beginning on or after 1st January, 2011

<sup>6</sup> Effective for annual periods beginning on or after 1st January, 2013

The Group is in the process of making an assessment of the potential impact of these new or revised HKFRSs and the directors so far concluded that the application of these new or revised HKFRSs will have no material impact on the results and the financial position of the Group.

## Notes to the Financial Statements

For the year ended 30th June, 2010

### 3. PRINCIPAL ACCOUNTING POLICIES

#### Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange.

#### Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out below.

#### Presentation currency and functional currency

The consolidated financial statements are presented in Hong Kong dollar, which is the same as the functional currency of the Company.

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries up to 30th June each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

#### Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.



## Notes to the Financial Statements

For the year ended 30th June, 2010

### 3. PRINCIPAL ACCOUNTING POLICIES (continued)

#### Jointly controlled entity

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entity.

Jointly controlled entity is accounted for using equity method whereby they are initially recognised at cost and thereafter, their carrying amounts are adjusted for the Group's share of the post-acquisition change in the jointly controlled entity's net assets except that losses in excess of the Group's interest in the jointly controlled entity are not recognised unless there is an obligation to make good those losses.

Unrealised profits and losses resulting from transactions between the Group and its jointly controlled entity are eliminated to the extent of the Group's interest in the jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are immediately recognised in profit or loss.

#### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts.

Sale of goods are recognised when goods are delivered and title has passed.

Profits or losses from the sale of investments held for trading are recognised on a trade date basis when the relevant contract notes are executed.

Interest income from a financial asset is accrued on a time-apportioned basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Guaranteed return from investment is recognised when the Group is entitled to receive payment in accordance with the agreement.

## Notes to the Financial Statements

For the year ended 30th June, 2010

### 3. PRINCIPAL ACCOUNTING POLICIES (continued)

#### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

|                                   |                                     |
|-----------------------------------|-------------------------------------|
| Leasehold improvements            | Over the term of the relevant lease |
| Furniture, fixtures and equipment | 3-5 years                           |
| Motor vehicle                     | 10 years                            |

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal

#### Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

## Notes to the Financial Statements

For the year ended 30th June, 2010

### 3. PRINCIPAL ACCOUNTING POLICIES (continued)

#### Financial instruments (continued)

##### *Financial assets*

The Group's financial assets are classified into one of the two categories, including financial assets at fair value through profit or loss, and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

##### ***Financial assets at fair value through profit or loss***

Financial assets are classified as at fair value through profit or loss where the financial asset is either held for trading or it is designated as at fair value through profit or loss. Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets.

##### ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade and other receivables, loan to a jointly controlled entity and amounts due from subsidiaries) are carried at amortised cost using the effective interest method, less any identified impairment losses. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

##### ***Impairment of financial assets***

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

## Notes to the Financial Statements

For the year ended 30th June, 2010

### 3. PRINCIPAL ACCOUNTING POLICIES (continued)

#### Financial instruments (continued)

#### *Financial assets (continued)*

#### ***Impairment of financial assets (continued)***

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, impairment loss is recognised and measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of an asset, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against the corresponding asset directly and any amounts held in the allowance account relating to that asset are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

## Notes to the Financial Statements

For the year ended 30th June, 2010

### 3. PRINCIPAL ACCOUNTING POLICIES (continued)

#### Financial instruments (continued)

##### *Financial liabilities and equity instruments issued by the Group*

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

##### **Financial liabilities**

Financial liabilities including trade and other payables and amounts due to subsidiaries are initially measured at fair values, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method.

##### **Equity instruments**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

##### **Convertible notes**

Convertible notes are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible notes and fair value assigned to the liability component, representing the embedded option for the holder to convert the convertible notes into a fixed number of the Company's own equity instruments, is included in convertible notes reserve.

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method, until extinguished on conversion or maturity.

Issue costs are apportioned between the liability and equity components of the convertible notes based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rate of similar non-convertible debt to the liability component of the convertible notes. The difference between this amount and the interest paid is added to the carrying amount of the convertible notes.

## Notes to the Financial Statements

For the year ended 30th June, 2010

### 3. PRINCIPAL ACCOUNTING POLICIES (continued)

#### Financial instruments (continued)

##### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

##### *Derecognition of financial assets and liabilities*

Financial assets are derecognised when the contractual rights to the future cash flows in relation to the financial assets expire or when the financial assets have been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

##### *Impairment of non-financial assets*

At the end of each reporting period, the Group reviews the carrying amounts of property, plant and equipment, investment in a jointly controlled entity and investments in subsidiaries to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

## Notes to the Financial Statements

For the year ended 30th June, 2010

### 3. PRINCIPAL ACCOUNTING POLICIES (continued)

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits at banks, and, for the purpose of consolidated statement of cash flows, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### Taxation

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and jointly controlled entity, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

#### Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### *The Group as lessee*

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

## Notes to the Financial Statements

For the year ended 30th June, 2010

### 3. PRINCIPAL ACCOUNTING POLICIES (continued)

#### Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as translation reserve. Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the translation reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

#### Employees benefits

(i) Short term benefits

Salaries, annual bonuses, and paid annual leaves are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are discounted and stated at their present value.

(ii) Pension obligations

Contributions to the Mandatory Provident Fund scheme as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to profit or loss when incurred. The Group has no further payment obligations once the contribution has been made.



## Notes to the Financial Statements

For the year ended 30th June, 2010

### 3. PRINCIPAL ACCOUNTING POLICIES (continued)

#### Provision and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made for the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligation, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

#### Share-based payments

Where share options are awarded to employees of the Group or other providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the share-based compensation reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

## Notes to the Financial Statements

For the year ended 30th June, 2010

### 3. PRINCIPAL ACCOUNTING POLICIES (continued)

#### Share-based payments (continued)

Where equity instruments are granted to parties other than employees, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets, or except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the Group obtains the goods or the counterparty renders the service. A corresponding increase in equity is recognised.

When the option is exercised, the amount recognised in the share-based compensation reserve is transferred to share premium account. When the option lapses, the amount recognised in the share-based compensation reserve is released directly to retained profits.

### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### Impairment of trade and other receivables

The Group makes provision for impairment of trade and other receivables based on an estimate of the recoverability of these receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of estimates. Where the expectation is different from the original estimates, such difference will impact carrying value of receivables and provision for impairment losses in the period in which such estimate has been changed.

## Notes to the Financial Statements

For the year ended 30th June, 2010

### 5. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Group generally finances its operation by internally generated resources and raising share capital, and obtains borrowings as necessary. The Group's management closely monitors the capital structure with an aim to maintain the Group's gearing at a low level.

The gearing ratio at the end of each reporting period was as follows:

|                            | 2010<br><i>HK\$'000</i> | 2009<br><i>HK\$'000</i> |
|----------------------------|-------------------------|-------------------------|
| Total borrowings           | <b>26,996</b>           | –                       |
| Total shareholders' equity | <b>400,327</b>          | 169,544                 |
| Gearing ratio              | <b>6.74%</b>            | –                       |

### 6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES

The Group's major financial instruments include trade and other receivables, loan to a jointly controlled entity, investments held for trading, bank balances, trade and other payables and convertible notes. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### Credit risk

The Group's maximum exposure to credit risk in the event that the counterparties fail to perform their obligations at 30th June, 2010 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. In order to minimise credit risk, the Group's management has delegated to a team the responsibility for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group's management reviews the recoverable amount of each individual debt, including trade debts, other receivable and loan to a jointly controlled entity, regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, management considers that the Group's credit risk is significantly reduced.

With respect to trade debts, the Group has no significant concentration of credit risk, with exposure spreading over a number of customers. The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

## Notes to the Financial Statements

For the year ended 30th June, 2010

### 6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (continued)

#### Credit risk (continued)

Included in trade and other receivables is an other receivable of HK\$6,534,000 (2009: Nil) in respect of guaranteed return from investment receivable from a joint venture partner as mentioned in notes 18 and 19. Management considers the credit risk is significantly mitigated as the 50% equity interest in the Group's jointly controlled entity held by the joint venture partner has been pledged to the Group as security for the due payment of the guaranteed returns.

#### Equity price risk

The Group's investments held for trading are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity security price risk. The directors manage this exposure by maintaining a portfolio of investments with different risk profiles. At 30th June, 2010, if the quoted market price of the Group's listed securities has been 10% higher/lower, loss for the year would have been approximately HK\$10,287,000 (2009: HK\$1,164,000) lower/higher.

#### Interest rate risk

The Group's bank balances have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The directors consider the Group's exposure of the short-term bank deposits to interest rate risk is not significant as interest bearing bank balances have short maturity periods.

The Group's financial liabilities are issued at fixed interest rate which merely comprise convertible notes. Accordingly, management considers the Group has no significant cash flow interest rate risk from financial liabilities.

The Group does not have an interest rate hedging policy. However, management monitors interest rate exposures and will consider hedging significant interest rate exposures should the need arise.

#### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash. The Group maintains its adequate financial position with cash and cash equivalents of HK\$119,580,000 (2009: HK\$158,990,000) at 30th June, 2010.

The following table details the remaining contractual maturities at the end of reporting period of the Group's and the Company's non-derivative financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on current rates at the end of reporting period) and the earliest date the Group and the Company can be required to pay.

## Notes to the Financial Statements

For the year ended 30th June, 2010

### 6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (continued)

#### Liquidity risk (continued)

The contractual maturities of financial liabilities are shown as below:

| 2010                        | Carrying amount<br>HK\$'000 | Total contractual undiscounted cash flow<br>HK\$'000 | Within 1 year or on demand<br>HK\$'000 | More than 1 year but less than 2 years<br>HK\$'000 | More than 2 years but less than 5 years<br>HK\$'000 | More than 5 years<br>HK\$'000 |
|-----------------------------|-----------------------------|--|--|--|---|-------------------------------|
| <b>Group</b>                |                             |  |  |  |   |                               |
| Trade and other payables    | 2,003                       | 2,003  | 2,003                                  | -  | -   | -                             |
| Convertible notes           | 26,996                      | 35,652   | 685                                    | 685  | 34,282  | -                             |
|                             | <u>28,999</u>               | <u>37,655</u>  | <u>2,688</u>                           | <u>685</u>   | <u>34,282</u>                                       | <u>-</u>                      |
| <b>Company</b>              |                             |  |  |  |   |                               |
| Trade and other payables    | 1,432                       | 1,432  | 1,432                                  | -  | -   | -                             |
| Amounts due to subsidiaries | 1,053                       | 1,053  | 1,053                                  | -  | -   | -                             |
| Convertible notes           | 26,996                      | 35,652   | 685                                    | 685  | 34,282  | -                             |
|                             | <u>29,481</u>               | <u>38,137</u>  | <u>3,170</u>                           | <u>685</u>   | <u>34,282</u>                                       | <u>-</u>                      |
| <b>2009</b>                 |                             |  |  |  |   |                               |
| <b>Group</b>                |                             |  |  |  |   |                               |
| Trade and other payables    | 2,868                       | 2,868  | 2,868                                  | -  | -   | -                             |
| <b>Company</b>              |                             |  |  |  |   |                               |
| Trade and other payables    | 1,702                       | 1,702  | 1,702                                  | -  | -   | -                             |
| Amounts due to subsidiaries | 6,313                       | 6,313  | 6,313                                  | -  | -   | -                             |
|                             | <u>8,015</u>                | <u>8,015</u>   | <u>8,015</u>                           | <u>-</u>   | <u>-</u>  | <u>-</u>                      |

## Notes to the Financial Statements

For the year ended 30th June, 2010

### 6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (continued)

#### Foreign currency risk

The Group primarily operates in Hong Kong and most of its transactions are denominated and settled in HK dollars. The Group's revenue are denominated mainly in the functional currency of the respective group entities making the transactions, with the related costs mainly denominated in the same currency. Accordingly, there is no significant exposure to foreign currency risk.

### 7. TURNOVER

Turnover represents the aggregate of the net amounts received and receivable from third parties, less returns and allowance and is analysed as follows:

|   | 2010<br><i>HK\$'000</i> | 2009<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Investments held for trading                    | <b>134,942</b>          | 72,527                  |
| Trading of playground equipment and accessories | –                       | 2,004                   |
| Trading of oil lubricant additives              | –                       | 33                      |
|   | <b>134,942</b>          | 74,564                  |

### 8. SEGMENT REPORTING

#### Reportable segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group has two reportable segments (2009: two). The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Investment and financial services – trading of securities and investment holding; and
- Distribution and trading – trading of goods.

## Notes to the Financial Statements

For the year ended 30th June, 2010

### 8. SEGMENT REPORTING (continued)

#### Reportable segments (continued)

Segment information about these reportable segments is presented below:

| For the year ended 30th June, 2010                                 | Investment<br>and financial<br>services<br>HK\$'000 | Distribution<br>and trading<br>HK\$'000 | Consolidated<br>HK\$'000 |
|--|---|---|--------------------------|
| Turnover - external  | 134,942   | -                                       | 134,942                  |
| Revenue - external*  | 11,759  | -                                       | 11,759                   |
| Segment results  | 28,341  | -                                       | 28,341                   |
| Unallocated corporate income                                       |   |   | 1,321                    |
| Unallocated corporate expenses<br>(including share-based payments) |   |   | (28,714)                 |
| Finance costs  |   |   | (3,958)                  |
| Loss before taxation   |   |   | (3,010)                  |
| Taxation   |   |   | 520                      |
| Loss for the year  |   |   | (2,490)                  |

\* Segment revenue included net gains from sale of investments held for trading of HK\$8,364,000.

## Notes to the Financial Statements

For the year ended 30th June, 2010

### 8. SEGMENT REPORTING (continued)

#### Reportable segments (continued)

| At 30th June, 2010  | Investment<br>and financial<br>services<br>HK\$'000 | Distribution<br>and trading<br>HK\$'000 | Unallocated<br>HK\$'000 | Consolidated<br>HK\$'000 |
|---|---|---|-------------------------|--------------------------|
| <b>ASSETS</b>   |   |   |                         |                          |
| Investments held for trading  | 102,874   | -                                       | -                       | 102,874                  |
| Interest in a jointly controlled entity   | 199,670   | -                                       | -                       | 199,670                  |
| Bank balances and cash  | 18,786  | -                                       | 100,796                 | 119,582                  |
| Other assets  | 6,527   | 1                                       | 1,860                   | 8,388                    |
|   | <u>327,857</u>                                      | <u>1</u>                                | <u>102,656</u>          | <u>430,514</u>           |
| <b>LIABILITIES</b>  |   |   |                         |                          |
| Trade and other payables  | 529   | -                                       | 1,474                   | 2,003                    |
| Deferred tax liabilities  | -   | -                                       | 1,188                   | 1,188                    |
| Convertible notes   | -   | -                                       | 26,996                  | 26,996                   |
|   | <u>529</u>  | <u>-</u>                                | <u>29,658</u>           | <u>30,187</u>            |
| <b>Other information</b>  |   |   |                         |                          |
| For the year ended 30th June, 2010  | Investment<br>and financial<br>services<br>HK\$'000 | Distribution<br>and trading<br>HK\$'000 | Unallocated<br>HK\$'000 | Consolidated<br>HK\$'000 |
| Additions of non-current assets (property, plant and equipment and investment in a jointly controlled entity) | 200,000   | -                                       | 979                     | 200,979                  |
| Depreciation of property, plant and equipment   | -   | -                                       | 330                     | 330                      |
| Guaranteed return from investment   | 21,534  | -                                       | -                       | 21,534                   |
| Interest income from a joint venture partner  | 504   | -                                       | -                       | 504                      |
| Reversal of long outstanding payables and accruals  | -   | -                                       | 831                     | 831                      |
| Share of loss of a jointly controlled entity  | 330   | -                                       | -                       | 330                      |



## Notes to the Financial Statements

For the year ended 30th June, 2010

### 8. SEGMENT REPORTING (continued)

#### Reportable segments (continued)

| For the year ended 30th June, 2009                                 | Investment<br>and financial<br>services<br><i>HK\$'000</i> | Distribution<br>and trading<br><i>HK\$'000</i> | Consolidated<br><i>HK\$'000</i> |
|--|--|--|---------------------------------|
| Turnover – external  | 72,527   | 2,037  | 74,564                          |
| Revenue – external*  | (28,428)   | 2,037  | (26,391)                        |
| Segment results  | (31,540)   | (820)  | (32,360)                        |
| Unallocated corporate income                                       |  |  | 276                             |
| Unallocated corporate expenses<br>(including share-based payments) |  |  | (12,282)                        |
| Loss before taxation   |  |  | (44,366)                        |
| Taxation   |  |  | –                               |
| Loss for the year  |  |  | (44,366)                        |

\* Segment revenue included net losses from sale of investments held for trading of HK\$31,619,000.

## Notes to the Financial Statements

For the year ended 30th June, 2010

### 8. SEGMENT REPORTING (continued)

#### Reportable segments (continued)

| At 30th June, 2009             | Investment<br>and financial<br>services<br><i>HK\$'000</i> | Distribution<br>and trading<br><i>HK\$'000</i> | Unallocated<br><i>HK\$'000</i> | Consolidated<br><i>HK\$'000</i> |
|--------------------------------|--|--|--------------------------------|---------------------------------|
| <b>ASSETS</b>                  |  |  |                                |                                 |
| Investments held for trading   | 11,640   | –  | –                              | 11,640                          |
| Bank balances and cash         | 155,461  | 1,037  | 2,487                          | 158,985                         |
| Other assets                   | –  | 1,076  | 841                            | 1,917                           |
| Consolidated total assets      | <u>167,101</u>   | <u>2,113</u>                                   | <u>3,328</u>                   | <u>172,542</u>                  |
| <b>LIABILITIES</b>             |  |  |                                |                                 |
| Trade and other payables       | 259  | 395  | 2,214                          | 2,868                           |
| Taxation payable               | –  | –  | 130                            | 130                             |
| Consolidated total liabilities | <u>259</u>   | <u>395</u>                                     | <u>2,344</u>                   | <u>2,998</u>                    |

| Other information<br>For the year ended 30th June, 2009         | Investment<br>and financial<br>services<br><i>HK\$'000</i> | Distribution<br>and trading<br><i>HK\$'000</i> | Unallocated<br><i>HK\$'000</i> | Consolidated<br><i>HK\$'000</i> |
|---|--|--|--------------------------------|---------------------------------|
| Additions of non-current assets (property, plant and equipment) | –  | –  | 826                            | 826                             |
| Depreciation of property, plant and equipment                   | 44   | 35   | 224                            | 303                             |
| Impairment of short-term loans receivable                       | 300  | –  | –                              | 300                             |
| Impairment of available-for-sale investments                    | 80   | –  | –                              | 80                              |

## Notes to the Financial Statements

For the year ended 30th June, 2010

### 8. SEGMENT REPORTING (continued)

#### Geographical information

The Group's operations are principally located in Hong Kong in which all of its revenue was derived and non-current assets other than financial instruments are located. The Group determines the geographical location of non-current assets other than financial instruments, and revenue by the location of the assets and customers/payees respectively.

#### Information about major customers

The following is the Group's major external customers, who contributed 10% or more to the Group's revenue:

|            | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
|------------|------------------|------------------|
| Customer A | -                | 265              |
| Customer B | -                | 257              |
| Customer C | -                | 233              |
| Customer D | -                | 211              |
| Customer E | -                | 210              |
|            | <b>—</b>         | <b>—</b>         |

The Group also has guaranteed return and interest income received and receivable from a joint venture partner amounting to HK\$22,038,000 (2009: Nil) during the year.

### 9. OTHER NET GAINS AND INCOME

|  | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
|--|------------------|------------------|
| Guaranteed return from investment (Note 18)        | <b>21,534</b>    | -                |
| Bank interest income                               | <b>93</b>        | 1,237            |
| Other interest income (Note 18)                    | <b>504</b>       | -                |
| Sundry income                                      | <b>475</b>       | 316              |
| Reversal of long outstanding payables and accruals | <b>831</b>       | -                |
| Impairment of short-term loans receivable          | -                | (300)            |
| Impairment of available-for-sale investments       | -                | (80)             |
| Loss on disposal of property, plant and equipment  | -                | (73)             |
|  | <b>23,437</b>    | 1,100            |

## Notes to the Financial Statements

For the year ended 30th June, 2010

### 10. FINANCE COSTS

|   | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
|---|------------------|------------------|
| Interest on convertible notes (Note 23) | 3,949            | –                |
| Others                                  | 9                | –                |
|   | <b>3,958</b>     | –                |

### 11. LOSS BEFORE TAXATION

|  | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
|--|------------------|------------------|
| Loss before taxation has been arrived at after charging: |                  |                  |
| Directors' emoluments (Note 12)                          | 9,870            | 3,773            |
| Staff costs (excluding directors' emoluments):           |                  |                  |
| Salaries and allowances                                  | 1,805            | 1,739            |
| Share-based payments                                     | 1,795            | 955              |
| Retirement benefits scheme contributions                 | 32               | 47               |
| Total staff costs  | <b>13,502</b>    | 6,514            |
| Share-based payments* (Note 27)                          | 16,188           | 5,333            |
| Auditor's remuneration                                   | 464              | 421              |
| Depreciation of property, plant and equipment            | 330              | 303              |
| Consultancy fees   | 8,888            | 2,468            |
| Legal and professional fees                              | 1,250            | 2,397            |

\* Share-based payments comprised share-based payments to directors, employees and other third parties of which HK\$5,566,000 (2009: HK\$1,970,000), HK\$1,795,000 (2009: HK\$955,000) and HK\$8,827,000 (2009: HK\$2,408,000) have been included in directors' emoluments, staff costs (excluding directors' emoluments) and consultancy fees respectively.

## Notes to the Financial Statements

For the year ended 30th June, 2010

### 12. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS

The emoluments paid or payable to each of the seven (2009: eight) directors were as follows:

| For the year ended 30th June, 2010   | Fees<br>HK\$'000 | Basic<br>salaries and<br>allowances<br>HK\$'000 | Retirement<br>benefits<br>scheme<br>contributions<br>HK\$'000 | Share-based<br>payments<br>HK\$'000 | Total<br>emoluments<br>HK\$'000 |
|--|------------------|---|---|-------------------------------------|---------------------------------|
| Mr. Ng Leung Ho (resigned on 10th November, 2008<br>and re-appointed on 8th September, 2009) | -                | 3,000   | 9   | -                                   | 3,009                           |
| Mr. Lo Wan Sing, Vincent   | -                | 360   | 12  | 535                                 | 907                             |
| Mr. Ho Kam Hung  | -                | 650   | 12  | 4,350                               | 5,012                           |
| Mr. Zheng Jie (resigned on 30th September, 2009)   | 30               | 51  | -   | -                                   | 81                              |
| Mr. Chau On Ta Yuen  | 60               | -   | -   | 361                                 | 421                             |
| Mr. Law Wai Fai  | 60               | -   | -   | 320                                 | 380                             |
| Mr. Wang Yan Ming<br>(appointed on 25th February, 2009)                                      | 60               | -   | -   | -                                   | 60                              |
|  | <u>210</u>       | <u>4,061</u>                                    | <u>33</u>   | <u>5,566</u>                        | <u>9,870</u>                    |

| For the year ended 30th June, 2009   | Fees<br>HK\$'000 | Basic<br>salaries and<br>allowances<br>HK\$'000 | Retirement<br>benefits<br>scheme<br>contributions<br>HK\$'000 | Share-based<br>payments<br>HK\$'000 | Total<br>emoluments<br>HK\$'000 |
|--|------------------|---|---|-------------------------------------|---------------------------------|
| Mr. Ng Leung Ho (resigned on 10th November, 2008<br>and re-appointed on 8th September, 2009) | -                | 520   | 5   | -                                   | 525                             |
| Mr. Li Xiangjun (resigned on 15th August, 2008)  | -                | 75  | -   | -                                   | 75                              |
| Mr. Lo Wan Sing, Vincent   | 21               | 234   | 8   | 154                                 | 417                             |
| Mr. Ho Kam Hung  | -                | 650   | 12  | 1,510                               | 2,172                           |
| Mr. Zheng Jie (appointed on 15th August, 2008<br>and resigned on 30th September, 2009)       | -                | 138   | -   | -                                   | 138                             |
| Mr. Chau On Ta Yuen  | 60               | -   | -   | 153                                 | 213                             |
| Mr. Law Wai Fai  | 60               | -   | -   | 153                                 | 213                             |
| Mr. Wang Yan Ming<br>(appointed on 25th February, 2009)                                      | 20               | -   | -   | -                                   | 20                              |
|  | <u>161</u>       | <u>1,617</u>                                    | <u>25</u>   | <u>1,970</u>                        | <u>3,773</u>                    |

## Notes to the Financial Statements

For the year ended 30th June, 2010

### 12. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS (continued)

During the year, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors has waived any emoluments during the year.

#### Highest paid individuals

Of the five highest paid individuals in the Group, four (2009: four) are directors of the Company whose emoluments are set out above. The emoluments of the remaining one (2009: one) individual are as follows:

|  | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
|--|------------------|------------------|
| Basic salaries and allowances            | 1,232            | 906              |
| Retirement benefits scheme contributions | 12               | 12               |
| Share-based payments                     | 1,654            | 819              |
|  | <b>2,898</b>     | 1,737            |

During the current year, share options were granted to directors and the highest paid employee in respect of their services to the Group, further details of which are included in the disclosures in note 27. The fair value of such options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the consolidated statement of comprehensive income for the current year is included in the above directors and highest paid employees' remuneration disclosures.

### 13. TAXATION

The amount of tax credit in the consolidated statement of comprehensive income represents:

|                          | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
|--------------------------|------------------|------------------|
| Deferred tax             |                  |                  |
| – Current year (Note 24) | <b>(520)</b>     | –                |

No provision for Hong Kong profits tax has been made for both years as the relevant group entities have tax losses available to offset against the estimated assessable profits for the year and/or have no estimated assessable profits for both years.

## Notes to the Financial Statements

For the year ended 30th June, 2010

### 13. TAXATION (continued)

The taxation for the year can be reconciled to the accounting loss for the year per the consolidated statement of comprehensive income as follows:

|   | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
|---|------------------|------------------|
| Loss before taxation  | (3,010)          | (44,366)         |
| Tax credit calculated at Hong Kong profits tax rate of 16.5%<br>(2009: 16.5%) | (497)            | (7,321)          |
| Tax effect of expenses not deductible for tax purpose                         | 5,380            | 53               |
| Tax effect of income not taxable for tax purpose                              | (4,332)          | (730)            |
| Tax effect of tax losses not recognised                                       | -                | 7,993            |
| Tax effect of utilisation of tax losses unrecognised in prior years           | (521)            | -                |
| Tax effect of other temporary differences not recognised                      | (550)            | -                |
| Others  | -                | 5                |
| Income tax credit for the year  | <b>(520)</b>     | -                |

### 14. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

Loss attributable to owners of the Company for the year ended 30th June, 2010 dealt with in the financial statements of the Company was approximately HK\$32,022,000 (2009: HK\$12,219,000).

## Notes to the Financial Statements

For the year ended 30th June, 2010

### 15. LOSS PER SHARE

The basic and diluted loss per share attributable to the owners of the Company is calculated as follows:

|  | 2010<br><i>HK\$'000</i> | 2009<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Loss   |                         |                         |
| Loss for the purpose of basic and diluted loss per share                                       | <b>(2,490)</b>          | (44,366)                |
| Number of shares   | 2010<br><i>'000</i>     | 2009<br><i>'000</i>     |
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share | <b>1,314,376</b>        | 718,982                 |
| Loss per share   | 2010<br><i>HK Cents</i> | 2009<br><i>HK Cents</i> |
| – Basic and diluted  | <b>(0.2)</b>            | (6.2)                   |

- (i) The computation of diluted loss per share for the year ended 30th June, 2010 does not assume the conversion of the Company's outstanding convertible notes and exercise of the Company's outstanding share options as they had an anti-dilutive effect on the loss per share calculation.
- (ii) The computation of diluted loss per share for the year ended 30th June, 2009 does not assume the exercise of the Company's outstanding share options as they had an anti-dilutive effect to the loss per share calculation.
- (iii) As disclosed in note 25, the Company has implemented consolidation of every ten issued and unissued ordinary shares into one consolidated share during the current year and the corresponding adjustments have been made to the above number of shares for the year ended 30th June, 2009 in calculation of loss per share.



## Notes to the Financial Statements

For the year ended 30th June, 2010

### 16. PROPERTY, PLANT AND EQUIPMENT

| Group                           | Leasehold<br>improvements<br><i>HK\$'000</i> | Furniture,<br>fixtures and<br>equipment<br><i>HK\$'000</i> | Motor<br>vehicle<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---------------------------------|--|--|-------------------------------------|--------------------------|
| <b>COST</b>                     |  |  |                                     |                          |
| At 1st July, 2008               | 509  | 4,690  | –                                   | 5,199                    |
| Additions                       | 774  | 52   | –                                   | 826                      |
| Written off                     | –  | (4,000)  | –                                   | (4,000)                  |
| Disposals                       | (509)  | (345)  | –                                   | (854)                    |
|                                 | <hr/>  | <hr/>  | <hr/>                               | <hr/>                    |
| At 30th June, 2009              | 774  | 397  | –                                   | 1,171                    |
| Additions                       | 339  | 21   | 619                                 | 979                      |
|                                 | <hr/>  | <hr/>  | <hr/>                               | <hr/>                    |
| <b>At 30th June, 2010</b>       | <b>1,113</b>                                 | <b>418</b>   | <b>619</b>                          | <b>2,150</b>             |
| <b>ACCUMULATED DEPRECIATION</b> |  |  |                                     |                          |
| At 1st July, 2008               | 500  | 4,410  | –                                   | 4,910                    |
| Provided for the year           | 163  | 140  | –                                   | 303                      |
| Written off                     | –  | (4,000)  | –                                   | (4,000)                  |
| Eliminated on disposals         | (509)  | (272)  | –                                   | (781)                    |
|                                 | <hr/>  | <hr/>  | <hr/>                               | <hr/>                    |
| At 30th June, 2009              | 154  | 278  | –                                   | 432                      |
| Provided for the year           | 204  | 69   | 57                                  | 330                      |
|                                 | <hr/>  | <hr/>  | <hr/>                               | <hr/>                    |
| <b>At 30th June, 2010</b>       | <b>358</b>                                   | <b>347</b>   | <b>57</b>                           | <b>762</b>               |
| <b>CARRYING AMOUNT</b>          |  |  |                                     |                          |
| <b>At 30th June, 2010</b>       | <b>755</b>                                   | <b>71</b>  | <b>562</b>                          | <b>1,388</b>             |
|                                 | <hr/>  | <hr/>  | <hr/>                               | <hr/>                    |
| At 30th June, 2009              | 620  | 119  | –                                   | 739                      |
|                                 | <hr/>  | <hr/>  | <hr/>                               | <hr/>                    |

## Notes to the Financial Statements

For the year ended 30th June, 2010

### 16. PROPERTY, PLANT AND EQUIPMENT (continued)

| Company                         | Leasehold<br>improvements<br><i>HK\$'000</i> | Furniture,<br>fixtures and<br>equipment<br><i>HK\$'000</i> | Motor<br>vehicle<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---------------------------------|--|--|-------------------------------------|--------------------------|
| <b>COST</b>                     |  |  |                                     |                          |
| At 1st July, 2008               | –  | 227  | –                                   | 227                      |
| Additions                       | 774  | 52   | –                                   | 826                      |
| Disposals                       | –  | (58)   | –                                   | (58)                     |
| At 30th June, 2009              | 774  | 221  | –                                   | 995                      |
| Additions                       | 339  | 21   | 619                                 | 979                      |
| <b>At 30th June, 2010</b>       | <b>1,113</b>                                 | <b>242</b>   | <b>619</b>                          | <b>1,974</b>             |
| <b>ACCUMULATED DEPRECIATION</b> |  |  |                                     |                          |
| At 1st July, 2008               | –  | 47   | –                                   | 47                       |
| Provided for the year           | 154  | 71   | –                                   | 225                      |
| Eliminated on disposals         | –  | (14)   | –                                   | (14)                     |
| At 30th June, 2009              | 154  | 104  | –                                   | 258                      |
| Provided for the year           | 204  | 69   | 57                                  | 330                      |
| <b>At 30th June, 2010</b>       | <b>358</b>                                   | <b>173</b>   | <b>57</b>                           | <b>588</b>               |
| <b>CARRYING AMOUNT</b>          |  |  |                                     |                          |
| <b>At 30th June, 2010</b>       | <b>755</b>                                   | <b>69</b>  | <b>562</b>                          | <b>1,386</b>             |
| At 30th June, 2009              | 620  | 117  | –                                   | 737                      |

## Notes to the Financial Statements

For the year ended 30th June, 2010

### 17. INTERESTS IN SUBSIDIARIES

| <b>Company</b>                                | <b>2010</b><br><i>HK\$'000</i> | 2009<br><i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Unlisted shares, at cost                      | <b>1,390</b>                   | 1,390                   |
| Amounts due from subsidiaries less impairment | <b>305,261</b>                 | 167,285                 |
| Amounts due to subsidiaries                   | <b>(1,053)</b>                 | (6,313)                 |
|   | <b>305,598</b>                 | 162,362                 |

The movements of provision for impairment loss on amounts due from subsidiaries during the year are as follows:

|  | <b>2010</b><br><i>HK\$'000</i> | 2009<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Balance at beginning of the year               | <b>479,771</b>                 | 446,542                 |
| Impairment loss (reversed)/recognised          | <b>(12,285)</b>                | 33,229                  |
| Write back upon deregistration of subsidiaries | <b>(436,412)</b>               | –                       |
| Balance at end of the year                     | <b>31,074</b>                  | 479,771                 |

The amounts due from/to subsidiaries are unsecured, interest free and repayable on demand.

### 18. INTEREST IN A JOINTLY CONTROLLED ENTITY

| <b>Group</b>                            | <b>2010</b><br><i>HK\$'000</i> | 2009<br><i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Unlisted shares at cost*                | –                              | –                       |
| Share of loss                           | <b>(330)</b>                   | –                       |
| Share of net liabilities                | <b>(330)</b>                   | –                       |
| Loan to the jointly controlled entity   | <b>200,000</b>                 | –                       |
| Interest in a jointly controlled entity | <b>199,670</b>                 | –                       |

\* The Company holds 50 ordinary shares of HK\$1 each in the jointly controlled entity indirectly.

## Notes to the Financial Statements

For the year ended 30th June, 2010

### 18. INTEREST IN A JOINTLY CONTROLLED ENTITY (continued)

Particulars of the jointly controlled entity are as follows:

| Name of company                                  | Place of incorporation | Issued share capital | Equity interest indirectly held by the Company | Principal activities |
|--|------------------------|----------------------|--|----------------------|
| Grand International Development Limited ("GIDL") | Hong Kong              | HK\$100              | 50%  | Investment holding   |

On 17th June, 2009, Great Peace Global Group Limited ("Great Peace"), a wholly owned subsidiary of the Company, entered into an agreement (the "Agreement") with Great Team Capital Investment Limited ("GTCIL"), pursuant to which Great Peace and GTCIL conditionally agreed to establish GIDL, a company incorporated in Hong Kong with limited liability, primarily for the establishment of Fujian Xianke Industrial Co. Ltd.\* 福建先科實業有限公司 ("Fujian Xianke"), a jointly controlled entity established in the People's Republic of China (the "PRC") and owned as to 60% by GIDL and 40% by a sino-partner. Fujian Xianke is engaged in property development in Fuzhou, PRC. With all the conditions of the Agreement having been fulfilled, the formation of Fujian Xianke was completed on 21st October, 2009. Upon completion, Great Peace has been allotted and issued in aggregate fifty shares of GIDL, representing 50% of the entire issued share capital of GIDL.

According to the shareholders' agreement between Great Peace and GTCIL, each shareholder shall advance an unsecured shareholders' loan of HK\$200 million to GIDL or Fujian Xianke on interest free basis to finance the amount of registered capital and investment amount of Fujian Xianke to be contributed by GIDL in proportion to its equity interest in Fujian Xianke. GIDL or Fujian Xianke will not be demanded by GTCIL and/or Great Peace to repay the shareholders' loan during the first five years from 21st October, 2009, the date of completion of formation of GIDL, on condition that GTCIL and/or Great Peace remain(s) to be the shareholders of GIDL during the said period. In the event that GTCIL and/or Great Peace cease(s) to be the shareholders of GIDL during the said period, repayment of the shareholders' loans will be on demand.

GTCIL has agreed to provide a series of annual guaranteed returns ("Guarantee Returns") to Great Peace for five years, representing 15% of the investment sum made by Great Peace for the first and second year and 20% of the investment sum made by Great Peace for the third to fifth year from the completion of establishment of Fujian Xianke. GTCIL shall compensate Great Peace for any shortfall between the Guarantee Returns and the dividend received from GIDL in the relevant financial years.

For the period from the date of completion of formation of Fujian Xianke to 30th June, 2010, guaranteed return of HK\$21,534,000 was recognised as other income for the current year, of which HK\$6,534,000 is yet to be settled by GTCIL.

In addition, GTCIL has also paid interest of HK\$504,000 (2009: Nil) at 2% per annum in respect of advances from Great Peace to GIDL prior to completion of the formation of Fujian Xianke.

\* English name for identification only

## Notes to the Financial Statements

For the year ended 30th June, 2010

### 18. INTEREST IN A JOINTLY CONTROLLED ENTITY (continued)

The following table illustrates the summarised financial information of the Group's jointly controlled entity:

|   | 2010<br><i>HK\$'000</i> | 2009<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Non-current assets  | <b>199,354</b>          | –                       |
| Current assets  | <b>1,220</b>            | –                       |
| Current liabilities   | <b>(1,234)</b>          | –                       |
| Non-current liabilities   | <b>(200,000)</b>        | –                       |
| Net liabilities   | <b>(660)</b>            | –                       |
| Group's effective interest in the jointly controlled entity's net liabilities | <b>(330)</b>            | –                       |
| Revenue   | –                       | –                       |
| Loss for the year   | <b>(660)</b>            | –                       |
| Group's share of jointly controlled entity's loss for the year                | <b>(330)</b>            | –                       |

During the year ended 30th June, 2010, Fujian Xianke commenced construction of an investment property. As at 30th June, 2010, there was approximately HK\$16,957,000 capital commitment in respect of the construction attributable to the Group's effective interest in the jointly controlled entity.

## Notes to the Financial Statements

For the year ended 30th June, 2010

### 19. TRADE AND OTHER RECEIVABLES

|  | Group            |                  | Company          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2010<br>HK\$'000 | 2009<br>HK\$'000 | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
| Trade receivables (i)  | -                | 34               | -                | -                |
| Other receivable (ii)  | -                | 518              | -                | -                |
| Guaranteed return from investment receivable<br>from a joint venture partner (Note 18) | 6,534            | -                | -                | -                |
| Deposits and prepayments   | 466              | 626              | 408              | 1,121            |
|  | <b>7,000</b>     | 1,178            | <b>408</b>       | 1,121            |

- (i) During the year ended 30th June, 2009, uncollectible trade receivables of HK\$22,171,000 had been written off against the corresponding receivables directly and the amounts held in the allowance for doubtful debts were reversed.
- (ii) During the year ended 30th June, 2009, uncollectible other receivables of HK\$17,091,000 had been written off against the corresponding receivables directly and the amounts held in the allowance for doubtful debts were reversed.
- (iii) The following is an aged analysis of trade and other receivables net of allowance for doubtful debts at the end of the reporting period:

|                                   | Group            |                  | Company          |                  |
|-----------------------------------|------------------|------------------|------------------|------------------|
|                                   | 2010<br>HK\$'000 | 2009<br>HK\$'000 | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
| Trade and other receivables, net: |                  |                  |                  |                  |
| Within 30 days                    | 6,534            | -                | -                | -                |
| Within 31 – 60 days               | -                | -                | -                | -                |
| Within 61 – 90 days               | -                | -                | -                | -                |
| Over 90 days                      | -                | 552              | -                | -                |
|                                   | <b>6,534</b>     | 552              | -                | -                |

## Notes to the Financial Statements

For the year ended 30th June, 2010

### 19. TRADE AND OTHER RECEIVABLES (continued)

At 30th June, 2009 and 2010, all of the Group's trade and other receivables were neither past due nor impaired which related to customers or other parties for whom there was no recent history of default. Based on past experience, management believes that no allowance for doubtful debts is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances other than the other receivable of HK\$6,534,000 as of 30th June, 2010 as mentioned in notes 6 and 18.

### 20. INVESTMENTS HELD FOR TRADING

The amounts at 30th June, 2009 and 2010 represented investments in equity securities listed in Hong Kong, stated at market value.

### 21. BANK BALANCES AND CASH

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits were made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. All bank balances and cash are denominated in Hong Kong dollars.

### 22. TRADE AND OTHER PAYABLES

|                                    | Group            |                  | Company          |                  |
|------------------------------------|------------------|------------------|------------------|------------------|
|                                    | 2010<br>HK\$'000 | 2009<br>HK\$'000 | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
| Trade payables (aged over 90 days) | -                | 9                | -                | -                |
| Accruals and deposits received     | <b>2,003</b>     | 2,859            | <b>1,432</b>     | 1,702            |
|                                    | <b>2,003</b>     | 2,868            | <b>1,432</b>     | 1,702            |

## Notes to the Financial Statements

For the year ended 30th June, 2010

### 23. CONVERTIBLE NOTES

On 17th August, 2009, the Company completed issuance of convertible notes with a total principal amount of HK\$161,700,000 by placement to third parties with a principal amount of HK\$46,200,000 and subscription by a substantial shareholder of the Company, Mr. Ng Leung Ho, with a principal amount of HK\$115,500,000 for the purposes of raising general working capital, making investment in the jointly controlled entity (Note 18) and other investments to be identified. The convertible notes carry coupon interest rate of 2% per annum, which shall be payable in arrears annually.

The convertible notes entitle the holders to convert into ordinary shares of the Company at an initial conversion price of HK\$0.30 per conversion share (subject to the normal adjustments in accordance with the terms of the convertible notes) at any time during the period commencing from the date of issuance of the convertible notes, up to the maturity date which is the date falling three years after the issuing date.

Unless previously redeemed or converted by the Company, the Company shall redeem any outstanding convertible notes at the principal amount together with accrued interest on the maturity date.

The Company may at any time prior to the maturity date of the convertible notes to redeem the whole or any relevant part of the outstanding note together with interest accrued by giving to the holders 7 business days' notice of its intention to make such redemption.

The Company determined the fair value of the embedded liability and the early redemption option components based on the valuations performed by an independent valuer using discounted cash flow approach. The effective interest rate is 14.073%. The residual amount was assigned as the equity component for the conversion option and was included in the convertible notes reserve of the Company and the Group.

The liability component is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The fair value of the early redemption option was determined to be insignificant at the date of issue of the convertible notes and at 30th June, 2010. Accordingly, the fair value of this option has not been recognised in the financial statements.



## Notes to the Financial Statements

For the year ended 30th June, 2010

### 23. CONVERTIBLE NOTES (continued)

The movement of liability and equity components of the convertible notes during the year is set out below.

| <b>Group and Company</b>   | <b>Liability<br/>component</b><br><i>HK\$'000</i> | <b>Equity<br/>component</b><br><i>HK\$'000</i> | <b>Total</b><br><i>HK\$'000</i> |
|--|---|--|---------------------------------|
| Fair value of the convertible notes<br>(net of issue costs) upon issuance                | 116,402   | 45,256   | 161,658                         |
| Recognition of deferred tax liabilities in respect of<br>issuance of convertible notes   | –   | (7,474)  | (7,474)                         |
| Imputed interest expenses  | 3,949   | –  | 3,949                           |
| Coupon interest paid   | (799)   | –  | (799)                           |
| Conversion into ordinary shares of the Company<br>(Note 25(e))                           | (92,556)  | (35,693)                                       | (128,249)                       |
| Realisation of deferred tax liabilities in respect of<br>conversion of convertible notes | –   | 5,766  | 5,766                           |
| <b>At 30th June, 2010</b>  | <b>26,996</b>                                     | <b>7,855</b>                                   | <b>34,851</b>                   |

On 28th August, 2009 and 9th November, 2009, the holders converted the convertible notes in an aggregate principal amount of HK\$97,500,000 and HK\$30,000,000 respectively, both at a conversion price of HK\$0.30 each, which resulted in the issuance of 325,000,000 and 100,000,000 new ordinary shares of the Company respectively.

### 24. DEFERRED TAX LIABILITIES

The following are the deferred tax liabilities recognised by the Group and the Company:

| <b>Group and Company</b>  | <b>Difference between imputed<br/>interest and coupon interest</b><br><i>HK\$'000</i> |
|---|---|
| At 1st July, 2008 and 2009  | –   |
| Recognition of deferred tax liabilities in respect of issuance of convertible notes   | 7,474   |
| Realisation of deferred tax liabilities in respect of conversion of convertible notes | (5,766)   |
| Credited to profit or loss during the year  | (520)   |
| <b>At 30th June, 2010</b>   | <b>1,188</b>  |

## Notes to the Financial Statements

For the year ended 30th June, 2010

### 24. DEFERRED TAX LIABILITIES (continued)

At 30th June, 2010, the Group had unutilised tax losses of approximately HK\$81,417,000 (2009: HK\$85,771,000) available for offset against future assessable profits arising in Hong Kong. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unutilised tax losses may be carried forward indefinitely.

### 25. SHARE CAPITAL

| Group and Company   | Notes | Number<br>of shares<br>'000 | Amount<br>HK\$'000      |
|---|-------|-----------------------------|-------------------------|
| Ordinary shares   |       |                             |                         |
| <b>Authorised:</b>  |       |                             |                         |
| At 1st July, 2008 and 30th June, 2009, at HK\$0.01 each                                     |       | 20,000,000                  | 200,000                 |
| Share consolidation of 10 shares of HK\$0.01<br>each into 1 ordinary share of HK\$0.10 each | (a)   | (18,000,000)                | –                       |
| Increase during the year  | (b)   | 28,000,000                  | 2,800,000               |
|   |       | <u>30,000,000</u>           | <u>3,000,000</u>        |
| <b>At 30th June, 2010, at HK\$0.10 each</b>   |       | <b><u>30,000,000</u></b>    | <b><u>3,000,000</u></b> |
| <b>Issued and fully paid:</b>   |       |                             |                         |
| At 1st July, 2008, at HK\$0.01 each   |       | 6,422,940                   | 64,229                  |
| Issue of shares   | (c)   | 1,284,000                   | 12,840                  |
|   |       | <u>7,706,940</u>            | <u>77,069</u>           |
| At 30th June, 2009, at HK\$0.01 each  |       | 7,706,940                   | 77,069                  |
| Share consolidation of 10 shares of HK\$0.01<br>each into 1 ordinary share of HK\$0.10 each | (a)   | (6,936,246)                 | –                       |
| Issue of shares by placement  | (d)   | 231,000                     | 23,100                  |
| Conversion of convertible notes   | (e)   | 425,000                     | 42,500                  |
| Shares issued upon exercise of share options  | (f)   | 15,520                      | 1,552                   |
|   |       | <u>1,442,214</u>            | <u>144,221</u>          |
| <b>At 30th June, 2010, at HK\$0.10 each</b>   |       | <b><u>1,442,214</u></b>     | <b><u>144,221</u></b>   |

## Notes to the Financial Statements

For the year ended 30th June, 2010

### 25. SHARE CAPITAL (continued)

*Notes:*

- (a) On 29th July, 2009, the shareholders approved consolidation of every ten issued and unissued ordinary shares into one consolidated share.
- (b) On 30th November, 2009, the shareholders approved the increase in authorised share capital of the Company from share capital of HK\$200,000,000, divided into 2,000,000,000 ordinary shares of HK\$0.10 each to HK\$3,000,000,000 divided into 30,000,000,000 ordinary shares of HK\$0.10 each by the creation of an additional 28,000,000,000 ordinary shares.
- (c) On 22nd November, 2008, the shareholders approved placing of 1,284,000,000 new ordinary shares of HK\$0.01 each and the issue of new shares was completed on 25th November, 2008.
- (d) On 29th July, 2009, the shareholders approved placing of 231,000,000 new ordinary consolidated shares of HK\$0.10 each and the issue of new shares was completed on 17th August, 2009.
- (e) On 28th August, 2009 and 9th November, 2009, 325,000,000 and 100,000,000 new ordinary shares of HK\$0.10 each were issued respectively pursuant to conversion of convertible notes as detailed in note 23.
- (f) On 13th January, 2010 and 20th January, 2010, 14,920,000 and 600,000 new ordinary shares of HK\$0.10 each were issued respectively pursuant to share options exercised as detailed in note 27.

## Notes to the Financial Statements

For the year ended 30th June, 2010

### 26. RESERVES

| Company                                | Share         | Contributed    | Share-based   |               | Convertible  | Accumulated     | Total          |
|--|---------------|----------------|---------------|---------------|--------------|-----------------|----------------|
|  | premium       | surplus        | Other         | compensation  | notes        | losses          |                |
|  | HK\$'000      | HK\$'000       | reserve       | reserve       | reserve      | HK\$'000        | HK\$'000       |
| At 1st July, 2008                      | 538,285       | 61,949         | 39,387        | 9,392         | -            | (533,109)       | 115,904        |
| Loss and total comprehensive           |               |                |               |               |              |                 |                |
| income for the year                    | -             | -              | -             | -             | -            | (45,448)        | (45,448)       |
| Issue of shares for cash (Note 25)     | 12,840        | -              | -             | -             | -            | -               | 12,840         |
| Expenses incurred in connection        |               |                |               |               |              |                 |                |
| with issue of shares                   | (693)         | -              | -             | -             | -            | -               | (693)          |
| Lapse of options                       | -             | -              | -             | (2,525)       | -            | 2,525           | -              |
| Equity settled share-based             |               |                |               |               |              |                 |                |
| payments                               | -             | -              | -             | 5,333         | -            | -               | 5,333          |
| At 30th June, 2009                     | 550,432       | 61,949         | 39,387        | 12,200        | -            | (576,032)       | 87,936         |
| Loss and total comprehensive           |               |                |               |               |              |                 |                |
| income for the year                    | -             | -              | -             | -             | -            | (19,737)        | (19,737)       |
| Issue of shares by placement (Note 25) | 46,200        | -              | -             | -             | -            | -               | 46,200         |
| Expenses incurred in connection        |               |                |               |               |              |                 |                |
| with issue of shares                   | (1,004)       | -              | -             | -             | -            | -               | (1,004)        |
| Recognition of equity component        |               |                |               |               |              |                 |                |
| of convertible notes (Note 23)         | -             | -              | -             | -             | 45,256       | -               | 45,256         |
| Deferred tax recognised on issuance    |               |                |               |               |              |                 |                |
| of convertible notes (Note 24)         | -             | -              | -             | -             | (7,474)      | -               | (7,474)        |
| Issue of shares upon conversion        |               |                |               |               |              |                 |                |
| of convertible notes (Note 25)         | 85,748        | -              | -             | -             | (35,693)     | -               | 50,055         |
| Deferred tax realised on conversion    |               |                |               |               |              |                 |                |
| of convertible notes (Note 24)         | -             | -              | -             | -             | 5,766        | -               | 5,766          |
| Issue of shares on exercise of         |               |                |               |               |              |                 |                |
| share options (Note 25)                | 24,715        | -              | -             | (13,581)      | -            | -               | 11,134         |
| Cancellation of share premium          |               |                |               |               |              |                 |                |
| towards accumulated losses and         |               |                |               |               |              |                 |                |
| credited to contribution surplus       | (681,175)     | 170,789        | -             | -             | -            | 510,386         | -              |
| Equity settled share-based             |               |                |               |               |              |                 |                |
| payments                               | -             | -              | -             | 16,188        | -            | -               | 16,188         |
| <b>At 30th June, 2010</b>              | <b>24,916</b> | <b>232,738</b> | <b>39,387</b> | <b>14,807</b> | <b>7,855</b> | <b>(85,383)</b> | <b>234,320</b> |

No dividend was paid or proposed during the year (2009: Nil), nor has any dividend been proposed since 30th June, 2010.

## Notes to the Financial Statements

For the year ended 30th June, 2010

### 27. SHARE-BASED COMPENSATIONS

The Company operates an equity-settled, share-based compensation plan for the purpose of providing incentives and rewards to eligible participants for their contribution to the success of the Group's operations. Pursuant to this objective, on 16th December, 1997, the Company adopted a share option scheme (the "Old SO Scheme") whose eligible participants include directors and employees of the Company and its subsidiaries as determined by the directors of the Company.

On the expiry of the Old SO Scheme, the directors of the Company consider to adopt a new share option scheme (the "New SO Scheme"). An ordinary resolution was passed at the annual general meeting of the Company held on 29th January, 2008 for the approval of the said adoption of the New SO Scheme and termination of the Old SO Scheme. Pursuant to the amendments to the Listing Rules, no further options may be granted under the Old SO Scheme thereunder but in other respects, the provisions of the Old SO Scheme remain in force and all outstanding options granted continue to be valid and exercisable in accordance therewith.

Eligible participants of the New SO Scheme include directors and employees of the Company and its subsidiaries. The New SO Scheme will, unless otherwise cancelled or amended, remain in force for 10 years from 29th January, 2008.

The maximum number of unexercised share options currently permitted to be granted under the New SO Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the New SO Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within the date specified in the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors of the Company, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the grant of the share options or the expiry date of the New SO Scheme, if earlier.

## Notes to the Financial Statements

For the year ended 30th June, 2010

### 27. SHARE-BASED COMPENSATIONS (continued)

#### Share option – 31st January, 2008

On 31st January, 2008, a total of 9,600,000 share options were granted to the employees and eligible persons of the Group at a cash consideration of HK\$1.00 per grantee which entitle the grantees to subscribe for new ordinary shares of the Company at an exercise price of HK\$1.11 per share. The option shall be exercisable in the following manner:

|               |  |                         |
|---------------|--|-------------------------|
| Starting from | 31st January, 2008 to 30th January, 2009 | Not more than 40%       |
|               | 31st January, 2009 to 30th January, 2010 | Not more than 70%       |
|               | 31st January, 2010 to 30th January, 2018 | The outstanding balance |

#### Share option – 5th February, 2008

On 5th February, 2008, a total of 14,300,000 share options were granted to the directors of the Group at a cash consideration of HK\$1.00 per grantee which entitle the grantees to subscribe for new ordinary shares of the Company at an exercise price of HK\$1.25 per share. The option shall be exercisable in the following manner:

|               |  |                         |
|---------------|--|-------------------------|
| Starting from | 5th February, 2008 to 4th February, 2009 | Not more than 40%       |
|               | 5th February, 2009 to 4th February, 2010 | Not more than 70%       |
|               | 5th February, 2010 to 4th February, 2018 | The outstanding balance |

#### Share option – 6th February, 2008

On 6th February, 2008, a total of 5,600,000 share options were granted to eligible persons of the Group at a cash consideration of HK\$1.00 per grantee which entitle the grantees to subscribe for new ordinary shares of the Company at an exercise price of HK\$1.27 per share. The option shall be exercisable in the following manner:

|               |  |                         |
|---------------|--|-------------------------|
| Starting from | 6th February, 2008 to 5th February, 2009 | Not more than 40%       |
|               | 6th February, 2009 to 5th February, 2010 | Not more than 70%       |
|               | 6th February, 2010 to 5th February, 2018 | The outstanding balance |

On 20th January, 2010, the Company agreed to modify the exercise manner of 180,000 out of the 600,000 share options in respect of one director participant whereby the 180,000 share options became exercisable and fully vested upon the date of modification. As a result, additional share-based payments of HK\$159,000 was recognised in profit or loss for the year ended 30th June, 2010.

## Notes to the Financial Statements

For the year ended 30th June, 2010

### 27. SHARE-BASED COMPENSATIONS (continued)

#### Share option – 7th September, 2009

On 7th September, 2009, a total of 18,900,000 share options were granted to the directors, an employee and eligible persons of the Group at a cash consideration of HK\$1.00 per grantee which entitle the grantees to subscribe for new ordinary shares of the Company at an exercise price of HK\$0.80 per share. The option shall be exercisable in the following manner:

|               |  |                         |
|---------------|--|-------------------------|
| Starting from | 7th September, 2009 to 6th September, 2010 | Not more than 40%       |
|               | 7th September, 2010 to 6th September, 2011 | Not more than 70%       |
|               | 7th September, 2011 to 6th September, 2019 | The outstanding balance |

On 11th and 13th January, 2010, the Company agreed to modify the exercise manner of 5,640,000 out of the 11,400,000 share options in respect of three non-director participants and 2,520,000 out of the 4,700,000 share options in respect of two director participants respectively whereby the 8,160,000 share options became exercisable and fully vested upon the date of modification. As a result, additional share-based payments of HK\$5,600,000 was recognised in profit or loss for the year ended 30th June, 2010.

The exercise price of the share options is determinable by the directors of the Company, but may not be less than the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of the grant; and (iii) the nominal value of the Company's shares.

The movements of share options during the year are as follows:

|                            | Number of share options |             |
|----------------------------|-------------------------|-------------|
|                            | 2010                    | 2009        |
| At beginning of year       | 21,700,000              | 29,500,000  |
| Granted during the year    | 18,900,000              | –           |
| Exercised during the year  | (15,520,000)            | –           |
| Lapsed during the year     | –                       | (7,800,000) |
| At end of year             | <b>25,080,000</b>       | 21,700,000  |
| Exercisable at end of year | <b>21,900,000</b>       | 15,190,000  |

The fair value of the 18,900,000 share options granted during the year ended 30th June, 2010 was HK\$12,862,000. The Group recognised share-based payments of HK\$16,188,000 (2009: HK\$5,333,000) during the year ended 30th June, 2010 (Note 11).

## Notes to the Financial Statements

For the year ended 30th June, 2010

### 27. SHARE-BASED COMPENSATIONS (continued)

The fair value of equity-settled share options granted during the years ended 30th June, 2009 and 2010 was estimated as at the date of grant, using the Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

| Date of grant  | 31st January,<br>2008 | 5th February,<br>2008 | 6th February,<br>2008 | 7th September,<br>2009 |
|--|-----------------------|-----------------------|-----------------------|------------------------|
| Number of options                                    | 9,600,000             | 14,300,000            | 5,600,000             | 18,900,000             |
| Subscription price                                   | HK\$1.11              | HK\$1.25              | HK\$1.27              | HK\$0.80               |
| Dividend yield                                       | 0.0%                  | 0.0%                  | 0.0%                  | 0.0%                   |
| Volatility   | 82%                   | 82%                   | 82%                   | 119.36%-123.49%        |
| Risk-free interest rate                              | 2.102%-2.249%         | 2.102%-2.249%         | 2.102%-2.249%         | 1.672%-1.884%          |
| Expected weighted average<br>option lives (in years) | 5.5                   | 5.5                   | 5.5                   | 6.0                    |

The expected lives of the options may not be necessarily indicative of the exercise pattern that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of reporting period, the Company had 25,080,000 share options outstanding under the New SO Scheme, which represented approximately 1.7% of the Company's shares in issue as at that date. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 25,080,000 additional ordinary shares of the Company and additional share capital of HK\$2,508,000 and share premium of HK\$25,987,000 (before issue expenses).



## Notes to the Financial Statements

For the year ended 30th June, 2010

### 27. SHARE-BASED COMPENSATIONS (continued)

The terms and movements of unexpired and unexercised share options under the New SO Scheme during the year are as follows:

| Name or category of participant | Date of grant       | Exercise period                            | Exercise price per share | Outstanding at 1st July, 2009 | Number of share options |                           |                                |
|---------------------------------|---------------------|--|--------------------------|-------------------------------|-------------------------|---------------------------|--------------------------------|
|                                 |                     |  |                          |                               | Granted during the year | Exercised during the year | Outstanding at 30th June, 2010 |
| Director                        | 7th September, 2009 | 7th September, 2009 to 6th September, 2019 | HK\$0.80                 | -                             | 6,700,000               | (4,400,000)               | 2,300,000                      |
| Non-director                    | 7th September, 2009 | 7th September, 2009 to 6th September, 2019 | HK\$0.80                 | -                             | 12,200,000              | (10,520,000)              | 1,680,000                      |
| Director                        | 5th February, 2008  | 5th February, 2008 to 4th February, 2018   | HK\$1.25                 | 7,700,000                     | -                       | (600,000)                 | 7,100,000                      |
| Non-director                    | 31st January, 2008  | 31st January, 2008 to 30th January, 2018   | HK\$1.11                 | 8,400,000                     | -                       | -                         | 8,400,000                      |
| Non-director                    | 6th February, 2008  | 6th February, 2008 to 5th February, 2018   | HK\$1.27                 | 5,600,000                     | -                       | -                         | 5,600,000                      |
| Total                           |                     |  |                          | 21,700,000                    | 18,900,000              | (15,520,000)              | 25,080,000                     |

The weighted average closing price of shares on the dates on which the options were exercised was HK\$1.30. The weighted average closing price of shares immediately before the dates on which the options were exercised was HK\$1.34.

As disclosed in note 25, the Company has implemented consolidation of every ten issued and unissued ordinary shares into one consolidated share during the current year and the corresponding adjustments have been made to the above exercise price and the above number of shares falling to be allotted and issued under the New SO Scheme, as applicable.

## Notes to the Financial Statements

For the year ended 30th June, 2010

### 28. OPERATING LEASE ARRANGEMENTS

|  | <b>2010</b><br><i>HK\$'000</i> | 2009<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Minimum lease payments paid during the year under operating leases | <b>2,065</b>                   | 1,604                   |

At the end of reporting period, the Group had outstanding minimum commitments under non-cancellable operating leases, which fall due as follows:

|  | <b>2010</b><br><i>HK\$'000</i> | 2009<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Within one year                        | <b>1,399</b>                   | 2,385                   |
| In the second to fifth years inclusive | –                              | 929                     |
|  | <b>1,399</b>                   | 3,314                   |

Operating lease payments represent rentals payable by the Group for certain of its office premises. The leases are negotiated for a term of one to three years at fixed rentals.

### 29. RETIREMENT BENEFITS SCHEME

The Group participates in the MPF Scheme established under the Hong Kong Mandatory Provident Fund Schemes Ordinance since December 2000. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules.

During the year, the total amount contributed by the Group to the MPF Scheme charged to profit or loss represent contributions payable to the fund by the Group at rates specified in the rules of the scheme.

## Notes to the Financial Statements

For the year ended 30th June, 2010

### 30. RELATED PARTY DISCLOSURES

- (a) The significant transactions with related parties during the year and significant balances with them at the end of reporting period are as follows:

| Related parties      | Relationship  | Nature of transaction                           | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
|----------------------|---|---|------------------|------------------|
| <b>Transactions:</b> |   |   |                  |                  |
| GTCIL                | Joint venture partner                               | Guaranteed return received/receivable (Note 18) | 21,534           | –                |
|                      |   | Interest income received (Note 18)              | 504              | –                |
| Mr. Ng Leung Ho      | Director and substantial shareholder of the Company | Subscription of convertible notes (Note 23)     | 115,500          | –                |
| <b>Balances:</b>     |   |   |                  |                  |
| GIDL                 | Jointly controlled entity                           | Shareholder's loan (Note 18)                    | 200,000          | –                |
| GTCIL                | Joint venture partner                               | Guaranteed return receivable (Notes 6 and 19)   | 6,534            | –                |

## Notes to the Financial Statements

For the year ended 30th June, 2010

### 30. RELATED PARTY DISCLOSURES (continued)

#### (b) Compensation of key management personnel

The remuneration of directors and other members of key management of the Group during the year was as follows:

|                          | 2010<br><i>HK\$'000</i> | 2009<br><i>HK\$'000</i> |
|--------------------------|-------------------------|-------------------------|
| Short-term benefits      | 5,503                   | 2,684                   |
| Share-based payments     | 7,220                   | 2,789                   |
| Post-employment benefits | 45                      | 37                      |
|                          | <b>12,768</b>           | 5,510                   |

The remuneration of directors is determined by the remuneration committee having regard to the level and composition of pay and the general market conditions in the respective countries and businesses.

### 31. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's and the Company's financial assets and financial liabilities recognised at the end of reporting period may be categorised as follows:

| <b>Group</b>   | 2010<br><i>HK\$'000</i> | 2009<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| <b>Financial assets</b>                                  |                         |                         |
| Fair value through profit or loss – held for trading     | 102,874                 | 11,640                  |
| Loans and receivables (including bank balances and cash) | <b>326,116</b>          | 159,537                 |
| <b>Financial liabilities</b>                             |                         |                         |
| Financial liabilities measured at amortised cost         | <b>28,999</b>           | 2,868                   |

## Notes to the Financial Statements

For the year ended 30th June, 2010

### 31. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (continued)

| Company  | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
|--|------------------|------------------|
| <b>Financial assets</b>                                  |                  |                  |
| Loans and receivables (including bank balances and cash) | <b>406,026</b>   | 169,772          |
| <b>Financial liabilities</b>                             |                  |                  |
| Financial liabilities measured at amortised cost         | <b>29,481</b>    | 8,015            |

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market price; and
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

HKFRS 7 requires disclosures for financial instruments that are measured at fair value by level of the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs for the asset or liability that are not based on observable market data.

| Group  | Level 1<br>HK\$'000 | Level 2<br>HK\$'000 | Level 3<br>HK\$'000 | Total<br>HK\$'000 |
|--|---------------------|---------------------|---------------------|-------------------|
| <b>At 30th June, 2010</b>                                    |                     |                     |                     |                   |
| <b>Financial assets at fair value through profit or loss</b> |                     |                     |                     |                   |
| Investments held for trading                                 | 102,874             | –                   | –                   | 102,874           |

There is no transfer between Level 1 and Level 2 of the fair value hierarchy in the year.

The directors consider that the carrying amounts of financial assets and financial liabilities carried at amortised cost in the consolidated financial statements approximate their fair values.

## Notes to the Financial Statements

For the year ended 30th June, 2010

### 32. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's subsidiaries at 30th June, 2010 are as follows:

| Name of subsidiary                                  | Place of incorporation/<br>operations | Nominal value<br>of issued and<br>fully paid<br>share capital | Percentage of<br>issued share capital<br>held by the<br>Company directly<br>% | Principal activities              |
|---|---------------------------------------|---|---|-----------------------------------|
| Jet United Investment Limited                       | Hong Kong                             | HK\$1   | 100   | Investment holding                |
| Sinocham Eco-Industrial<br>Company Limited (Note 1) | Hong Kong                             | HK\$1,000,000   | 100   | Inactive                          |
| Great Peace Global Group<br>Limited                 | British Virgin Islands                | US\$50,000  | 100   | Investment holding                |
| Gold Rising Limited (Note 2)                        | Hong Kong                             | HK\$1   | 100   | Trading and investment<br>holding |
| Golden Wayford Limited (Note 2)                     | Hong Kong                             | HK\$1   | 100   | Inactive                          |

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

*Note 1: The subsidiary was in the process of deregistration during the year.*

*Note 2: These subsidiaries were incorporated during the year.*

## Financial Summary

### RESULTS

|                            | For the year ended 30th June, |                  |                  |                  | 2010<br>HK\$'000 |
|----------------------------|-------------------------------|------------------|------------------|------------------|------------------|
|                            | 2006<br>HK\$'000              | 2007<br>HK\$'000 | 2008<br>HK\$'000 | 2009<br>HK\$'000 |                  |
| Turnover                   | 30,458                        | 25,937           | 6,988            | 74,564           | <b>134,942</b>   |
| (Loss) profit for the year | (13,798)                      | 103              | (42,390)         | (44,366)         | <b>(2,490)</b>   |
| Attributable to:           |                               |                  |                  |                  |                  |
| Owners of the Company      | (13,798)                      | 103              | (42,390)         | (44,366)         | <b>(2,490)</b>   |

### NET ASSETS

|                         | At 30th June,    |                  |                  |                  | 2010<br>HK\$'000 |
|-------------------------|------------------|------------------|------------------|------------------|------------------|
|                         | 2006<br>HK\$'000 | 2007<br>HK\$'000 | 2008<br>HK\$'000 | 2009<br>HK\$'000 |                  |
| Total assets            | 17,584           | 27,430           | 186,703          | 172,542          | <b>430,514</b>   |
| Total liabilities       | (11,277)         | (9,246)          | (3,113)          | (2,998)          | <b>(30,187)</b>  |
|                         | 6,307            | 18,184           | 183,590          | 169,544          | <b>400,327</b>   |
| Equity attributable to: |                  |                  |                  |                  |                  |
| Owners of the Company   | 6,307            | 18,184           | 183,590          | 169,544          | <b>400,327</b>   |