



GOOD FELLOW RESOURCES HOLDINGS LIMITED
金威資源控股有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code:00109

**ANNUAL
REPORT
2011**

* for identification purposes only

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Corporate Information

BOARD OF DIRECTORS

Executive Directors:

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

Independent Non-Executive Directors:

Mr. Law Wai Fai
Mr. Chau On Ta Yuen
Ms. Xu Lei

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
Ms. Xu Lei

REMUNERATION COMMITTEE

Mr. Law Wai Fai (*Chairman of Remuneration Committee*)
Mr. Ng Leung Ho
Mr. Chau On Ta Yuen
Mr. Lo Wan Sing, Vincent
Ms. Xu Lei

NOMINATION COMMITTEE

Mr. Chau On Ta Yuen
(*Chairman of Nomination Committee*)
Mr. Ng Leung Ho
Mr. Law Wai Fai
Mr. Lo Wan Sing, Vincent
Ms. Xu Lei

GENERAL COMMITTEE

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

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 3310-11
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

29th Floor, Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
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

Chairman's Statement

BUSINESS REVIEW

We have turned around into a net profit of approximately HK\$471,910,000 for the Group in current year in comparison to a loss of HK\$2,490,000 in last year and our turnover has increased by approximately HK\$ 7,924,000 to approximately HK\$ 32,853,000. The turn-around in current year was mainly due to revaluation gain shared by the Group for the investment property of its joint venture project located at Fuzhou, China.

During the current year, the investment and financial services increased its contribution for our overall turnover. The joint venture project investment has brought in higher contribution for turnover, with approximately HK\$21,534,000 in last year due to the guarantee income received progressed to approximately HK\$30,000,000 for the year under review; contribution for turnover attributable to securities held by the Group decreased from approximately HK\$3,395,000 in last year to that of approximately HK\$1,326,000 for the current year; loan financing has not delivered any turnover to the Group for the current year.

The Group has identified new products and market position for the distribution and trading of goods segment of the Group and the segment has contributed to turnover of approximately HK\$1,527,000 to the Group during the current year while there was no turnover contributed by the segment for the prior year.

OUTLOOK

Under a worldwide volatile investing environment due to uncertainty of the development of the European and United States' economy with no sign of clear recovery, the Group's strategies continue to be applying due care and prudence on expansion and diversification and maintaining core focus of the Group on preserving assets and managing the risks of our assets portfolio.

With increasing risks of double dip recession in Europe that could impact global economy, the Group's core business of investment and financial services and distribution and trading will continue to be managed with goal of asset and income growth to the Group on a due diligent manner.

The higher asset resources of the Group compared to prior periods will help the Group to maintain its positions during the possible turmoil environment and to explore new opportunities and diversified segments for the Group's investment portfolio. More loan reviews are carrying out under the investment and financial services business and with the distribution and trading business accomplishing orders and generating turnover to the Group, our segments will continue to fulfill business goals and bring income to the Group.

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, 30th September, 2011

Management Discussion and Analysis

FINANCIAL REVIEW

For the year ended 30th June, 2011, the turnover of the Group increased by approximately HK\$7,924,000 to approximately HK\$32,853,000 (2010: approximately HK\$24,929,000), representing an increase of approximately 31.79% from last year. Increase in turnover was primarily caused by increase in turnover related to business activities in investment and financial services receiving full year of guarantee return of approximately HK\$30,000,000 as compared to the guarantee return of approximately HK\$21,534,000 for the prior year.

Business activities in distribution and trading have contributed to turnover of approximately HK\$1,527,000 for the year under review whereas there was no trade transaction in the prior year.

The Group recorded a profit attributable to owners of the Company of approximately HK\$471,910,000 for the year under review compared to a loss of approximately HK\$2,490,000 of last year. The increase in net profit by approximately HK\$474,400,000 was mainly due to (i) increase in share of profit of a jointly controlled entity of approximately HK\$480,573,000 to HK\$480,243,000 (2010: loss of approximately HK\$330,000) mainly due to share of revaluation gain of an investment property of a jointly controlled entity; and (ii) profit impact of the decrease in administrative expenses of the Group for the current year by approximately HK\$15,474,000 to HK\$16,974,000 (2010: approximately HK\$32,448,000) mainly attributable to decrease in share-based payments recognised during the current year by approximately HK\$15,206,000 to approximately HK\$982,000. The total positive profit impact from the increased share of profit of jointly controlled entity and the reduced administration expenses was partly net-off by the loss impact as reflected in other net gains and losses resulting from the increase in unrealised loss for the current year for decrease in market value of listed shares investments held for trading at year end by approximately HK\$24,780,000 to approximately HK\$26,250,000 (2010: approximately HK\$1,470,000). Overall there was a turnaround into net profit of approximately HK\$471,910,000 (2010: loss of approximately HK\$2,490,000) for the Group for current year.

BUSINESS REVIEW

With the global economy on turmoil, the Group has been cautious on its investment and financial services segment and its buy and sell trades of securities have been reduced, the Group will monitor its investment portfolios and diversified its investment portfolios with shareholders' capital return and volatility risks both considered in the Group's holdings of portfolios of the investment and financial services segment. With the investment property of the jointly controlled entity substantially completed during the current year in the second quarter of 2011 and lessees starting to occupy the investment property, the Group's asset base and reported profit has been stronger as a result of the increase in asset value brought along by the revaluation gain of the investment property under the jointly controlled entity. The Group has carried out loan reviews but has not approved any loan financing during the year under review. The Group has continued re-positioning of the distribution and trading segment less impacted by the global fiscal policies' changes and has brought turnover to this segment during the current year.

Management Discussion and Analysis

FUTURE PROSPECTS

With the second round of quantitative easing in the United States ended, the global economy could be facing more difficult times ahead, the Group will further diversify its income sources and asset base by continuing assessment of investment projects which could shelter the Group through the global economic challenge going forward, the existing investment portfolio including the jointly controlled entity has strengthened the Group's asset base and the Group will diversify its portfolio of assets and aim to bring investment return to the shareholders. The Group has applied more resources since early of 2011 to continue its effort to bring turnover to the Group through its loan financing activities. The Group's operations in distribution and trading have contributed positively to the Group and that momentum will support the growth going forward.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains its strong financial position with cash and cash equivalents of approximately HK\$119,758,000 (2010: approximately HK\$119,582,000).

As at 30th June, 2011, the Group had net current assets of approximately HK\$223,003,000 (2010: approximately HK\$227,453,000). The shareholders' equity was approximately HK\$900,564,000 (2010: approximately HK\$400,327,000) 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 3.34% (2010: approximately 6.74%).

CONTINGENT LIABILITIES

As at 30th June, 2011, the Group did not have any significant contingent liabilities.

DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 30th June, 2011.

VERY SUBSTANTIAL DISPOSAL OF A SUBSIDIARY

Subsequent to the year end date, the Group entered into various agreements in connection with the disposals of its entire equity interest in a wholly-owned subsidiary, Great Peace Global Group Limited ("Great Peace") (the "Sale Share"), and the loan advanced to Great Peace (the "Sale Loan"). Great Peace holds 50% equity interest in a jointly controlled entity, Grand International Development Limited, which in turn holds 60% equity interest in its jointly controlled entity, Fujian Sinco Industrial Co. Ltd. Some of details of the agreements as more fully disclosed in the Company's separate announcement about the disposals dated 30th September, 2011, are set out below.

Management Discussion and Analysis

On 26th July, 2011, the Company entered into a sale and purchase agreement (the "Previous Agreement") with Grandbiz Holdings Limited (the "Previous Purchaser") and its sole shareholder, Mr. Guo, pursuant to which the Company had conditionally agreed to sell and the Previous Purchaser had conditionally agreed to acquire from the Company the Sale Share and Sale Loan. Subsequent to the date of the Previous Agreement, the Company located a new purchaser for the Sale Share and the Sale Loan with more attractive terms, and on 30th September 2011, the parties to the Previous Agreement entered into a termination agreement to terminate the Previous Agreement with effect from the date of the termination agreement.

On 30th September 2011, the Company entered into another sale and purchase agreement (the "Agreement") with Grand Supreme Limited (the "Purchaser") and its holding company, China Grand Forestry Green Resources Group Limited ("China Grand"), a company with shares listed on the Stock Exchange, pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire from the Company the Sale Share and Sale Loan at an aggregate consideration of HK\$942,000,000, which will be satisfied as to (i) HK\$190,500,000 in cash; (ii) HK\$541,500,000 by the issue and allotment of the Convertible Preference Shares of China Grand; and (iii) HK\$210,000,000 by way of issue of the Convertible Notes of China Grand. The Company, based on existing information, expects that the disposals will result in an estimated gain of approximately of HK\$44.74 million before related expenses and taxes, if any.

EMPLOYMENT AND REMUNERATION POLICIES

As at 30th June, 2011, 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, 2011.

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, 2011 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 60, 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, with a Silver Bauhinia Star (SBS) awarded on 1st July, 2011 by the Government of HKSAR.

Mr. LO Wan Sing, Vincent ("Mr. Lo"), aged 64, 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 and appointed as Managing Director, a member of the Remuneration Committee and Nomination Committee of the Company on 1st March, 2011. 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, with a Bronze Bauhinia Star (BBS) awarded on 1st July, 2011 by the Government of HKSAR.

Mr. HO Kam Hung ("Mr. Ho"), aged 60, 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 and resigned from all positions of the Company on 1st March, 2011. Mr. Ho had been 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.

Directors and Senior Management's Profiles

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAU On Ta Yuen ("Mr. Chau"), aged 64, 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 and Sumpo Food 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 43, 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, up to 22nd June, 2010. 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 48, was appointed as an Independent Non-Executive Director, a member of the Audit Committee, a member of the Remuneration Committee and a member of the Nomination Committee of the Company on 25th February, 2009 and resigned from all positions of the Company on 31st December 2010. He had been 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.

Ms. XU Lei ("Ms. Xu"), aged 32, was appointed as an Independent Non-Executive Director of the Company on 31st December, 2010. She was also appointed as a member of the Audit Committee, a member of the Remuneration Committee and a member of Nomination Committee. Ms. Xu holds a master degree in Journalism. Ms. Xu has more than 5 years working experience with Hong Kong Wen Wei Po and has obtained several press awards. Ms. Xu had been an independent non-executive director, a member of each of the Audit Committee, Remuneration Committee and Nomination Committee from 1 January 2010 to 31 December 2010 of CGFGR.

Directors and Senior Management's Profiles

SENIOR MANAGEMENT

Mr. CHAN Chi Ming, Tony ("Mr. Chan"), aged 43, 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, 2011 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.

Under the code provision E.1.2 of the Code, the chairman of the board should attend the annual general meeting of the Company. Mr. Ng Leung Ho, the chairman of the board, did not attend the 2010 annual general meeting by reason of his business trip on that day.

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 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, then held by Mr. Lo Wan Sing Vincent from 1st March, 2011 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 five Directors, with two 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).

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 three 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 six 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:

Name of Directors	Attendance
<i>Executive Directors</i>	
Mr. Ng Leung Ho (<i>Chairman</i>)	4/6
Mr. Lo Wan Sing, Vincent (<i>Vice-Chairman and Managing Director</i>)	5/6
Mr. Ho Kam Hung (<i>Managing Director</i>) (<i>appointed on 20th November, 2007 and resigned on 1st March, 2011</i>)	3/3
<i>Independent Non-Executive Directors</i>	
Mr. Law Wai Fai	5/6
Mr. Chau On Ta Yuen	6/6
Mr. Wang Yan Ming (<i>appointed on 25th February, 2009 and resigned on 31st December, 2010</i>)	1/1
Ms. Xu Lei (<i>appointed on 31st December, 2010</i>)	3/3

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:

Name of Audit Committee members	Attendance
Independent Non-Executive Directors	
Mr. Law Wai Fai (<i>Chairman of Audit Committee</i>)	2/2
Mr. Chau On Ta Yuen	2/2
Mr. Wang Yan Ming (<i>appointed on 25th February, 2009 and resigned on 31st December, 2010</i>)	1/1
Ms. Xu Lei (<i>appointed on 31st December, 2010</i>)	1/1

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:

Name of Remuneration Committee members	Attendance
Independent Non-Executive Directors	
Mr. Law Wai Fai (<i>Chairman of Remuneration Committee</i>)	1/1
Mr. Chau On Ta Yuen	1/1
Mr. Wang Yan Ming (<i>appointed on 25th February, 2009 and resigned on 31st December, 2010</i>)	–
Ms. Xu Lei (<i>appointed on 31st December, 2010</i>)	1/1
Executive Directors	
Mr. Ng Leung Ho	1/1
Mr. Ho Kam Hung (<i>appointed on 20th November, 2007 and resigned on 1st March, 2011</i>)	1/1

Corporate Governance Report

Nomination Committee Meeting

A total of two 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
Independent Non-Executive Directors	
Mr. Chau On Ta Yuen (<i>Chairman of Nomination Committee</i>)	2/2
Mr. Law Wai Fai	2/2
Mr. Wang Yan Ming (<i>appointed on 25th February, 2009 and resigned on 31st December, 2010</i>)	–
Ms. Xu Lei (<i>appointed on 31st December, 2010</i>)	1/1
Executive Directors	
Mr. Ng Leung Ho	–
Mr. Ho Kam Hung (<i>appointed on 20th November, 2007 and resigned on 1st March, 2011</i>)	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
Independent Non-Executive Director	
Mr. Law Wai Fai (<i>Chairman of General Committee</i>)	1/1
Executive Directors	
Mr. Ng Leung Ho	1/1
Mr. Ho Kam Hung (<i>appointed on 20th November, 2007 and resigned on 1st March, 2011</i>)	1/1
Mr. Lo Wan Sing, Vincent	1/1

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, 2011.

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

Corporate Governance Report

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, 2011, the Auditor of the Company would receive approximately (HK\$460,000) for statutory audit services. Payments for other non-audit services of approximately (HK\$28,000) in total to the Auditor were made during the year. No payments for consultancy services to the Auditor was made during the year.

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, 2011.

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, 2011 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, 2011.

FINANCIAL SUMMARY

The financial summary of the consolidated results of the Group for each of the five years ended 30th June, 2011 and of the net assets of the Group as at 30th June, 2011, 2010, 2009, 2008, and 2007 are set out on page 86.

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.

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\$133,925,000 at 30th June, 2011.

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
Mr. Lo Wan Sing, Vincent
Mr. Ho Kam Hung *(resigned on 1st March, 2011)*

Independent Non-Executive Directors:

Mr. Law Wai Fai
Mr. Chau On Ta Yuen
Mr. Wang Yan Ming *(resigned on 31st December, 2010)*
Ms. Xu Lei *(appointed on 31st December, 2010)*

In accordance with Clause 86(2) and 87(1) of the Company's Bye-laws, Ms. Xu Lei and Mr. Law Wai Fai 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, 2011, 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 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/ 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, 2011, 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 outstanding options granted to the Company's directors under 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, 2011, there were 48,400,000 share options granted and 7,800,000 option cancelled or lapsed.

15,520,000 options have been exercised in prior years. 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 ¹	1.25	5th February, 2008	5th February, 2008 to 4th February, 2018
Mr. Law Wai Fai	600,000	-	-	600,000 ¹	1.25	5th February, 2008	5th February, 2008 to 4th February, 2018
	600,000	-	-	600,000 ²	0.80	7th September, 2009	7th September, 2009 to 6th September, 2019
Sub-total	1,200,000	-	-	1,200,000			
Mr. Lo Wan Sing, Vincent	1,400,000	-	-	1,400,000 ²	0.80	7th September, 2009	7th September, 2009 to 6th September, 2019
Mr. Chau On Ta Yuen	600,000	-	-	600,000 ¹	1.25	5th February, 2008	5th February, 2008 to 4th February, 2018
	300,000	-	-	300,000 ³	0.80	7th September, 2009	7th September, 2009 to 6th September, 2019
Sub-total	900,000	-	-	900,000			
Grand-total	9,400,000	-	-	9,400,000			

Report of the Directors

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
Employees/ Non-Directors	8,400,000	-	-	8,400,000 ¹	1.11	31st January, 2008	31st January, 2008 to 30th January, 2018,
Non-Director	5,600,000	-	-	5,600,000 ¹	1.27	6th February, 2008	6th February, 2008 to 5th February, 2018
Employees/ Non-Directors	1,680,000	-	-	1,680,000 ⁴	0.80	7th September, 2009	7th September, 2009 to 6th September, 2019
Grand-total	15,680,000	-	-	15,680,000			
Total	25,080,000	-	-	25,080,000			

Notes:

- The outstanding options at the end of year can be exercised in whole.
- 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.
- 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.
- 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.

During the year ended 30th June, 2010, 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, 2011, 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 issued ordinary shares held	Approximate percentage of the issued share capital 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, 2011, 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.

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

The Group has one external customer, which had accounted for the Group's revenue from trading amounting to HK\$1,527,000 for the year (2010: Nil).

The Group also has guaranteed return and interest income received and receivable from a joint venture partner amounting to HK\$30,000,000 (2010: HK\$22,038,000) during the year. The Group has one external supplier, which had accounted for the Group's cost of sales from trading amounting to HK\$1,459,000 for the year (2010: Nil).

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.

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.

Report of the Directors

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, 2011.

AUDITOR

The financial statements for the year ended 30th June, 2011 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, 30th September, 2011

Independent Auditor's Report



Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

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

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港中環干諾道中111號
永安中心25樓

TO THE SHAREHOLDERS OF GOOD FELLOW RESOURCES HOLDINGS LIMITED

金威資源控股有限公司

(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 87, which comprise the consolidated and company's statements of financial position as at 30th June, 2011, 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 information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 consolidated 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, 2011 and of the Group's profit 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

30th September, 2011

Wong Chi Wai

Practising Certificate number P04945

Consolidated Statement of Comprehensive Income

For the year ended 30th June, 2011

	Notes	2011 HK\$'000	2010 HK\$'000
Turnover	7	32,853	24,929
Cost of sales		(1,458)	–
Gross profit		31,395	24,929
Other revenue	9	894	1,072
Other net gains and losses	9	(20,376)	7,725
Administrative expenses		(16,974)	(32,448)
Finance costs	10	(3,782)	(3,958)
Share of profit/(loss) of a jointly controlled entity	18	480,243	(330)
Profit/(loss) before taxation	11	471,400	(3,010)
Taxation	13	510	520
Profit/(loss) for the year attributable to owners of the Company		471,910	(2,490)
Other comprehensive income			
Share of other comprehensive income of a jointly controlled entity			
– Translation difference	18	14,506	–
Total comprehensive income for the year attributable to owners of the Company		486,416	(2,490)
		HK Cents	HK Cents
Earnings/(loss) per share attributable to owners of the Company	15		
– Basic		32.7	(0.2)
– Diluted		30.5	(0.2)

Consolidated Statement of Financial Position

At 30th June, 2011

	Notes	2011 HK\$'000	2010 HK\$'000
Non-current assets			
Property, plant and equipment	16	1,070	1,388
Interest in a jointly controlled entity	18	707,258	199,670
		708,328	201,058
Current assets			
Trade and other receivables	19	7,420	7,000
Investments held for trading	20	97,855	102,874
Bank balances and cash	21	119,758	119,582
		225,033	229,456
Current liabilities			
Other payables	22	2,030	2,003
Net current assets		223,003	227,453
Total assets less current liabilities		931,331	428,511
Non-current liabilities			
Convertible notes	23	30,089	26,996
Deferred tax liabilities	24	678	1,188
		30,767	28,184
NET ASSETS		900,564	400,327
Capital and reserves attributable to owners of the Company			
Share capital	25	144,221	144,221
Reserves		756,343	256,106
TOTAL EQUITY		900,564	400,327

The consolidated financial statements on pages 29 to 87 were approved and authorised for issue by the Board of Directors on 30th September, 2011 and are signed on its behalf by:

Ng Leung Ho
DIRECTOR

Lo Wan Sing, Vincent
DIRECTOR

Statement of Financial Position

At 30th June, 2011

	Notes	2011 HK\$'000	2010 HK\$'000
Non-current assets			
Property, plant and equipment	16	1,070	1,386
Investments in subsidiaries	17	390	1,390
		1,460	2,776
Current assets			
Trade and other receivables	19	119	408
Amounts due from subsidiaries	17	271,179	305,261
Bank balances and cash	21	101,526	100,765
		372,824	406,434
Current liabilities			
Other payables	22	1,138	1,432
Amounts due to subsidiaries	17	1,202	1,053
		2,340	2,485
Net current assets		370,484	403,949
Total assets less current liabilities		371,944	406,725
Non-current liabilities			
Convertible notes	23	30,089	26,996
Deferred tax liabilities	24	678	1,188
		30,767	28,184
NET ASSETS		341,177	378,541
Capital and reserves attributable to owners of the Company			
Share capital	25	144,221	144,221
Reserves	26	196,956	234,320
TOTAL EQUITY		341,177	378,541

Ng Leung Ho
DIRECTOR

Lo Wan Sing, Vincent
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 30th June, 2011

	Share capital	Share premium ^(a)	Contributed surplus ^(a)	Special reserve ^(b)	Other reserves ^(c)	Translation reserve ^(d)	Share-based compensation reserve ^(e)	Convertible notes reserve	(Accumulated losses)/ Retained profit	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 30th June, 2009	77,069	550,432	-	847	39,387	(5)	12,200	-	(510,386)	169,544
Issue of shares by placement (Note 25)	23,100	46,200	-	-	-	-	-	-	-	69,300
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)	42,500	85,748	-	-	-	-	-	(35,693)	-	92,555
Deferred tax realised on conversion of convertible notes (Note 24)	-	-	-	-	-	-	-	5,766	-	5,766
Issue of shares on exercise of share options (Note 25)	1,552	24,715	-	-	-	-	(13,581)	-	-	12,686
Equity settled share-based payments	-	-	-	-	-	-	16,188	-	-	16,188
Transactions with owners	67,152	155,659	-	-	-	-	2,607	7,855	-	233,273
Cancellation of share premium towards accumulated losses and credited to contributed surplus	-	(681,175)	170,789	-	-	-	-	-	510,386	-
Loss and total comprehensive income for the year	-	-	-	-	-	-	-	-	(2,490)	(2,490)
At 30th June, 2010	144,221	24,916	170,789	847	39,387	(5)	14,807	7,855	(2,490)	400,327
Transactions with owners – Equity settled share-based payments	-	-	-	-	-	-	982	-	-	982
Share of capital reserve of jointly controlled entity	-	-	-	-	12,839	-	-	-	-	12,839
Profit for the year	-	-	-	-	-	-	-	-	471,910	471,910
Other comprehensive income for the year	-	-	-	-	-	14,506	-	-	-	14,506
Total comprehensive income for the year	-	-	-	-	-	14,506	-	-	471,910	486,416
At 30th June, 2011	144,221	24,916	170,789	847	52,226	14,501	15,789	7,855	469,420	900,564

Consolidated Statement of Changes in Equity

For the year ended 30th June, 2011

- (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 reserves of the Group as at 30th June, 2010 represent 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. The increase in other reserves during the year ended 30th June, 2011 represents the Group's share of capital reserve of a jointly controlled entity arising from capital contributions from joint venture partners.
- (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, 2011

	2011 HK\$'000	2010 HK\$'000
OPERATING ACTIVITIES		
Profit/(loss) before taxation	471,400	(3,010)
Adjustments for:		
Bank interest income	(28)	(93)
Other interest income	–	(504)
Depreciation of property, plant and equipment	316	330
Share of (profit)/loss of a jointly controlled entity	(480,243)	330
Reversal of long outstanding payables and accruals	(26)	(831)
Share-based payments	982	16,188
Interest expenses	3,782	3,958
Write off of property, plant and equipment	2	–
Operating cash flows before movements in working capital	(3,815)	16,368
Increase in trade and other receivables	(420)	(5,822)
Decrease/(increase) in investments held for trading	5,019	(91,234)
Increase/(decrease) in other payables	53	(165)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	837	(80,853)
INVESTING ACTIVITIES		
Interest received on bank balances	28	93
Purchase of property, plant and equipment	–	(979)
Investment in and loan to a jointly controlled entity	–	(200,000)
Interest received from a joint venture partner	–	504
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	28	(200,382)
FINANCING ACTIVITIES		
Interest paid	(689)	(808)
Proceeds from issue of shares by placement	–	69,300
Proceeds from issue of convertible notes, net of issue costs	–	161,658
Proceeds from exercise of share options	–	12,686
Expenses paid in connection with issue of shares	–	(1,004)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	(689)	241,832
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	176	(39,403)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	119,582	158,985
CASH AND CASH EQUIVALENTS AT END OF THE YEAR represented by bank balances and cash	119,758	119,582

Notes to the Financial Statements

For the year ended 30th June, 2011

1. GENERAL

Good Fellow Resources Holdings Limited (the “Company”) 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 3310-11, 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 amendments to standards and interpretations which are mandatory for the financial year ended 30th June 2011:

HKFRSs (Amendments)	Improvements to HKFRSs 2009 and 2010
HKAS 32 (Amendments)	Classification of Right Issues
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments
HK – Int 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Notes to the Financial Statements

For the year ended 30th June, 2011

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

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

The adoption of these new and revised HKFRSs has no material financial effect on the consolidated financial statements and the financial position of the Company for the current or prior accounting periods.

(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.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related Party Disclosures ¹
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets ²
HKFRS 9	Financial Instruments ⁵
HKFRS 10	Consolidated Financial Statements ⁵
HKFRS 11	Joint Arrangements ⁵
HKFRS 12	Disclosure of Interests in Other Entities ⁵
HKFRS 13	Fair Value Measurement ⁵
HKAS 1 (Revised)	Presentation of Financial Statements ⁴
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets ³
HKAS 19 (2011)	Employee Benefits ⁵
HKAS 27 (2011)	Separate Financial Statements ⁵
HKAS 28 (2011)	Investments in Associates and Joint Ventures ⁵
HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement ¹

¹ Effective for annual periods beginning on or after 1 January 2011

² Effective for annual periods beginning on or after 1 July 2011

³ Effective for annual periods beginning on or after 1 January 2012

⁴ Effective for annual periods beginning on or after 1 July 2012

⁵ Effective for annual periods beginning on or after 1 January 2013

The amendments to HKFRS 7 improve the derecognition disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Notes to the Financial Statements

For the year ended 30th June, 2011

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

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

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The amendments to HKAS 12 introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendments will be applied retrospectively.

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

Notes to the Financial Statements

For the year ended 30th June, 2011

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 on the Stock Exchange (the "Listing Rules").

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.

Functional currency and presentation

The consolidated financial statements are presented in Hong Kong dollar ("HK\$"), which is the same as the functional currency of the Company.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries up to 30th June each year. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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.

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, 2011

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.

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.

Notes to the Financial Statements

For the year ended 30th June, 2011

3. PRINCIPAL ACCOUNTING POLICIES (continued)

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.

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, bank balances and cash 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.

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, 2011

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 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.

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, 2011

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.

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.

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

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.

Income taxes

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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Income taxes (continued)

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 lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense on the straight-line basis over the lease term.

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, 2011

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.

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, 2011

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.

Impairment of investment in a jointly controlled entity

The Group follows the guidance of HKAS 39 on determining when an investment is other than temporarily impaired. This determination requires significant judgement by the Group which evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investment including factors such as industry performance and operational and financing cash flow.

Notes to the Financial Statements

For the year ended 30th June, 2011

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:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Total borrowings	30,089	26,996
Total shareholders' equity	900,564	400,327
Gearing ratio	3.34%	6.74%

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 and cash, 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, 2011 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.

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, 2011

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 (2010: HK\$6,534,000) 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, 2011, if the quoted market price of the Group's listed securities has been 10% higher/lower, profit for the year would have been approximately HK\$9,786,000 (2010: Loss for the year would have been HK\$10,287,000 lower/higher) higher/lower.

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 financial position with adequate cash and cash equivalents of HK\$119,758,000 (2010: HK\$119,582,000) at 30th June, 2011.

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, 2011

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (continued)

Liquidity risk (continued)

The contractual maturities of financial liabilities are shown as below:

2011	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000
Group						
Other payables	2,030	2,030	2,030	-	-	-
Convertible notes	30,089	34,967	685	34,282	-	-
	<u>32,119</u>	<u>36,997</u>	<u>2,715</u>	<u>34,282</u>	<u>-</u>	<u>-</u>
Company						
Other payables	1,138	1,138	1,138	-	-	-
Amount due to a subsidiary	1,202	1,202	1,202	-	-	-
Convertible notes	30,089	34,967	685	34,282	-	-
	<u>32,429</u>	<u>37,307</u>	<u>3,025</u>	<u>34,282</u>	<u>-</u>	<u>-</u>
2010						
	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000
Group						
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>
Company						
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>

Notes to the Financial Statements

For the year ended 30th June, 2011

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 amounts received and receivable from third parties, less returns and allowance and is analysed as follows:

	2011 HK\$'000	2010 HK\$'000
Guaranteed return from investment (Note 18)	30,000	21,534
Dividend income from investments	1,326	3,395
Trading of apparel	1,527	–
	<u>32,853</u>	<u>24,929</u>

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 (2010: 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, investment holding and provision of financial services; and
- Distribution and trading – trading of goods.

Notes to the Financial Statements

For the year ended 30th June, 2011

8. SEGMENT REPORTING (continued)

Reportable segments (continued)

Segment information about these reportable segments is presented below:

For the year ended 30th June, 2011	Investment and financial services HK\$'000	Distribution and trading HK\$'000	Consolidated HK\$'000
Turnover - external	<u>31,326</u>	<u>1,527</u>	<u>32,853</u>
Segment results	<u>490,451</u>	<u>68</u>	<u>490,519</u>
Unallocated corporate income			894
Unallocated corporate gains			26
Unallocated corporate expenses (including share-based payments)			(16,257)
Finance costs			<u>(3,782)</u>
Profit before taxation			<u>471,400</u>
Taxation			<u>510</u>
Profit for the year			<u><u>471,910</u></u>

Notes to the Financial Statements

For the year ended 30th June, 2011

8. SEGMENT REPORTING (continued)

Reportable segments (continued)

At 30th June, 2011	Investment and financial services HK\$'000	Distribution and trading HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
ASSETS				
Investments held for trading	97,855	-	-	97,855
Interest in a jointly controlled entity	707,258	-	-	707,258
Bank balances and cash	18,162	69	101,527	119,758
Other assets	5,222	1	3,267	8,490
Consolidated total assets	<u>828,497</u>	<u>70</u>	<u>104,794</u>	<u>933,361</u>
LIABILITIES				
Other payables	555	-	1,475	2,030
Deferred tax liabilities	-	-	678	678
Convertible notes	-	-	30,089	30,089
Consolidated total liabilities	<u>555</u>	<u>-</u>	<u>32,242</u>	<u>32,797</u>
Other information				
For the year ended 30th June, 2011	Investment and financial services HK\$'000	Distribution and trading HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Depreciation of property, plant and equipment	-	-	316	316
Guaranteed return from investment	30,000	-	-	30,000
Reversal of long outstanding payables and accruals	-	-	26	26
Net realised and unrealised losses on investments held for trading	20,402	-	-	20,402
Share of profit of a jointly controlled entity*	480,243	-	-	480,243

* Included fair value gain on investment property of HK\$535,814,000 net of deferred taxation attributable to the Group.

Notes to the Financial Statements

For the year ended 30th June, 2011

8. SEGMENT REPORTING (continued)

Reportable segments (continued)

For the year ended 30th June, 2010	Investment and financial services <i>HK\$'000</i>	Distribution and trading <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover - external	24,929	–	24,929
Segment results	28,263	–	28,263
Unallocated corporate income			568
Unallocated corporate gains			831
Unallocated corporate expenses (including share-based payments)			(28,714)
Finance costs			(3,958)
Loss before taxation			(3,010)
Taxation			520
Loss for the year			(2,490)

Notes to the Financial Statements

For the year ended 30th June, 2011

8. SEGMENT REPORTING (continued)

Reportable segments (continued)

At 30th June, 2010	Investment and financial services <i>HK\$'000</i>	Distribution and trading <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS				
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>
LIABILITIES				
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>

Notes to the Financial Statements

For the year ended 30th June, 2011

8. SEGMENT REPORTING (continued)

Reportable segments (continued)

Other information For the year ended 30th June, 2010	Investment and financial services <i>HK\$'000</i>	Distribution and trading <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
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
Net realised and unrealised gains on investments held for trading	6,894	–	–	6,894
Share of loss of a jointly controlled entity	330	–	–	330

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 Group has one external customer, which had accounted for the Group's revenue from trading amounting to HK\$1,527,000 for the year (2010: Nil).

The Group also has guaranteed return and interest income received and receivable from a joint venture partner amounting to HK\$30,000,000 (2010: HK\$22,038,000) during the year.

Notes to the Financial Statements

For the year ended 30th June, 2011

9. OTHER REVENUE, OTHER NET GAINS AND LOSSES

	2011 HK\$'000	2010 HK\$'000
Other revenue		
Rental income from sub-lease of office premises	866	–
Bank interest income	28	93
Other interest income (Note 18)	–	504
Sundry income	–	475
	<u>894</u>	<u>1,072</u>
Other net gains and (losses)		
Net realised gains on sales of investments	5,848*	8,364*
Net changes in fair value of investments held for trading	(26,250)	(1,470)
Net realised and unrealised (losses)/gains on investments held for trading	(20,402)	6,894
Reversal of long outstanding payables and accruals	26	831
	<u>(20,376)</u>	<u>7,725</u>
Other revenue and other net gains and (losses)	<u>(19,482)</u>	<u>8,797</u>

* Net realised gains derived from sales of investments held for trading with proceeds of HK\$85,484,000 (2010: HK\$134,942,000) net of transaction costs.

Notes to the Financial Statements

For the year ended 30th June, 2011

10. FINANCE COSTS

	2011 HK\$'000	2010 HK\$'000
Interest on convertible notes (Note 23)	3,777	3,949
Others	5	9
	<u>3,782</u>	<u>3,958</u>

11. PROFIT/(LOSS) BEFORE TAXATION

	2011 HK\$'000	2010 HK\$'000
Profit/(loss) before taxation has been arrived at after charging:		
Directors' emoluments (Note 12)	5,413	9,870
Staff costs (excluding directors' emoluments):		
Salaries and allowances	1,644	1,805
Share-based payments	327	1,795
Retirement benefits scheme contributions	35	32
Total staff costs	<u>7,419</u>	<u>13,502</u>
Cost of sales	1,458	–
Share-based payments* (Note 27)	982	16,188
Auditor's remuneration	447	464
Depreciation of property, plant and equipment	316	330
Consultancy fees	680	8,888
Legal and professional fees	<u>686</u>	<u>1,250</u>

* Share-based payments comprised share-based payments to directors, employees and other third parties, of which HK\$491,000 (2010: HK\$5,566,000), HK\$327,000 (2010: HK\$1,795,000) and HK\$164,000 (2010: HK\$8,827,000) 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, 2011

12. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS

The emoluments paid or payable to each of the seven (2010: seven) directors were as follows:

For the year ended 30th June, 2011	Fees HK\$'000	Basic salaries and allowances HK\$'000	Retirement benefits scheme contributions HK\$'000	Share-based payments HK\$'000	Total emoluments HK\$'000
Mr. Ng Leung Ho	–	3,900	12	–	3,912
Mr. Lo Wan Sing, Vincent	–	360	12	286	658
Mr. Ho Kam Hung (resigned on 1st March, 2011)	–	450	8	–	458
Mr. Chau On Ta Yuen	60	–	–	82	142
Mr. Law Wai Fai	60	–	–	123	183
Mr. Wang Yan Ming (resigned on 31st December, 2010)	30	–	–	–	30
Ms. Xu Lei (appointed on 31st December, 2010)	30	–	–	–	30
	<u>180</u>	<u>4,710</u>	<u>32</u>	<u>491</u>	<u>5,413</u>

For the year ended 30th June, 2010	Fees HK\$'000	Basic salaries and allowances HK\$'000	Retirement benefits scheme contributions HK\$'000	Share-based payments HK\$'000	Total emoluments HK\$'000
Mr. Ng Leung Ho (resigned on 10th November, 2008 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 (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>

Notes to the Financial Statements

For the year ended 30th June, 2011

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 (2010: four) are directors of the Company whose emoluments are set out above. The emoluments of the remaining one (2010: one) individual are as follows:

	2011 HK\$'000	2010 HK\$'000
Basic salaries and allowances	1,138	1,232
Retirement benefits scheme contributions	12	12
Share-based payments	327	1,654
	<u>1,477</u>	<u>2,898</u>

The emoluments were within the following bands:

	Number of individual	
	2011	2010
HK\$1,000,001 to HK\$1,500,000	1	–
HK\$2,500,001 to HK\$3,000,000	–	1
	<u>1</u>	<u>1</u>

In prior years, 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 note 27. The fair values of such options were determined as at the date of grant and are recognised as expense in profit or loss over the vesting period. The amount of expense recognised in the consolidated statement of comprehensive income for the current year is included in the above directors and highest paid employees' remuneration disclosures.

Notes to the Financial Statements

For the year ended 30th June, 2011

13. TAXATION

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

	2011 HK\$'000	2010 HK\$'000
Deferred tax		
– Current year (Note 24)	510	520

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.

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

	2011 HK\$'000	2010 HK\$'000
Profit/(loss) before taxation	471,400	(3,010)
Less: share of results of a jointly controlled entity	(480,243)	330
	(8,843)	(2,680)
Tax credit calculated at Hong Kong profits tax rate of 16.5% (2010: 16.5%)	(1,459)	(442)
Tax effect of expenses not deductible for tax purpose	976	5,380
Tax effect of income not taxable for tax purpose	(5,348)	(4,387)
Tax effect of tax losses not recognised	5,781	–
Tax effect of utilisation of tax losses unrecognised in prior years	–	(521)
Tax effect of other temporary differences not recognised	(460)	(550)
Income tax credit for the year	(510)	(520)

14. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

Loss attributable to owners of the Company for the year ended 30th June, 2011 dealt with in the financial statements of the Company was approximately HK\$15,974,000 (2010: HK\$32,022,000).

Notes to the Financial Statements

For the year ended 30th June, 2011

15. EARNINGS/(LOSS) PER SHARE

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Profit/(Loss)		
Profit/(loss) for the purpose of basic earnings/(loss) per share	471,910	(2,490)
Add: Interest on convertible notes	3,777	–
Less: Deferred taxation	(510)	–
Profit/(loss) for the purpose of diluted earnings/(loss) per share	<u>475,177</u>	<u>(2,490)</u>
	2011 <i>'000</i>	2010 <i>'000</i>
Weighted average number of ordinary shares for the purpose of – basic earnings/(loss) per share	1,442,214	1,314,376
Add: Effect of assumed conversion of convertible notes	114,000	–
– diluted earnings/(loss) per share	<u>1,556,214</u>	<u>1,314,376</u>
	2011 <i>HK Cents</i>	2010 <i>HK Cents</i>
Earnings/(loss) per share		
– Basic	<u>32.7</u>	<u>(0.2)</u>
– Diluted	<u>30.5</u>	<u>(0.2)</u>

- (i) The computation of diluted earnings per share for the year ended 30th June, 2011 does not assume exercise of the Company's outstanding share options as they had an anti-dilutive effect on the earnings per share calculation.
- (ii) 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 the exercise of the Company's outstanding share options as they had an anti-dilutive effect to the loss per share calculation.

Notes to the Financial Statements

For the year ended 30th June, 2011

16. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicle <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST				
At 1st July, 2009	774	397	–	1,171
Additions	339	21	619	979
At 30th June, 2010	1,113	418	619	2,150
Write-off	–	(7)	–	(7)
At 30th June, 2011	1,113	411	619	2,143
ACCUMULATED DEPRECIATION				
At 1st July, 2009	154	278	–	432
Provided for the year	204	69	57	330
At 30th June, 2010	358	347	57	762
Provided for the year	222	32	62	316
Write-off	–	(5)	–	(5)
At 30th June, 2011	580	374	119	1,073
CARRYING AMOUNT				
At 30th June, 2011	533	37	500	1,070
At 30th June, 2010	755	71	562	1,388

Notes to the Financial Statements

For the year ended 30th June, 2011

16. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicle <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST				
At 1st July, 2009	774	221	–	995
Additions	339	21	619	979
At 30th June, 2010	1,113	242	619	1,974
Write-off	–	(5)	–	(5)
At 30th June, 2011	1,113	237	619	1,969
ACCUMULATED DEPRECIATION				
At 1st July, 2009	154	104	–	258
Provided for the year	204	69	57	330
At 30th June, 2010	358	173	57	588
Provided for the year	222	32	62	316
Write-off	–	(5)	–	(5)
At 30th June, 2011	580	200	119	899
CARRYING AMOUNT				
At 30th June, 2011	533	37	500	1,070
At 30th June, 2010	755	69	562	1,386

Notes to the Financial Statements

For the year ended 30th June, 2011

17. INTERESTS IN SUBSIDIARIES

Company	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Unlisted shares, at cost	390	1,390
Amounts due from subsidiaries less impairment	271,179	305,261
Amounts due to subsidiaries	(1,202)	(1,053)
	<u>270,367</u>	<u>305,598</u>

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Balance at beginning of the year	31,074	479,771
Impairment loss recognised/(reversed)	22,372	(12,285)
Write back upon deregistration of subsidiaries	–	(436,412)
Balance at end of the year	<u>53,446</u>	<u>31,074</u>

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

18. INTEREST IN A JOINTLY CONTROLLED ENTITY

Group	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Unlisted shares at cost*	–	–
Share of post acquisition results and reserves	507,258	(330)
Share of net assets/(liabilities)	507,258	(330)
Loan to the jointly controlled entity	200,000	200,000
Interest in a jointly controlled entity	<u>707,258</u>	<u>199,670</u>

* 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, 2011

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 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 Sinco Industrial Co. Ltd.* 福建先科實業有限公司 ("Fujian Sinco"), 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 Sinco is engaged in property investment and development in Fuzhou, PRC. With all the conditions of the aforesaid agreement having been fulfilled, the formation of Fujian Sinco 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 Sinco on interest free basis to finance the amount of registered capital and investment amount of Fujian Sinco to be contributed by GIDL in proportion to its equity interest in Fujian Sinco. As at 30th June, 2011, Great Peace and GTCIL have advanced each of their loans of HK\$200 million to Fujian Sinco via GIDL and the sino-partner, respectively. GIDL or Fujian Sinco 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 Sinco. 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 year ended 30th June, 2011 and for the period from the date of completion of formation of Fujian Sinco to 30th June, 2010, guaranteed returns of HK\$30,000,000 and HK\$21,534,000 were recognised as income respectively, of which HK\$6,534,000 (2010: HK\$6,534,000) is yet to be settled by GTCIL.

In addition, GTCIL has also paid interest of HK\$ Nil (2010: HK\$504,000) at 2% per annum in respect of advances from Great Peace to GIDL prior to completion of the formation of Fujian Sinco.

* English name for identification only

Notes to the Financial Statements

For the year ended 30th June, 2011

18. INTEREST IN A JOINTLY CONTROLLED ENTITY (continued)

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Non-current assets	1,322,687	199,354
Current assets	513	1,220
Current liabilities	–	(1,234)
Non-current liabilities	(308,684)	(200,000)
Net assets/(liabilities)	<u>1,014,516</u>	<u>(660)</u>
Group's effective interest in the jointly controlled entity's net assets/(liabilities)	<u>507,258</u>	<u>(330)</u>
Revenue	–	–
Other revenue	–	4
Administrative expenses	(321)	(16)
Finance costs	(1)	(2)
Share of profit/(loss) of Fujian Sinco (i)	1,067,490	(646)
Profit/(loss) for the year	1,067,168	(660)
Taxation (ii)	(106,682)	–
Profit/(loss) after taxation	960,486	(660)
Other comprehensive income for the year	29,012	–
Total comprehensive income for the year	<u>989,498</u>	<u>(660)</u>
Profit/(loss) for the year attributable to the Group	480,243	(330)
Other comprehensive income attributable to the Group	14,506	–
Total comprehensive income attributable to the Group	<u>494,749</u>	<u>(330)</u>

Notes to the Financial Statements

For the year ended 30th June, 2011

18. INTEREST IN A JOINTLY CONTROLLED ENTITY (continued)

- (i) Included in share of profit/(loss) of Fujian Sinco for the year ended 30th June, 2011 was the GIDL's share of fair value gain of an investment property amounting to HK\$1,071,629,000 net of related deferred tax (2010: Nil).

The fair value of the investment property as at 30th June, 2011 was assessed by Asset Appraisal Limited, an independent qualified valuer. The valuation was based on direct comparison approach assuming sale of this property at its existing status with the benefit of vacant possession by making reference to comparable sales transactions as available in the relevant market. The valuation of the investment property under construction amounting to RMB2,900 million (HK\$3,487 million equivalent) as at 30th June, 2011 was arrived at by reference to market evidence of transaction prices for similar properties, on the basis that the property will be developed and completed in accordance with the latest development proposals, after taking into account of the estimated construction costs to completion to reflect the quality of the completed development.

- (ii) The amount represented the deferred taxation arising from dividend withholding tax on the undistributed profits of GIDL's jointly controlled entity of approximately HK\$106,682,000 (2010: HK\$Nil).
- (iii) During the year ended 30th June, 2011, Fujian Sinco continued the construction of the investment property. As at 30th June, 2011, there was approximately HK\$8,424,000 capital commitment in respect of the outstanding development costs attributable to the Group's effective interest in the jointly controlled entity.
- (iv) On 30th September, 2011, the Company entered into an agreement to dispose of the jointly controlled entity through the disposal of Great Peace as detailed in note 34.

Notes to the Financial Statements

For the year ended 30th June, 2011

19. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Guaranteed return from investment receivable from a joint venture partner (<i>Note 18</i>)	6,534	6,534	–	–
Deposits and prepayments	886	466	119	408
	<u>7,420</u>	<u>7,000</u>	<u>119</u>	<u>408</u>

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	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Trade and other receivables, net:				
Within 30 days	<u>6,534</u>	<u>6,534</u>	<u>–</u>	<u>–</u>

At 30th June, 2010 and 2011, all of the Group's trade and other receivables were neither past due nor impaired which related to the guaranteed return receivable from a joint venture partner. Based on past experience, management believes that no allowance for doubtful debt is necessary in respect of this balance as there have not been a significant change in credit quality and the balance is still considered fully recoverable. The Group hold collateral over this balance as at 30th June, 2010 and 2011 as mentioned in note 6.

20. INVESTMENTS HELD FOR TRADING

The amounts at 30th June, 2010 and 2011 represented investments in equity securities listed in Hong Kong, stated at market value based on bid price at the reporting date.

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.

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For the year ended 30th June, 2011

22. OTHER PAYABLES

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Accruals and deposits received	<u>2,030</u>	<u>2,003</u>	<u>1,138</u>	<u>1,432</u>

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.

Notes to the Financial Statements

For the year ended 30th June, 2011

23. CONVERTIBLE NOTES (continued)

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

Group and Company	Liability component <i>HK\$'000</i>	Equity component <i>HK\$'000</i>	Total <i>HK\$'000</i>
Fair value of the convertible notes (net of issue costs) upon issuance	116,402	45,256	161,658
Recognition of deferred tax liabilities in respect of issuance of convertible notes	–	(7,474)	(7,474)
Imputed interest expenses	3,949	–	3,949
Coupon interest	(799)	–	(799)
Conversion into ordinary shares of the Company (Note 25(c))	(92,556)	(35,693)	(128,249)
Realisation of deferred tax liabilities in respect of conversion of convertible notes	–	5,766	5,766
At 30th June, 2010	26,996	7,855	34,851
Imputed interest expenses	3,777	–	3,777
Coupon interest	(684)	–	(684)
At 30th June, 2011	30,089	7,855	37,944

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.

As at 30th June, 2010 and 2011, total principal amount of the convertible notes of HK\$34,200,000 can be convertible into 114,000,000 ordinary shares of the Company at the conversion price HK\$0.30 per share.

Notes to the Financial Statements

For the year ended 30th June, 2011

24. DEFERRED TAX LIABILITIES

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

Group and Company	Difference between imputed interest and coupon interest <i>HK\$'000</i>
At 1st July, 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)
	<hr/>
At 30th June 2010 and 1st July, 2010	1,188
Credited to profit or loss during the year	(510)
	<hr/>
At 30th June, 2011	678

At 30th June, 2011, the Group had unutilised tax losses of approximately HK\$110,347,000 (2010: HK\$75,310,000) 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.

Notes to the Financial Statements

For the year ended 30th June, 2011

25. SHARE CAPITAL

Group and Company	Notes	Number of shares '000	Amount HK\$'000
Ordinary shares			
Authorised:			
At 30th June, 2010 and 30th June, 2011, at HK\$0.10 each		30,000,000	3,000,000
Issued and fully paid:			
At 1st July, 2009, at HK\$0.01 each		7,706,940	77,069
Share consolidation of 10 shares of HK\$0.01 each into 1 ordinary share of HK\$0.10 each	(a)	(6,936,246)	–
Issue of shares by placement	(b)	231,000	23,100
Conversion of convertible notes	(c)	425,000	42,500
Shares issued upon exercise of share options	(d)	15,520	1,552
At 30th June, 2010 and 2011, at HK\$0.10 each		1,442,214	144,221

Notes:

- (a) On 29th July, 2009, the shareholders approved consolidation of every ten issued and unissued ordinary shares into one consolidated share.
- (b) 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.
- (c) 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.
- (d) 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, 2011

26. RESERVES

Company	Share	Contributed	Other	Share-based	Convertible	Accumulated	Total
	premium	surplus	reserve	compensation	notes reserve	losses	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st July, 2009	550,432	61,949	39,387	12,200	-	(576,032)	87,936
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
Equity settled share-based payments	-	-	-	16,188	-	-	16,188
Transactions with owners	155,659	-	-	2,607	7,855	-	166,121
Cancellation of share premium towards accumulated losses and credited to contribution surplus	(681,175)	170,789	-	-	-	510,386	-
Loss and total comprehensive income for the year	-	-	-	-	-	(19,737)	(19,737)
At 30th June, 2010	24,916	232,738	39,387	14,807	7,855	(85,383)	234,320
Transactions with owners - Equity settled share-based payments	-	-	-	982	-	-	982
Loss and total comprehensive income for the year	-	-	-	-	-	(38,346)	(38,346)
At 30th June, 2011	24,916	232,738	39,387	15,789	7,855	(123,729)	196,956

No dividend was paid or proposed during the year, nor has any dividend been proposed since 30th June, 2010 and 2011.

Notes to the Financial Statements

For the year ended 30th June, 2011

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, after which no further options will be granted but provisions of the New SO Scheme remain in force and all outstanding options granted continue to be valid and exercisable in accordance therewith.

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.

Notes to the Financial Statements

For the year ended 30th June, 2011

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 options 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 options 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 options 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, 2011

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 options 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.

Notes to the Financial Statements

For the year ended 30th June, 2011

27. SHARE-BASED COMPENSATIONS (continued)

The terms and movements of unexpired and unexercised share options under the New SO Scheme during the years ended 30th June, 2010 and 2011 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		Outstanding at 30th June, 2010 and 2011
					Granted during the year ended 30th June,	Exercised during the year ended 30th June,	
Director	7th September, 2009	7th September, 2009 to 6th September, 2010	HK\$0.80	-	2,740,000	(1,940,000)	800,000
	7th September, 2009	7th September, 2010 to 6th September, 2011	HK\$0.80	-	1,950,000	(1,230,000)	720,000
	7th September, 2009	7th September, 2011 to 6th September, 2019	HK\$0.80	-	2,010,000	(1,230,000)	780,000
	5th February, 2008	5th February, 2008 to 4th February, 2018	HK\$1.25	7,700,000	-	(600,000)	7,100,000
Subtotal				7,700,000	6,700,000	(5,000,000)	9,400,000
Non-director	31st January, 2008	31st January, 2008 to 30th January, 2018	HK\$1.11	8,400,000	-	-	8,400,000
	6th February, 2008	6th February, 2008 to 5th February, 2018	HK\$1.27	5,600,000	-	-	5,600,000
	7th September, 2009	7th September, 2009 to 6th September, 2010	HK\$0.80	-	5,120,000	(5,120,000)	-
	7th September, 2009	7th September, 2010 to 6th September, 2011	HK\$0.80	-	3,420,000	(2,700,000)	720,000
	7th September, 2009	7th September, 2011 to 6th September, 2019	HK\$0.80	-	3,660,000	(2,700,000)	960,000
Subtotal				14,000,000	12,200,000	(10,520,000)	15,680,000
Total				21,700,000	18,900,000	(15,520,000)	25,080,000

The Company had 23,340,000 (2010: 21,906,000) share options exercisable as at 30th June, 2011.

During the year ended 30th June, 2010, 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 year ended 30th June, 2010 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, 2011

27. SHARE-BASED COMPENSATIONS (continued)

No share options has been granted during the year. 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 total share-based payments of HK\$982,000 (2010: HK\$16,188,000) during the year ended 30th June, 2011 (Note 11).

The fair values of equity-settled share options granted during the years ended 30th June, 2008, 2009 and 2010 were 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, 2008	5th February, 2008	6th February, 2008	7th September, 2009
Number of options	<u>9,600,000</u>	<u>14,300,000</u>	<u>5,600,000</u>	<u>18,900,000</u>
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 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, 2011

28. OPERATING LEASE ARRANGEMENTS

(a) As lessor

	Group	
	2011	2010
	HK\$'000	HK\$'000
Minimum lease received during the year under operating leases (Note 9)	866	–

At 30th June, 2011, the Group had outstanding minimum leases receivable under non-cancellable operating leases which are entered into by the Company on behalf of its subsidiary and fall due as follows:

	2011	2010
	HK\$'000	HK\$'000
Within one year	3,151	–
In the second to fifth years inclusive	3,039	–
	6,190	–

Operating leases receivable represent rentals receivable by the Group for sub-letting certain of its leased office premises. The leases are negotiated for a term of two years at fixed rentals.

Notes to the Financial Statements

For the year ended 30th June, 2011

28. OPERATING LEASE ARRANGEMENTS (continued)

(b) As lessee

	Group	
	2011	2010
	HK\$'000	HK\$'000
Minimum lease payments paid during the year under operating leases	2,897	2,065

At 30th June, 2011, the Group had outstanding minimum commitments under a non-cancellable operating lease which is entered into by the Company on behalf of its subsidiary and falls due as follows:

	2011	2010
	HK\$'000	HK\$'000
Within one year	3,779	1,399
In the second to fifth years inclusive	5,984	–
	9,763	1,399

Operating lease payments represent rentals payable by the Group for its office premises. The lease is negotiated for a term of 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, 2011

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	2011 HK\$'000	2010 HK\$'000
Transactions:				
GTCIL	Joint venture partner	Guaranteed return received/receivable (Note 18)	30,000	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
Balances:				
GIDL	Jointly controlled entity	Shareholder's loan (Note 18)	200,000	200,000
GTCIL	Joint venture partner	Guaranteed return receivable (Notes 6 and 19)	6,534	6,534

Notes to the Financial Statements

For the year ended 30th June, 2011

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:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Short-term benefits	6,028	5,503
Share-based payments	818	7,220
Post-employment benefits	44	45
	<u>6,890</u>	<u>12,768</u>

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 were categorised as follows:

Group	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Financial assets		
Fair value through profit or loss – held for trading	97,855	102,874
Loans and receivables (including bank balances and cash)	<u>326,292</u>	<u>326,116</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>32,119</u>	<u>28,999</u>

Notes to the Financial Statements

For the year ended 30th June, 2011

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

Company	2011 HK\$'000	2010 HK\$'000
Financial assets		
Loans and receivables (including bank balances and cash)	<u>372,705</u>	<u>406,026</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>32,429</u>	<u>29,481</u>

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 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 30th June, 2011				
Financial assets at fair value through profit or loss				
Investments held for trading	<u>97,855</u>	<u>-</u>	<u>-</u>	<u>97,855</u>
At 30th June, 2010				
Financial assets at fair value through profit or loss				
Investments held for trading	<u>102,874</u>	<u>-</u>	<u>-</u>	<u>102,874</u>

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, 2011

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's subsidiaries at 30th June, 2011 are as follows:

Name of subsidiary	Place of incorporation/ operations	Nominal value of issued and fully paid share capital	Percentage of issued share capital held by the Company directly %	Principal activities
Jet United Investment Limited	Hong Kong	HK\$1	100	Investment holding
Sinocham Eco-Industrial Company Limited (Note 1)	Hong Kong	HK\$1,000,000	100	Inactive
Great Peace Global Group Limited	British Virgin Islands	US\$50,000	100	Investment holding
Gold Rising Limited	Hong Kong	HK\$1	100	Trading and investment holding
Golden Wayford Limited	Hong Kong	HK\$1	100	Finance and investment and provision of management service
King Partner Holdings Limited (Note 2)	British Virgin Islands	US\$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 deregistered on 26th November, 2010.

Note 2: The subsidiary was incorporated during the year.

33. COMPARATIVE FIGURES

Certain income and expense items and items of cash flows including proceeds from sales of investments held for trading, net gains on sales of investments held for trading and guaranteed returns shown in the statement of comprehensive income or statement of cash flows have been reclassified to conform with the current year's presentation which in the opinion of the directors better reflect the nature of these items.

Notes to the Financial Statements

For the year ended 30th June, 2011

34. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group entered into various agreements in connection with the disposals of its entire equity interest in a wholly-owned subsidiary, Great Peace (the "Sale Share"), and the loan advanced to Great Peace (the "Sale Loan"). Great Peace holds 50% equity interest in a jointly controlled entity, GIDL, which in turn holds 60% equity interest in its jointly controlled entity, Fujian Sinco. Some of details of the agreements as more fully disclosed in the Company's announcement dated 30th September, 2011, are set out below.

On 26th July, 2011, the Company entered into a sale and purchase agreement (the "Previous Agreement") with Grandbiz Holdings Limited (the "Previous Purchaser") and its sole shareholder, Mr. Guo, pursuant to which the Company had conditionally agreed to sell and the Previous Purchaser had conditionally agreed to acquire from the Company the Sale Share and Sale Loan. Subsequent to the date of the Previous Agreement, the Company located a new purchaser for the Sale Share and the Sale Loan with more attractive terms, and on 30th September, 2011, the parties to the Previous Agreement entered into a termination agreement to terminate the Previous Agreement with effect from the date of the termination agreement.

On 30th September, 2011, the Company entered into another sale and purchase agreement (the "Agreement") with Grand Supreme Limited (the "Purchaser") and its holding company, China Grand Forestry Green Resources Group Limited ("China Grand"), a company with shares listed on the Stock Exchange, pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire from the Company the Sale Share and Sale Loan at an aggregate consideration of HK\$942,000,000, which will be satisfied as to (i) HK\$190,500,000 in cash; (ii) HK\$541,500,000 by the issue and allotment of the convertible preference shares of China Grand; and (iii) HK\$210,000,000 by way of issue of the convertible notes of China Grand. The Company, based on existing information, expects that the disposal will result in an estimated gain of approximately of HK\$44.74 million before related expenses and taxes, if any.

Financial Summary

RESULTS

	For the year ended 30th June,				2011 HK\$'000
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2010 HK\$'000	
Turnover	4,084*	6,567*	5,228*	24,929*	32,853
(Loss)/profit for the year	103	(42,390)	(44,366)	(2,490)	471,910
Attributable to:					
Owners of the Company	103	(42,390)	(44,366)	(2,490)	471,910

NET ASSETS

	At 30th June,				2011 HK\$'000
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2010 HK\$'000	
Total assets	27,430	186,703	172,542	430,514	933,361
Total liabilities	(9,246)	(3,113)	(2,998)	(30,187)	(32,797)
	18,184	183,590	169,544	400,327	900,564
Equity attributable to:					
Owners of the Company	18,184	183,590	169,544	400,327	900,564

* Adjusted after reclassification of certain income and expense items to conform with the current year's presentation.