



# G - Resources Group Ltd.

國際資源集團有限公司\*

(Incorporated in Bermuda with limited liability)

Stock Code: 1051

## Annual Report 2009



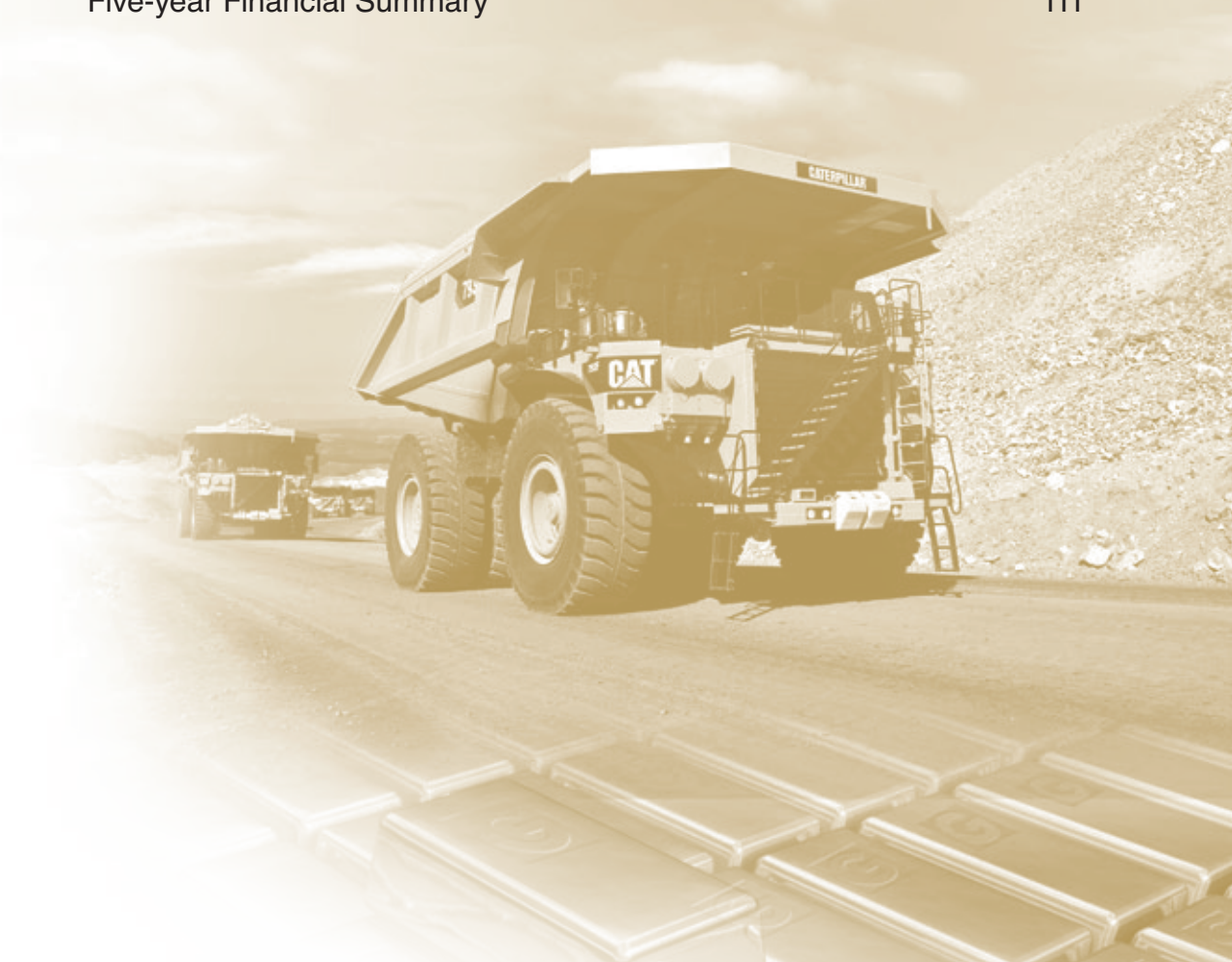
\* For identification purpose only



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# Corporate Information

## Board of Directors

### Executive Directors

- Mr. Chiu Tao (*Chairman*)  
(appointed on 22 July 2009)
- Mr. Owen L Hegarty (*Vice-Chairman*)  
(appointed on 10 May 2009)
- Mr. Peter Geoffrey Albert (*Chief Executive Officer*)  
(appointed on 22 July 2009)
- Mr. Ma Xiao (*Deputy Chief Executive Officer*)  
(appointed on 22 July 2009)
- Mr. Wah Wang Kei, Jackie
- Mr. Hui Richard Rui  
(appointed on 5 March 2009)
- Mr. Kwan Kam Hung, Jimmy  
(appointed on 25 March 2009)
- Dr. Wong Kam Fu  
(resigned on 25 March 2009)
- Dr. Lew Mon Hung  
(resigned on 3 August 2009)
- Mr. Tam Wai Keung, Billy  
(resigned on 25 March 2009)
- Mr. Wong Hong Loong  
(resigned on 22 April 2009)
- Mr. Sin Chi Keung, Mega  
(retired on 12 November 2008)

### Non-Executive Director

- Mr. Tsui Ching Hung  
(appointed as Executive Director on 5 March 2009  
and re-designated as non-Executive Director  
on 22 July 2009)

## Independent Non-Executive Directors

- Mr. Or Ching Fai (*Vice-Chairman*)  
(appointed on 22 July 2009)
- Ms. Ma Yin Fan  
(appointed on 25 March 2009)
- Mr. Leung Hoi Ying  
(appointed on 31 March 2009)
- Mr. Wong Che Man, Eddy  
(resigned on 25 March 2009)
- Mr. Tang King Fai  
(resigned on 31 March 2009)
- Mr. Dai Zhongcheng  
(resigned on 25 March 2009)
- Mr. Tai Chun Kit  
(appointed on 12 November 2008 and  
resigned on 31 March 2009)
- Mr. Yu Pan  
(appointed on 31 March 2009 and  
resigned on 22 July 2009)

## Audit Committee

- Mr. Or Ching Fai (*Chairman*)  
(appointed on 22 July 2009)
- Ms. Ma Yin Fan  
(appointed on 25 March 2009)
- Mr. Leung Hoi Ying  
(appointed on 31 March 2009)
- Mr. Wong Che Man, Eddy  
(resigned on 25 March 2009)
- Mr. Tang King Fai  
(resigned on 31 March 2009)
- Mr. Dai Zhongcheng  
(resigned on 25 March 2009)
- Mr. Tai Chun Kit  
(appointed on 12 November 2008 and  
resigned on 31 March 2009)
- Mr. Yu Pan  
(appointed on 31 March 2009 and  
resigned on 22 July 2009)

## Corporate Information

### Remuneration Committee

Mr. Or Ching Fai (*Chairman*)  
(appointed on 22 July 2009)

Ms. Ma Yin Fan  
(appointed on 25 March 2009)

Mr. Leung Hoi Ying  
(appointed on 31 March 2009)

Mr. Wong Che Man, Eddy  
(resigned on 25 March 2009)

Mr. Tang King Fai  
(resigned on 31 March 2009)

Mr. Dai Zhongcheng  
(resigned on 25 March 2009)

Mr. Tai Chun Kit  
(appointed on 12 November 2008 and  
resigned on 31 March 2009)

Mr. Yu Pan  
(appointed on 31 March 2009 and  
resigned on 22 July 2009)

### Company Secretary

Ms. Cheng Sau Man

### Auditor

Deloitte Touche Tohmatsu

### Legal Advisors

*Hong Kong:* Freshfields Bruckhaus Deringer,  
Tung & Co.,  
Deacons

*Bermuda:* Appleby

### Principal Bankers

Hang Seng Bank Limited  
Industrial and Commercial Bank of China  
(Asia) Limited  
Bank of China (Hong Kong) Limited  
The Hongkong and Shanghai Banking  
Corporation Limited

### Share Registrars

*Hong Kong*  
Union Registrars Limited  
18/F., Fook Lee Commercial Centre  
Town Place  
33 Lockhart Road  
Wanchai, Hong Kong

*Bermuda*  
Butterfield Fulcrum Group (Bermuda) Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke HM 08, Bermuda

### Registered Office

Canon's Court  
22 Victoria Street  
Hamilton HM 12  
Bermuda

### Head Office and Principal Place of Business

Suite 09, 19/F., Harbour Centre  
25 Harbour Road  
Wanchai, Hong Kong

### Website:

<http://www.g-resources.com>

## Biographical Details of Directors

### Executive Directors

**Chiu Tao**, aged 53, was appointed as the Chairman and an executive director of the Company on 19 August 2009 and 22 July 2009, respectively. Mr. Chiu is a well experienced executive and merchant. He was engaged as senior management as well as chairman of various listed companies in Hong Kong. Mr. Chiu has extensive experience in the metal business, trading business, investment planning, business acquisition and development, and corporate management. He is currently the Chairman and an executive director of China Sci-Tech Holdings Limited which shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Chiu is the brother-in-law of Mr. Hui Richard Rui, an executive director of the Company.

Mr. Chiu entitles to a monthly remuneration of HK\$200,000 with effect from 22 July 2009 which was further revised to HK\$450,000 with effect from 19 August 2009. Mr. Chiu's remuneration was determined with regard to his duties and responsibilities and with reference to the prevailing market condition.

**Owen L Hegarty**, aged 61, was appointed as a Vice-Chairman and an executive Director of the Company on 19 August 2009 and 10 May 2009, respectively. Mr. Hegarty has over 35 years of direct experience in the global mining industry. He was the founding managing director and chief executive officer of Oxiana Limited, which was a significant copper and gold explorer, developer and producer in Australia and Asia. Oxiana Limited merged with Zinifex Limited to become OZ Minerals Limited in June 2008. Prior to founding Oxiana Limited, Mr. Hegarty worked with Rio Tinto Group for 25 years where he served as the managing director of Rio Tinto Group's Asian business and Australia copper and gold business.

Mr. Hegarty is a fellow of the Australasian Institute of Mining and Metallurgy ("AusIMM") and he was elected a director of AusIMM in October 2008. He is also a fellow of the Australian Institute of Company Directors and is a member of the South Australian Minerals and Petroleum Expert Group. In 2006, Mr. Hegarty was awarded the AusIMM Institute Medal for his leadership and achievements in the mining industry. Mr. Hegarty was also awarded the GJ Stokes Memorial Award for his distinguished service to the mining industry in 2008.

Mr. Hegarty is currently a non-executive director of Fortescue Metals Group Limited and Range River Gold Limited (both of which are listed on the Australian Stock Exchange). He was a director of Oxiana Limited and OZ Minerals Limited until June 2008 and December 2008, respectively.



## Biographical Details of Directors

**Peter Geoffrey Albert**, aged 51, was appointed as the Chief Executive Officer and an executive director of the Company on 22 July 2009. Mr. Albert is a metallurgist and also holds a MBA (Executive). He has over 25 years of experience in project management, general management and operations management in mining and minerals processing in Australia, Africa and Asia. He is a member of the Institute of Materials, Minerals and Mining (London), a member of the Australasian Institute of Mining and Metallurgy and a Chartered Engineer. He was the executive general manager – Asia of OZ Minerals Limited covering off-shore operations, Sepon copper and gold operations and projects, the development of the Martabe Project, business development in Asia and Asian government relations. He joined Oxiana Limited in 2000 from Fluor Daniel where he held the position of General Manager – Projects. Mr. Albert had also worked with Shell-Billiton (Australia), Aker Kvaerner (Australia) and JCI (South Africa).

**Ma Xiao**, aged 43, was appointed as the Deputy Chief Executive Officer and an executive director of the Company on 22 July 2009. Mr. Ma has over 20 years of international minerals and metals trading, financing and hedging experience. Mr. Ma also has extensive experience in mineral companies acquisition and development and previously held senior and executive positions with several base and precious metals companies including with China Minmetals. Mr. Ma had also based in London for 4 years working for Minmetals (UK) Limited and Mr. Ma had been the managing director of Guizhou H-Gold & Mining Limited and the director of China Minerals Acquisition Fund.

**Wah Wang Kei**, Jackie, aged 42, was appointed as an executive director of the Company on 9 April 2008. Mr. Wah graduated from The University of Hong Kong in 1990. He is a practising solicitor in Hong Kong and was qualified as a solicitor in 1992. Mr. Wah was a partner of Vivien Chan and Company, a law firm in Hong Kong until 1997 and is a consultant of Messrs. Beiten Burkhardt, an international law firm.

**Hui Richard Rui**, aged 41, was appointed as an executive director of the Company on 5 March 2009. Mr. Hui graduated from University of Technology, Sydney of Australia with a bachelor degree in mechanical engineering. He has over 10 years of experience in management positions of companies in Australia, Hong Kong and the People's Republic of China. Mr. Hui is currently an executive director of China Sci-Tech Holdings Limited and an executive director of China Strategic Holdings Limited, which shares are listed on the main board of the Stock Exchange. Mr. Hui was an executive director of Wonson International Holdings Limited which shares are listed on the main board of the Stock Exchange from 20 September 2004 to 1 June 2007. Mr. Hui is the brother-in-law of Mr. Chiu Tao, an executive director of the Company.

Mr. Hui entitles to a monthly remuneration of HK\$68,000 with effect from 1 July 2009 which was further revised to HK\$129,600 with effect from 1 August 2009. Mr. Hui's remuneration was determined with regard to his duties and responsibilities and with reference to the prevailing market condition.

**Kwan Kam Hung, Jimmy**, aged 47, was appointed as an executive director of the Company on 25 March 2009. Mr. Kwan was engaged as senior management in various listed companies in Hong Kong. He has over 15 years of experience in the management of finance and accounting and corporate management. Mr. Kwan is currently an executive director of China Sci-Tech Holdings Limited which shares are listed on the main board of the Stock Exchange.



## Biographical Details of Directors

### Non-Executive Director

**Tsui Ching Hung**, aged 56, was appointed as an executive director of the Company on 5 March 2009 and was redesignated as a non-executive director of the Company on 22 July 2009. Mr. Tsui holds a Master of Science degree in Polymer Science and a Master of Business Administration degree from the University of Aston and University of Warwick in the United Kingdom, respectively. He has over 10 years of experience in senior management positions of several multinational corporations in Hong Kong. Mr. Tsui is currently an executive director of China Sci-Tech Holdings Limited and an independent non-executive director of Rising Development Holdings Limited, which shares are listed on the main board of the Stock Exchange. Mr. Tsui was an executive director of Wonson International Holdings Limited which shares are listed on the main board of the Stock Exchange from 29 November 1999 to 1 June 2007.

### Independent Non-Executive Directors

**Or Ching Fai**, aged 60, was appointed as a Vice-Chairman and an independent non-executive director of the Company on 22 July 2009. Mr. Or began his career with The Hongkong and Shanghai Banking Corporation Limited in 1972 after receiving a Bachelor's degree in Economics and Psychology from the University of Hong Kong. He was the vice-chairman, chief executive officer and the executive director of Hang Seng Bank, which shares are listed on the main board of the Stock Exchange. Mr. Or was also an independent non-executive director of Hutchison Whampoa Limited and Cathay Pacific Airways Limited, which shares are both listed on the main board of the Stock Exchange. Mr. Or is currently an independent non-executive director of Esprit Holdings Limited, which shares are listed on the main board of the Stock Exchange.

**Ma Yin Fan**, aged 45, was appointed as an independent non-executive director of the Company on 25 March 2009. She obtained a Bachelor Degree with honours in Accountancy at Middlesex University in the United Kingdom. She is also awarded the Master of Business Administration and Master Degree in Professional Accounting at Heriot-Watt University in the United Kingdom and Hong Kong Polytechnic University, respectively. Ms. Ma is a CPA (Practising) in Hong Kong and has been working in auditing, accounting and taxation areas for more than 20 years of professional experience. She is the principal of Messrs. Ma Yin Fan & Company CPAs. Ms. Ma is a fellow member of Hong Kong Institute of Certified Public Accountants, Taxation Institute of Hong Kong, Association of Chartered Certified Accountants, Hong Kong Institute of Chartered Secretaries and Institute of Chartered Secretaries and Administrators. She is also a member of the Institute of Chartered Accountant in the England and Wales. Ms. Ma is currently an independent non-executive director of China Strategic Holdings Limited which shares are listed on the main board of the Stock Exchange.

**Leung Hoi Ying**, aged 58, was appointed as an independent non-executive director of the Company on 31 March 2009. Mr. Leung graduated from Guangdong Foreign Trade School in the People's Republic of China. He has over 30 years of experience in international trade and business development. Mr. Leung is currently an independent non-executive director of China Strategic Holdings Limited which shares are listed on the main board of Stock Exchange.

## Chairman's Statement

Dear Shareholders,

Welcome to G-Resources Group Limited (the "Company" or "G-Resources") and thank you for your support. We are embarking on a journey to become a world class gold mining company based in Hong Kong and focused on Asia. We have good assets, good people and good prospects – with your continued support we believe we can meet our objectives.

In July 2009, we completed the acquisition of the Martabe gold/silver project in North Sumatra, Indonesia ("Martabe Project"). The project is now in the development stage and is expected to begin gold production by first quarter of 2011. The early years are forecast to produce around 250,000 oz per annum gold and 3,000,000 oz per annum silver and it will become Indonesia's largest gold and silver only mine. Cash costs are expected to be a very competitive US\$250/oz. The Martabe present resource base is some 6 million oz contained gold and 60 million oz contained silver. There is very significant upside in and around the existing deposits and high potential for further gold discovery on the highly prospective Martabe exploration tenement which covers some 1,600 square kilometres.

We believe the outlook for the gold price is buoyant and want to add aggressively to our resource base. Gold has been described as the "perfect metal" – a commodity, a currency, a store of value, a hedge against inflation and a weak US\$, and a hedge against world financial and political instability. Annual supply cannot keep pace with annual demand – and the number of gold discoveries world-wide has been falling. This gives an outlook that has so much more upside than downside for gold.

We will continue to look to grow the company by organic growth and by acquisition of gold projects and gold operations. Our objective is to build G-Resources into a major gold mining company in Asia. Your Board believes it is important to grow quality, low cost gold production to grow value for shareholders and to achieve a scale that ensures a sustainable long life, multi-country, multi-technology Asia/Pacific focused gold company.

The Board and senior management have the right backgrounds and experience for this growth profile and are familiar with the regional mining environments. One of G-Resources' core strengths, and an important precious asset of G-Resources, is the knowledge and experience of its management team in the discovery, development and operation of gold and other precious and base metals mines in this region.

The Company raised US\$587 million in July through the placement of G-Resources shares – this was one of the largest equity raisings for the resources industry at the time and a tribute to the quality of the Martabe Project and our team. Some US\$200 million was applied to purchase Martabe and the balance is ear-marked for completion of the mine and processing plant, along with pursuit of exploration and business development opportunities.





## Chairman's Statement

Good corporate governance is the foundation of an ethical approach to business. We have a strong and respected Board. We are pleased to have Mr. Or Ching Fai joining us as our Vice-Chairman and as an independent non-executive director. His appointment definitely brings additional expertise to the Board and a broad global business experience. We are also confident that Mr. Or will help to bring the corporate governance of G-Resources to a higher level standard.

So we have good assets, good people, good financial support and a determination to grow long term value for shareholders and all stakeholders. We are at the beginning of what we believe will be an exciting and rewarding journey. We thank you for your interest and your support.

### Appreciation

On behalf of the Board, I would take this opportunity to express my appreciation to the continuous support of our shareholders and dedication of all our staff over the past year.

**Chiu Tao**

*Chairman*

Hong Kong, 23 September 2009



# Management Discussion and Analysis

## Business and Financial Review

For the year ended 30 June 2009, the Group's turnover from continuing operation amounted to approximately HK\$29.05 million, comparing to approximately HK\$10.68 million reported for the financial year of 2008. The increment of approximately 172% is mainly contributed by the steady growth in the business segment of trading of electronics goods and accessories which commenced in March 2008.

The Group's financial information service (WINFCS) recorded a turnover of approximately HK\$4.09 million (2008: approximately HK\$3.87 million) which accounted for 13% of the total turnover of the Group for the financial year under review. The Group's business in trading of electronics goods and accessories segment contributed a turnover of approximately HK\$24.97 million, which accounted for approximately 80% of the total turnover of the Group for the financial year ended 30 June 2009.

In light of the financial turmoil in 2008, the Directors were cautious on the expenses incurred by the Group. The Group managed to reduce its administrative expenses from HK\$51.02 million for the year ended 30 June 2008 to HK\$45.05 million for the year ended 30 June 2009. Loss attributable to equity holders of the Company for the current year was approximately HK\$164.28 million, compared to a loss of approximately HK\$203.01 million in the corresponding year of 2008, representing a decrease of 19%. A large part of the loss for the year ended 30 June 2009 was contributed by the impairment losses on available-for-sale investments which amounted to HK\$103.96 million. The impairment losses on available-for-sale investments for the year ended 30 June 2008 were HK\$98.67 million.

To focus on the development of the Martabe Project, we have slowed down our trading business after completion of our acquisition of the Martabe Project in July 2009. It is our intention to cease our trading business as soon as possible. The Company is also looking for buyers for its business on the provision of financial information services so that we can put all our resources on the development of the Martabe Project and our search of other gold mine projects.

To further increase our cash reserve, we have realised our holdings in Sino Union Petroleum & Chemical International Limited ("SUNPEC") in mid August 2009 and have received a net proceeds of approximately HK\$166.48 million. Accordingly, we have to record a loss of approximately HK\$18.63 million for such realisation in our interim results for the six months ended 31 December 2009.



## Management Discussion and Analysis

### Material Acquisitions and Disposals of Subsidiaries and Associated Companies

On 30 January 2009, Star EPS.com (HK) Limited, a wholly-owned subsidiary of the Company, entered into an agreement with Fast Sky Investments Limited (“Fast Sky”) to acquire 36.67% of the issued share capital of Smart Tycoon Limited, a company incorporated in the British Virgin Islands at a cash consideration of HK\$13.9 million. Upon the completion of the acquisition on 30 January 2009, the Group indirectly increased its beneficial interest in Easy Link from 19% to 30%. However, in light of new business opportunities and in order to focus on the development of natural resources related businesses, the Group then decided to dispose of its non-core assets and businesses. Accordingly, on 26 February 2009, Credit Card DNA Security System Limited, a wholly-owned subsidiary of the Company, entered into a conditional agreement with Fast Sky to dispose of its entire interest in Star EPS.com Limited at a cash consideration of HK\$23.8 million. The disposal was duly completed on 25 March 2009.

Furthermore, pursuant to a conditional agreement dated 3 March 2009, Star Cyberpower V.F. Limited, a wholly-owned subsidiary of the Company, disposed of its entire interest in Star Cyber DNA Limited (“Cyber DNA”) to Go Up Group Limited (“Go Up”) at a cash consideration of HK\$1 and assigned its 100% beneficial ownership of the inter-company receivables due from Cyber DNA and its subsidiaries (collectively the “Star Cyber DNA Group”) to Go Up at a cash consideration of HK\$18 million. The disposal was duly completed on 26 March 2009.

During the year under review, Acewick Holdings Limited (“Acewick”), a wholly-owned subsidiary of the Company, and the Company (as guarantor of Acewick) have entered into an option agreement dated 24 April 2009 (the “Option Agreement”) with Polytex Investments Inc. (“Polytex”) (a wholly-owned subsidiary of China Sci-Tech Holdings Limited (“China Sci-Tech”)) and China Sci-Tech (as guarantor of Polytex). Pursuant to the Option Agreement, Polytex conditionally agreed, among other things, to grant a call option to Acewick for a period of six months from the date of the Option Agreement whereby Acewick may require Polytex to sell or procure the sale of the entire issued share capital in Maxter Investments Limited (“Maxter”) to Acewick. At the material time, Maxter was acquiring the Martabe Project from OZ Minerals Limited. The option was exercised and the acquisition was duly completed, subsequent to the balance sheet date, on 3 July 2009.

Save as disclosed above, there was no material acquisitions or disposals of subsidiaries and associated companies during the year.

### Net Asset Value

As at 30 June 2009, the Group’s total net asset amounted to approximately HK\$497.12 million, represented an increase of 7%, comparing to approximately HK\$463.34 million as at 30 June 2008. Based on the total number of 845,403,379 Shares issued as at 30 June 2009, net asset value per Share was HK\$0.59.

# Management Discussion and Analysis

## Liquidity and Financial Resources

The Group recorded a net cash inflow of approximately HK\$156.30 million during the year ended 30 June 2009. As at 30 June 2009, cash and bank balances of the Group amounted to approximately HK\$236.74 million (2008: approximately HK\$80.44 million). As at 30 June 2008, a bank deposit of approximately HK\$0.16 million was pledged to a bank to secure a merchant account of a subsidiary. There is no pledged deposit as at 30 June 2009.

The Group's gearing ratio, expressed as the percentage of the Group's total borrowings over shareholders' equity, was nil as at 30 June 2009 (2008: nil) as the Group did not have any borrowings as at 30 June 2008 and 2009.

The Group conducted most of its business in Renminbi, United States dollars and Hong Kong dollars during the year under review. It does not have any significant exposure to foreign exchange fluctuation.

## Human Resources

As at 30 June 2009, the Group had 24 employees in Hong Kong. Employees are remunerated at a competitive level and are rewarded according to their performance. Our Group's remuneration packages include medical scheme, group insurance, mandatory provident fund and performance bonus.

According to the share option scheme adopted by the Company on 30 July 2004, share options may be granted to directors and eligible employees of the Group to subscribe for shares in accordance with the terms and conditions stipulated therein.





## Directors' Report

The Board is pleased to present their report and the audited financial statements for the year ended 30 June 2009.

### Principal Activities

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries and the Group's jointly controlled entity as at 30 June 2009 are set out in notes 38 and 15 to the financial statements.

### Change of Company's Name

By a special resolution passed by the shareholders of the Company on 29 May 2009, the name of the Company was changed from "Smart Rich Energy Finance (Holdings) Limited" to "G-Resources Group Limited" and the Company adopted the Chinese name "國際資源集團有限公司" for identification purpose, each of which became effective on 3 June 2009.

### Results and Dividend

The results of the Group for the year ended 30 June 2009 are set out in the consolidated income statements on page 41 of the annual report.

The Board does not recommend the payment of a dividend during the year.

### Financial Summary

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on pages 111 and 112 of the annual report.

### Reserves

Details of the movements during the year in the reserves of the Group are set out in the consolidated statement of changes in equity on page 44 to the annual report.

### Share Capital and Share Options

Details of movements in the Company's share capital, share options and convertible notes during the year are set out in notes 23, 26 and 24 to the financial statements, respectively.



## Directors' Report

### Contributed Surplus

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is available for distribution to shareholders. However, the Company shall not declare or pay a dividend, or make a distribution out of contributed surplus if there are reasonable grounds for believing that:

- (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 Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

### Property, Plant and Equipment

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 12 to the financial statements.

### Investment Properties

Details of movements during the year in investment properties of the Group are set out in note 13 to the financial statements.



# Directors' Report

## Directors

The directors of the Company (the "Directors") during the year and up to the date of this report are:

### Executive Directors:

Chiu Tao ( <i>Chairman</i> )	(appointed on 22 July 2009)
Owen L Hegarty ( <i>Vice-Chairman</i> )	(appointed on 10 May 2009)
Peter Geoffrey Albert ( <i>Chief Executive Officer</i> )	(appointed on 22 July 2009)
Ma Xiao ( <i>Deputy Chief Executive Officer</i> )	(appointed on 22 July 2009)
Wah Wang Kei, Jackie	
Hui Richard Rui	(appointed on 5 March 2009)
Kwan Kam Hung, Jimmy	(appointed on 25 March 2009)
Wong Kam Fu	(resigned on 25 March 2009)
Lew Mon Hung	(resigned on 3 August 2009)
Tam Wai Keung, Billy	(resigned on 25 March 2009)
Wong Hong Loong	(resigned on 22 April 2009)
Sin Chi Keung, Mega	(retired on 12 November 2008)

### Non-Executive Director:

Tsui Ching Hung	(appointed as Executive Director on 5 March 2009 and re-designated as non-Executive Director on 22 July 2009)
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### Independent Non-Executive Directors:

Or Ching Fai ( <i>Vice-Chairman</i> )	(appointed on 22 July 2009)
Ma Yin Fan	(appointed on 25 March 2009)
Leung Hoi Ying	(appointed on 31 March 2009)
Wong Che Man, Eddy	(resigned on 25 March 2009)
Tang King Fai	(resigned on 31 March 2009)
Dai Zhongcheng	(resigned on 25 March 2009)
Tai Chun Kit	(appointed on 12 November 2008 and resigned on 31 March 2009)
Yu Pan	(appointed on 31 March 2009 and resigned on 22 July 2009)

In accordance with clause 99 of the Company's Bye-laws, at each annual general meeting one third of the Directors for the time being shall retire from office by rotation. Accordingly, Mr. Wah Wang Kei, Jackie, Mr. Kwan Kam Hung, Jimmy, Ms. Ma Yin Fan and Mr. Leung Hoi Ying will retire by rotation at the forthcoming annual general meeting. Each of Mr. Wah Wang Kei, Jackie, Mr. Kwan Kam Hung, Jimmy, Ms. Ma Yin Fan and Mr. Leung Hoi Ying, being eligible, have offered themselves for re-election.

## Directors' Report

### Directors (continued)

In accordance with clause 102(B) of the Company's Bye-laws, any Director appointed as an addition to the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting. Thus, Mr. Chiu Tao, Mr. Owen L Hegarty, Mr. Or Ching Fai, Mr. Peter Geoffrey Albert, Mr. Ma Xiao, Mr. Hui Richard Rui and Mr. Tsui Ching Hung, being the newly appointed directors will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The term of office of each Non-Executive Director is the period from the date of appointment up to his retirement by rotation as required by the Company's Bye-laws.

No 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.

### Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended 30 June 2009, the Company repurchased its own shares on the Stock Exchange. Details are as follows:

Month of repurchase	Number of shares repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Total consideration paid HK\$
July 2008	2,570,000	0.142	0.135	352,570
August 2008	4,240,000	0.127	0.103	489,040
<b>Total</b>	<b>6,810,000</b>			<b>841,610</b>

The repurchased shares were subsequently cancelled and accordingly, the issued share capital of the Company was reduced by the nominal value thereof and the nominal value of shares repurchased amounted to HK\$68,100.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.



# Directors' Report

## Directors' Interests in Securities

At 30 June 2009, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares, convertible notes or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by directors of the Company (the “Model Code”), were disclosed as follows in accordance with the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”):

### Long positions in shares, underlying shares of the Company

Name of Director/ Chief executive	Number of *shares/underlying shares				Total	Approximate % of the issued share capital of the Company (Note 4)	Note
	Personal interests	Corporate interests	Share options				
Owen L Hegarty ("Mr. Hegarty")	–	664,284,000	201,681,050		865,965,050	102.43%	1
Lew Mon Hung ("Dr. Lew")	224,548,266	–	1,374,000		225,922,266	26.72%	2
Wah Wang Kei, Jackie	90,000	–	2,000,000		2,090,000	0.25%	
Peter Geoffrey Albert ("Mr. Albert")	33,213,000	–	201,681,050		234,894,050	27.78%	3

\* Ordinary shares unless otherwise specified in the Note

## Directors' Report

### Directors' Interests in Securities (continued)

#### Long positions in shares, underlying shares of the Company (continued)

*Note:*

1. Pursuant to an investment agreement entered into between (i) Metal Victory International Limited ("Metal Victory"), which is wholly-owned by Mr. Hegarty, (ii) Mr. Hegarty and (iii) the Company on 22 May 2009, Metal Victory agreed to subscribe for 664,284,000 shares at HK\$0.35 each in an aggregate amount of US\$30 million. The shares were issued and allotted to Metal Victory on 3 July 2009 upon completion of placing of new shares under specific mandate.

Pursuant to a share option agreement entered into between Mr. Hegarty and the Company on 10 May 2009, the Company agreed to grant to Mr. Hegarty 201,681,050 share options upon the fulfillment of certain conditions precedent pursuant to such share option agreement. Upon fulfillment of these conditions precedent, the share options granted to Mr. Hegarty became effective on 24 July 2009 and shall be valid for a maximum period of five years thereafter.

The Company has been informed by Mr. Hegarty that his entire equity interest in Metal Victory was passively disposed on 20 August 2009.

2. Pursuant to an investment agreement entered into between Dr. Lew and the Company on 27 May 2009, Dr. Lew agreed to subscribe for 221,427,000 shares at HK\$0.35 each in an aggregate amount of US\$10 million. The shares were issued and allotted to Dr. Lew on 3 July 2009 upon completion of placing of new shares under specific mandate. Dr. Lew resigned as a director of the Company on 3 August 2009.

3. Pursuant to an investment agreement entered into between Mr. Albert and the Company on 8 June 2009, Mr. Albert agreed to subscribe for 33,213,000 shares at HK\$0.35 each in an aggregate amount of US\$1,500,000. The shares were issued and allotted to Mr. Albert on 9 July 2009 upon completion of placing of new shares under specific mandate.

Pursuant to a share option agreement entered into between Mr. Albert and the Company on 10 May 2009, the Company agreed to grant to Mr. Albert 201,681,050 share options upon the fulfillment of certain conditions precedent pursuant to such share option agreement. Upon fulfillment of these conditions precedent, the share option granted to Mr. Albert became effective on 24 July 2009 and shall be valid for a maximum period of five years thereafter.

4. The percentages were calculated based on the Company's issued share capital of 845,403,379 shares as at 30 June 2009.

Save as disclosed above, none of the Directors or chief executives of the Company had any interests and short positions in the shares, underlying shares, convertible notes or debentures of the Company or any of its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code required to be disclosed in accordance with the Listing Rules as at 30 June 2009.

# Directors' Report

## Directors' Interests in Securities (continued)

### Share Option

Particulars of the share option scheme of the Company are set out in note 26 to the financial statements.

Details of the movements in the share options during the year ended 30 June 2009 were as follows:

Name or Category of participants	Date of grant	Exercisable period	Exercise price HK\$ (Note 7)	Outstanding as at 1.7.2008 (Note 7)	Granted during the year (Note 7)	Exercised during the year (Note 7)	Cancelled during the year (Note 7)	Lapsed during the year (Note 7)	Outstanding as at 30.6.2009 (Note 7)	Market value	Option value per share HK\$ (Note 7)
										per share at date of grant of options HK\$ (Note 7)	
<b>(a) Directors</b>											
Lew Mon Hung (Note 1)	08.01.2008	08.01.2008 – 07.01.2010	2.550	1,374,000	-	-	-	-	1,374,000	2.500	0.837
Wah Wang Kei, Jackie	08.01.2008	08.01.2008 – 07.01.2010	2.550	2,000,000	-	-	-	-	2,000,000	2.500	0.837
Tam Wai Keung, Billy (Note 2)	08.01.2008	08.01.2008 – 07.01.2010	2.550	1,000,000	-	-	(1,000,000)	-	-	2.500	0.837
Wong Hong Loong (Note 3)	08.01.2008	08.01.2008 – 07.01.2010	2.550	1,374,000	-	-	(1,374,000)	-	-	2.500	0.837
Sin Chi Keung, Mega (Note 4)	08.01.2008	08.01.2008 – 07.01.2010	2.550	100,000	-	-	(100,000)	-	-	2.500	0.837
Wong Che Man, Eddy (Note 2)	08.01.2008	08.01.2008 – 07.01.2010	2.550	100,000	-	-	(100,000)	-	-	2.500	0.837
Tang King Fai (Note 5)	08.01.2008	08.01.2008 – 07.01.2010	2.550	100,000	-	-	(100,000)	-	-	2.500	0.837
Dai Zhongcheng (Note 2)	08.01.2008	08.01.2008 – 07.01.2010	2.550	100,000	-	-	(100,000)	-	-	2.500	0.837
Frank Douglas Magnus (Note 6)	03.01.2007	03.01.2007 – 02.01.2009	1.520	800,000	-	-	-	(800,000)	-	1.520	0.542
Edward Patrick Jacobson (Note 6)	03.01.2007	03.01.2007 – 02.01.2009	1.520	800,000	-	-	-	(800,000)	-	1.520	0.542
Tang Yantian (Note 6)	03.01.2007	03.01.2007 – 02.01.2009	1.520	800,000	-	-	-	(800,000)	-	1.520	0.542
<b>Total for Directors</b>				<b>8,548,000</b>	<b>-</b>	<b>-</b>	<b>(2,774,000)</b>	<b>(2,400,000)</b>	<b>3,374,000</b>		

# Directors' Report

## Directors' Interests in Securities (continued)

### Share Option (continued)

Name or Category of participants	Date of grant	Exercisable period	Exercise price HK\$ (Note 7)	Outstanding as at 1.7.2008 (Note 7)	Granted during the year (Note 7)	Exercised during the year (Note 7)	Cancelled during the year (Note 7)	Lapsed during the year (Note 7)	Outstanding as at 30.6.2009 (Note 7)	Market value	Option
										per share at date of grant HK\$ (Note 7)	value per share HK\$ (Note 7)
(b) Employees	08.01.2008	08.01.2008 – 07.01.2010	2.550	25,200,000	-	(1)	(17,990,001)	-	7,209,998	2.500	0.837
	16.04.2008	16.04.2008 – 15.04.2010	2.550	1,800,000	-	-	-	-	1,800,000	2.040	0.728
Total for employees				27,000,000	-	(1)	(17,990,001)	-	9,009,998		
<b>Total for Scheme</b>				<b>35,548,000</b>	<b>-</b>	<b>(1)</b>	<b>(20,764,001)</b>	<b>(2,400,000)</b>	<b>12,383,998</b>		

#### Notes:

1. Dr. Lew resigned as a director of the Company on 3 August 2009.
2. Messrs. Tam Wai Keung, Billy, Wong Che Man, Eddy and Dai Zhongcheng resigned as directors of the Company on 25 March 2009.
3. Mr. Wong Hong Loong resigned as a director of the Company on 22 April 2009.
4. Mr. Sin Chi Keung, Mega retired as a director of the Company on 12 November 2008.
5. Mr. Tang King Fai resigned as director of the Company on 31 March 2009.
6. Messrs. Edward Patrick Jacobson, Frank Douglas Magnus and Tang Yantian retired as directors of the Company on 28 November 2007.
7. As disclosed in the announcement of the Company dated 9 June, 2009 in relation to the adjustments to the exercise price and the number of share options, the exercise price of the share options granted by the Company has been adjusted from HK\$0.255 per share to HK\$2.55 per share and the number of shares of the Company to be allotted and issued upon exercise of the subscription rights attaching to the share option scheme has been adjusted from 10 shares to 1 reorganised share as a result of the capital reorganisation involving, among others, the consolidation of every 10 issued shares of HK\$0.01 each into 1 reorganised share of HK\$0.01 each (the "Capital Reorganisation"). Therefore, the aggregate outstanding number of share options as at 1 June 2009, being the effective date of the Capital Reorganisation, has also been adjusted from 123,839,981 share options to 12,383,998 share options.



## Directors' Report

### Valuation of Share Option

The valuation of share options is set out in note 26 to the financial statements.

### Retirement Benefit Scheme

Details of the Group's retirement benefit scheme for the year ended 30 June 2009 are set out in note 36 to the financial statements.

### Directors' and Chief Executive's Rights to Acquire Shares or Debentures

Save as disclosed in the section headed "Directors' Interests in Securities" disclosed above, at no time during the year was the Company or its subsidiaries or jointly controlled entity a party to any arrangement that enabled any director to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate.

Save as disclosed above, none of the directors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right during the year.

### Connected Transactions

On 10 May 2009, the Company entered into two share option agreements with Mr. Owen L Hegarty ("Mr. Hegarty"), an executive director, and Mr. Peter Geoffrey Albert ("Mr. Albert"), a deputy chief executive officer of the Company who was subsequently appointed as an executive director and re-designated as chief executive officer on 22 July 2009, respectively. Pursuant to the share option agreements, the Company agreed to grant to each of Mr. Hegarty and Mr. Albert 201,681,050 share options upon and subject to the terms and conditions of the share option agreements including vesting conditions as set out therein.

On 22 May 2009, the Company entered into an investment agreement with (i) Mr. Hegarty, an executive director of the Company, and (ii) Metal Victory International Limited ("Metal Victory") which was wholly owned by Mr. Hegarty. Pursuant to the investment agreement, Metal Victory agreed to subscribe for 664,284,000 shares at HK\$0.35 each, as part of the placing of the Company completed on 3 July 2009 (the "Placing").

On 27 May 2009, the Company entered into an investment agreement with Dr. Lew Mon Hung, an executive director of the Company resigned on 3 August 2009, whereby Dr. Lew agreed to subscribe for 221,427,000 shares at HK\$0.35 each, as part of the Placing.

On 8 June 2009, the Company entered into an investment agreement with Mr. Albert whereby Mr. Albert agreed to subscribe for 33,213,000 shares at HK\$0.35 each, as part of the Placing.



## Directors' Report

### Directors' Interests in Contracts of Significance

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

### Directors' Interest in Competing Business

During the year up to the date hereof, none of the Directors of the Company, or any of their respective associates (as defined in the Listing Rules) had any material interest in a business that competes or may compete with the business of the Group.

### Independent Non-Executive Directors

The Company has received from each of its independent non-executive Directors' written confirmation of their independence pursuant to Rule 3.13 of the Listing Rules.

### Discloseable Interests and Short Positions of Persons Other than Directors and Chief Executive

As at 30 June 2009, so far as known to the directors or chief executives of the Company, the following persons/entity are the shareholders (other than the Directors or chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or who were recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO or had otherwise notified the Company.

#### Long positions in shares and underlying shares of the Company

Name of shareholders	Capacity	Number of shares/ underlying shares	Approximate % of the issued share capital (Note 12)	Notes
Chu Yuet Wah ("Mrs. Chu")	Interest of a controlled corporation	4,931,736,309	583.36%	1
Ma Siu Fong ("Ms. Ma")	Interest of a controlled corporation	4,931,736,309	583.36%	1

## Directors' Report

### Discloseable Interests and Short Positions of Persons Other than Directors and Chief Executive (continued)

#### Long positions in shares and underlying shares of the Company (continued)

Name of shareholders	Capacity	Number of shares/ underlying shares	Approximate % of the issued share capital (Note 12)	Notes
Kingston Securities Limited ("Kingston Securities")	Beneficial owner Other	201 4,871,424,000	576.22%	1
Kingston Finance Limited ("Kingston Finance")	Security interest in shares	60,312,108	7.13%	1
Bennelong Asia Pacific Multi Strategy Equity Fund Limited	Beneficial owner	1,100,000,000	130.12%	
Metal Victory International Limited ("Metal Victory")	Beneficial owner	664,284,000	78.58%	2
China Sci-Tech Holdings Limited ("CST")	Interest of a controlled corporation	661,428,571	78.24%	3
Polytex Investments Inc. ("Polytex")	Beneficial owner	221,428,571	26.19%	3
Skytop Technology Limited ("Skytop")	Beneficial owner	440,000,000	52.05%	3
Franklin Advisers Inc.	Investment manager	485,000,000	57.37%	
Au Tsui Yee Maggie ("Ms. Maggie Au")	Beneficial owner Interest of spouse	473,727,000 6,000,000	56.75%	4
Cho Kwai Chee ("Mr. Cho")	Beneficial owner Interest of spouse	6,000,000 473,727,000	56.75%	5
More Distribution Limited ("More Distribution")	Beneficial owner	466,899,000	55.23%	6

## Directors' Report

### Discloseable Interests and Short Positions of Persons Other than Directors and Chief Executive (continued)

#### Long positions in shares and underlying shares of the Company (continued)

Name of shareholders	Capacity	Number of shares/ underlying shares	Approximate % of the issued share capital (Note 12)	Notes
Wang Chao Julia ("Ms. Julia Wang")	Interest of a controlled corporation	466,899,000	55.23%	6
So Chi Ming	Beneficial owner	445,000,000	52.64%	
Morgan Stanley	Interest of a controlled corporation	442,857,000	52.38%	7
Nation Field Limited ("Nation Field")	Beneficial owner	419,002,000	49.56%	8
Yap Allan ("Mr. Yap")	Interest of a controlled corporation	419,002,000	49.56%	8
Schroder Investment Management (Hong Kong) Limited	Investment manager	101,409,000	12.00%	
Wong Kam Fu ("Dr. KF Wong")	Beneficial owner Interest of a controlled corporation	46,299,166 48,302,942	11.19%	9
Crawshaw Richard	Interest of a controlled corporation	75,000,000	8.87%	10
Harris Clive	Interest of a controlled corporation	75,000,000	8.87%	10
Highbridge Capital Management LLC	Investment manager	75,000,000	8.87%	10
Highbridge GP, Ltd. ("Highbridge GP")	Interest of a controlled corporation	75,000,000	8.87%	10
Legg Mason Inc	Investment manager	63,000,000	7.45%	11



# Directors' Report

## Discloseable Interests and Short Positions of Persons Other than Directors and Chief Executive (continued)

### Long positions in shares and underlying shares of the Company (continued)

#### Notes:

1. These interests comprised 4,931,736,309 ordinary shares of the Company.

These interests comprised the respective direct interests held by:

	<b>Number of shares</b>
Kingston Securities	4,871,424,201
Kingston Finance	60,312,108

Mrs. Chu is deemed to be interested in these interests through her controlling interests of 51% in both Kingston Securities and Kingston Finance, respectively.

Ms. Ma is deemed to be interested in these interests through her controlling interests of 49% in both Kingston Securities and Kingston Finance, respectively.

2. Mr. Owen L Hegarty is the ultimate beneficial owner of Metal Victory. Under Part XV of the SFO, Mr. Hegarty is deemed to have interest in the shares of the Company held by Metal Victory.

The Company has been informed by Mr. Hegarty that his entire equity interest in Metal Victory was passively disposed on 20 August 2009.

3. These interests comprised 661,428,571 ordinary shares of the Company.

These interests comprised the respective direct interests held by:

	<b>Number of shares</b>
Polytex	221,428,571
Skytop	440,000,000

CST is deemed to be interested in these interests through its controlling interests of 100% in both Polytex and Skytop.

4. Ms. Maggie Au is the spouse of Mr. Cho and accordingly deemed to be interested in the 6,000,000 shares beneficially owned by Mr. Cho.

5. Mr. Cho is the spouse of Ms. Maggie Au and accordingly deemed to be interested in the 473,727,000 shares beneficially owned by Ms. Maggie Au.

6. Ms. Julia Wang is the ultimate beneficial owner of More Distribution. Under Part XV of the SFO, Ms. Julia Wang is deemed to have interest in the shares of the Company held by More Distribution.

## Directors' Report

### Discloseable Interests and Short Positions of Persons Other than Directors and Chief Executive (continued)

#### Long positions in shares and underlying shares of the Company (continued)

Notes: (continued)

7. These interests comprised 442,857,000 ordinary shares of the Company.

These interests comprised the respective direct interests held by:

	Number of shares
Morgan Stanley & Co. International plc. ("MS Int'l")	442,857,000

Morgan Stanley is deemed to be interested in these interests through its controlling interests of approximately 100% in MS Int'l.

8. Mr. Yap is the ultimate beneficial owner of Nation Field. Under Part XV of the SFO, Mr. Yap is deemed to have interest in the shares of the Company held by Nation Field.

9. These interests comprised 94,602,108 ordinary shares of the Company.

These interests comprised the respective direct interests held by:

	Number of shares
Sheung Hai Developments Limited ("Sheung Hai")	37,240,442
Alpha Logistics Group Limited ("Alpha Logistics")	11,062,500

Sheung Hai and Alpha Logistics were wholly owned by Dr. KF Wong. Under Part XV of the SFO, Dr. KF Wong is deemed to be interested in all of the 48,302,942 shares. The remaining 46,299,166 shares are held by Dr. KF Wong personally.

10. These interests comprised 75,000,000 ordinary shares of the Company.

These interests comprised the respective direct interests held by:

	Number of shares
Highbridge Asia Opportunities Master Fund L.P. ("Highbridge Asia")	45,000,000
Highbridge International LLC ("Highbridge Int'l")	30,000,000

Highbridge Asia was directly wholly owned by Highbridge GP and Highbridge Int'l was indirectly wholly owned by Highbridge GP. Richard Crawshaw and Clive Harris are deemed to be interested in these interests through their controlling interests of 50% in Highbridge GP respectively.

## Directors' Report

### Discloseable Interests and Short Positions of Persons Other than Directors and Chief Executive (continued)

#### Long positions in shares and underlying shares of the Company (continued)

Notes: (continued)

11. These interests comprised 63,000,000 ordinary shares of the Company.

These interests comprised the respective direct interests held by:

	Number of shares
Legg Mason International Equities (Singapore) Pte Limited ("Legg (Singapore)")	63,000,000

Legg Mason Inc is deemed to be interested in these interests through its controlling interests of 100% in Legg (Singapore).

12. The percentages were calculated based on the Company's issued share capital of 845,403,379 shares as at 30 June 2009 prior to completion of the placing of the Company which took place subsequently on 3 July 2009 ("Placing") and issue of consideration shares pursuant to the Option Agreement. Given that certain shareholding interests as recorded in the relevant individual/corporate substantial shareholder notices filed as at 30 June 2009 comprised shares to be subscribed for under the Placing, this resulted in the percentage figures appearing in the above table. To provide the shareholders with an update on the discloseable interests in the Company after completion of the Placing and issue of consideration shares pursuant to the Option Agreement, a table showing the persons/entities that had discloseable shareholding interests in the Company as at 31 August 2009 is presented below.

Save as disclosed above, the Company has not been notified by any person (other than the directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or who were recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO or had otherwise notified the Company as at 30 June 2009.

## Directors' Report

### Discloseable Interests and Short Positions of Persons Other than Directors and Chief Executive (continued)

As at 31 August 2009:

#### Long positions in shares and underlying shares of the Company

Name of shareholders	Capacity	Number of shares/ underlying shares	Approximate % of the issued share capital (Note 4)	Notes
Blackrock, Inc.	Interest of a controlled corporation	1,260,000,000	8.98%	1
JPMorgan Chase & Co.	Beneficial owner Investment manager Custodian corporation/ approved lending agent	9,890,000 611,739,000 357,501,000	6.96%	2
CST	Interest of a controlled corporation	1,246,882,571	8.86%	3
Skytop	Beneficial owner	1,246,882,571	8.86%	3

Notes:

1. These interests comprised 1,260,000,000 ordinary shares of the Company.

These interests comprised the respective direct interests held by:

	Number of shares
BlackRock (Channel Islands) Limited	720,000,000
BlackRock Investment Management (UK) Limited	188,100,000
BlackRock Fund Managers Limited	350,000,000
BlackRock Investment Management (Korea) Limited	1,900,000

Blackrock, Inc. is deemed to be interested in these interests through its controlling interests of 100% in all of the above companies.

## Directors' Report

### Discloseable Interests and Short Positions of Persons Other than Directors and Chief Executive (continued)

As at 31 August 2009: (continued)

#### Long positions in shares and underlying shares of the Company (continued)

Notes: (continued)

2. These interests comprised 979,130,000 ordinary shares of the Company which include 357,501,000 shares in lending pool.

These interests comprised the respective direct interests held by:

	Number of shares
JPMorgan Chase Bank, N.A.	357,501,000
JF Asset Management Limited	79,236,000
JPMorgan Asset Management (UK) Limited	532,503,000
J.P. Morgan Securities Ltd.	9,890,000

JPMorgan Chase & Co. is deemed to be interested in these interests through (i) its controlling interests of 100% in JPMorgan Chase Bank, N.A., JF Asset Management Limited and JPMorgan Asset Management (UK) Limited, and (ii) its controlling interests of 98.95% in J.P. Morgan Securities Ltd.

3. CST is the ultimate beneficial owner of Skytop. Under Part XV of the SFO, CST is deemed to have interest in the shares of the Company held by Skytop.
4. The percentages were calculated based on Company's issued share capital of 14,066,831,950 shares as at 31 August 2009.

### Model Code

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year under review.

### Major Customers and Suppliers

For the year ended 30 June 2009, the five largest customers accounted for approximately 87% of the Group's turnover and the largest customer included therein amounted to approximately 80%. Purchases from the five largest suppliers accounted for approximately 94% of the total purchase for the year and purchases from the largest supplier included therein amounted to approximately 57%.

At no time during the year, were any of the directors, their associates or the shareholders of the Company, which to the knowledge of the Directors own more than 5% of the Company's issued share capital, have any interests in the above customers or suppliers.



## Directors' Report

### Pre-emptive Rights

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

### Emolument Policy

The emolument policy of the employees of the Group is set up by the board of Directors on the basis of their merit, qualifications and competence. The emoluments of the Directors of the Company are decided by the Directors, who are authorised by the shareholders in the annual general meeting, having regard to the Group's operating results, individual performance and comparable market statistics. The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme are set out in note 26 to the financial statements.

### Donations

For the year ended 30 June 2009, the Group made charitable donations to a total amount of HK\$258,000.

### Public Float

From information publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules at all times during the year under review and as at the date of this report.

### Corporate Governance

The information set out in pages 31 to 38 and information incorporated by reference, if any, constitutes the Corporate Governance Report of the Company.

### Post Balance Sheet Events

Details of significant post balance sheet events are set out in note 35 to the financial statements.

### Audit Committee

The Company has established an audit committee with written terms of reference based upon the recommendations set out in "A Guide for Effective Audit Committee" published by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the Corporate Governance Code. The duties of the audit committee include reviewing the Company's annual reports and interim reports and providing advices and comments thereon to the Directors. The audit committee is also responsible for reviewing and supervising the financial reporting and internal control procedures of the Group.

As at the date of this report, the audit committee comprises three independent non-executive Directors, namely, Mr. Or Ching Fai, Ms. Ma Yin Fan, and Mr. Leung Hoi Ying, with Mr. Or Ching Fai being the chairman of the committee. The audited financial statements of the Company for the year ended 30 June 2009 have been reviewed by the audit committee.

## Directors' Report

### Auditor

SHINEWING (HK) CPA Limited, who acted as the auditor of the Company since 2005, resigned on 14 May 2009 and Deloitte Touche Tohmatsu was appointed as the auditor of the Company on 14 May 2009.

The consolidated financial statements of the Group for the year ended 30 June 2009 were audited by Deloitte Touche Tohmatsu who will retire and, being eligible, offer themselves for re-appointment in the forthcoming annual general meeting. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

**Chiu Tao**

*Chairman*

Hong Kong, 23 September 2009



## Corporate Governance Report

The Group is committed to maintain a high standard of corporate governance and enhance its transparency so as to protect the shareholders' interest in general. The Group will continue to raise the standard to formalise the best practices of corporate governance as far as we could.

The Company has adopted the code provisions set out in the Code of Corporate Governance Practices (the "Corporate Governance Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code of corporate governance practices.

### Board of Directors

As at 30 June 2009, the board of directors (the "Board") of the Company comprised six executive directors and three independent non-executive directors ("INEDs")(collectively the "Directors"). Save as disclosed under the section headed "Biographical Details of Directors" of this annual report, there is no financial, business, family or other material/relevant relationship between the Directors and the composition of the Board is as follows:

#### Executive Directors

Dr. Lew Mon Hung (*Chairman*) (resigned on 3 August 2009)  
Mr. Owen L Hegarty  
(*Chief Executive Officer and Vice Chairman*)  
Mr. Wah Wang Kei, Jackie  
Mr. Hui Richard Rui  
Mr. Kwan Kam Hung  
Mr. Tsui Ching Hung (redesignated as a non-executive director on 22 July 2009)

#### Independent Non-executive Directors

Ms. Ma Yin Fan  
Mr. Leung Hoi Ying  
Mr. Yu Pan (resigned on 22 July 2009)

The principal functions of the Board are to supervise the management of the business and affairs; to approve the strategic plans, investment and funding decisions; to review the Group's financial performance and operative initiatives. The role of INEDs is to bring an independent and objective view to the Board's deliberations and decisions. Since one of INEDs has appropriate professional qualifications, or accounting or related financial management expertise so that they are of sufficient caliber and number for their views to carry weight. The INEDs may also take independent professional advice at the Company's expense in carrying out their functions. Thus, the Board considers the current board size as adequate for its present operations. The Company has received from each of the INEDs, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the INEDs are independent.

## Corporate Governance Report

### Board of Directors (continued)

The Board will conduct meeting on a regular basis and on an ad hoc basis, as required by business needs. The Bye-laws of the Company allows board meetings to be conducted by way of telephone or video-conference. The Board held a total of 47 full board meetings during the year and the individual attendance records are as follows:

Name of Director	Number of Board Meetings Attended	Attendance Rate
<b>Executive Directors</b>		
Owen L Hegarty <i>(appointed on 10 May 2009)</i>	12/21	57%
Wah Wang Kei, Jackie	47/47	100%
Hui Richard Rui <i>(appointed on 5 March 2009)</i>	30/40	75%
Kwan Kam Hung, Jimmy <i>(appointed on 25 March 2009)</i>	34/34	100%
Wong Kam Fu <i>(resigned on 25 March 2009)</i>	12/13	92%
Lew Mon Hung <i>(resigned on 3 August 2009)</i>	41/47	87%
Tam Wai Keung, Billy <i>(resigned on 25 March 2009)</i>	11/13	85%
Wong Hong Loong <i>(resigned on 22 April 2009)</i>	10/16	63%
Sin Chi Keung, Mega <i>(retired on 12 November 2008)</i>	3/3	100%
<b>Non-executive Directors</b>		
Tsui Ching Hung <i>(appointed as Executive Director on 5 March 2009 and redesignated as non-Executive Director on 22 July 2009)</i>	36/40	90%

# Corporate Governance Report

## Board of Directors (continued)

Name of Director	Number of Board Meetings Attended	Attendance Rate
<b>Independent Non-executive Directors</b>		
Wong Che Man, Eddy <i>(resigned on 25 March 2009)</i>	9/12	75%
Tang King Fai <i>(resigned on 31 March 2009)</i>	10/13	77%
Dai Zhongcheng <i>(resigned on 25 March 2009)</i>	5/12	42%
Tai Chun Kit <i>(appointed on 12 November 2008 and resigned on 31 March 2009)</i>	6/10	60%
Ma Yin Fan <i>(appointed on 25 March 2009)</i>	0/34	0%
Leung Hoi Ying <i>(appointed on 31 March 2009)</i>	0/33	0%
Yu Pan <i>(appointed on 31 March 2009 and resigned on 22 July 2009)</i>	1/33	3%

## Chairman and Chief Executive Officer

The post of Chairman, and the Chief Executive Officer are separate and are not held by the same individual to ensure their independence, accountability and responsibility. The Chairman, is responsible for overseeing the function of the Board and formulating overall strategies and policies of the Company. The Chief Executive Officer, supported by other members and the senior management, are responsible for managing the Group's business, implementing major strategies, making day-to-day decisions and coordinating overall business operations. The day-to-day running of the Company is delegated to the management, with divisional heads responsible for different aspects of the business.

## Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct regarding directors' securities transactions.

Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year under review.



# Corporate Governance Report

## Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and in presenting the interim and annual financial statements, and announcements to shareholders, the Directors aim to present a balanced and understandable assessment of the Group position and prospects.

## Remuneration Committee

As at 30 June 2009, the Remuneration Committee comprises three members, namely Ms. Ma Yin Fan, Mr. Leung Hoi Ying and Mr. Yu Pan (resigned on 22 July 2009), all of them are INEDs, and was chaired by Ms. Ma Yin Fan. The Remuneration Committee reviews and determines the policy for the remuneration of directors and senior management.

The roles and duties of the Remuneration Committee include:

- to conduct regular review of the remuneration policy of the Group's Directors and senior management;
- to make recommendations to the Board on the policy and structure of the remuneration of the Company's Directors and senior management and on establishment of a formal and transparent procedure for developing remuneration policy;
- to make recommendations to the Board on remuneration packages of the Company's Directors;
- to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- to review the proposals for the award of share options to executive directors and senior management based on their performance and contribution to the Company from time to time;
- to recommend the Board of the structure of long-term incentive plans for executive directors and certain senior management; and
- to review the Terms of Reference of the Remuneration Committee.



## Corporate Governance Report

### Remuneration Committee (continued)

The Remuneration Committee met 5 times during the year and the individual attendance records are set out below:

Name of Member	Number of Remuneration Committee Meetings Attended	Attendance Rate
Wong Che Man, Eddy <i>(resigned on 25 March 2009)</i>	4/4	100%
Tang King Fai <i>(resigned on 31 March 2009)</i>	4/4	100%
Dai Zhongcheng <i>(resigned on 25 March 2009)</i>	2/4	50%
Tai Chun Kit <i>(appointed on 12 November 2008 and resigned on 31 March 2009)</i>	2/2	100%
Ma Yin Fan <i>(appointed on 25 March 2009)</i>	1/1	100%
Leung Hoi Ying <i>(appointed on 31 March 2009)</i>	1/1	100%
Yu Pan <i>(appointed on 31 March 2009 and resigned on 22 July 2009)</i>	1/1	100%

### Audit Committee

As at 30 June 2009, the Audit Committee consists of three INEDs, namely Ms. Ma Yin Fan, Mr. Leung Hoi Ying and Mr. Yu Pan (resigned on 22 July 2009). Ms. Ma Yin Fan was the Chairman of the Audit Committee and applied her professional qualifications in accounting and financial management expertise in directing the Audit Committee. In accordance with the terms of reference of the Audit Committee, the Audit Committee met at least twice a year to review the interim results and the final results of the Company. The terms of reference of the Committee are aligned with the recommendations set out in "A Guide For Effective Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the Corporate Governance Code.

The major duties of the Audit Committee include:

- to consider the appointment of the external auditors and the audit fee;

# Corporate Governance Report

## Audit Committee (continued)

- to discuss with the external auditors before the audit commences, the nature and scope of the audit and confirm their independence and objectivity;
- to review the interim and annual financial statements before submission to the Board;
- to discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary);
- to review external auditor's management letter and management's response;
- to review the Terms of Reference of the Audit Committee.

The Audit Committee met 2 times during the year and the individual attendance records are set out below:

Name of Member	Number of Audit Committee Meetings Attended	Attendance Rate
Wong Che Man, Eddy <i>(resigned on 25 March 2009)</i>	2/2	100%
Tang King Fai <i>(resigned on 31 March 2009)</i>	2/2	100%
Dai Zhongcheng <i>(resigned on 25 March 2009)</i>	0/2	0%
Tai Chun Kit <i>(appointed on 12 November 2008 and resigned on 31 March 2009)</i>	1/1	100%
Ma Yin Fan <i>(appointed on 25 March 2009)</i>	0/0	n/a
Leung Hoi Ying <i>(appointed on 31 March 2009)</i>	0/0	n/a
Yu Pan <i>(appointed on 31 March 2009 and resigned on 22 July 2009)</i>	0/0	n/a

## Corporate Governance Report

### Auditor's Remuneration

For the year ended 30 June 2009, the Group engaged Deloitte Touche Tohmatsu, auditors of the Company, to perform audit service. Their reporting responsibilities on the financial statements of the Group are set out in the Independent Auditor's Report on pages 39 to 40 of this annual report.

The services provided by Deloitte Touche Tohmatsu and the fees thereof were as follows:

<b>Nature of services</b>	<b>2009 HK\$'000</b>
Audit services	950
Audit services in relation to a very substantial acquisition	990
Non-audit services in relation to tax advisory	42
	1,982

### Nomination of Directors

The Company has not set up any nomination committee. Directors are responsible for identifying suitable qualified individuals for directorship and make recommendation to the Board for consideration. The Board will identify and recommend the proposed candidates to the Board for approval of an appointment as a director based on certain criteria such as appropriate experience and personal skills that the nominated individual can bring into the Board, his or her capability to maintain and improve the competitiveness of the Company, and his or her ability to contribute to the Board in formulating Company's policy and strategies, as well as to the effective ways of discharging the Board's responsibilities.

### Internal Control and Risk Management

The Board has overall responsibilities for maintaining sound and effective internal control system of the Group. The Group's system of internal control includes a defined management structure with limits of authority, is designed to help the achievement of business objectives, safeguard assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant legislation and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

The Board, through the Audit Committee, has conducted annual review of the effectiveness of the Group's system of internal control. The Board is satisfied that the Group has fully complied with the code provisions ("Code Provision(s)") of the Corporate Governance Code on internal control during the year under review although an internal audit function has not been set up in the internal control system of the Group.

# Corporate Governance Report

## Corporate Governance Code

In the opinion of the Directors, throughout the year ended 30 June 2009, the Company has applied the principles of the Corporate Governance Code and complied with all the applicable code provisions thereof, except that the existing non-executive Director and the INEDs were not appointed for a specific term as required under the Code Provision A.4.1 but are subject to retirement by rotation and re-election at each annual general meeting in accordance with the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company has good corporate governance practices.





# Independent Auditor's Report

**Deloitte.**  
德勤

TO THE MEMBERS OF G-RESOURCES GROUP LIMITED  
(FORMERLY KNOWN AS SMART RICH ENERGY FINANCE (HOLDINGS) LIMITED)  
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of G-Resources Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 41 to 110, which comprise the consolidated balance sheet as at 30 June 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## Directors' responsibility for the consolidated financial statements

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

## Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.



## Independent Auditor's Report

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 and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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 affairs of the Group as at 30 June 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*

Hong Kong  
23 September 2009



# Consolidated Income Statement

For the year ended 30 June 2009

	NOTES	2009 HK\$'000	2008 HK\$'000 (Restated)
Revenue	4	29,052	10,680
Cost of sales		(27,662)	(10,247)
Gross profit		1,390	433
Other income		1,340	1,620
Distribution costs		(190)	(601)
Administrative expenses		(45,054)	(51,017)
Share-based payment expenses	26	–	(29,152)
Effective interest expense on convertible notes		(449)	–
Fair value change of held for trading investments		(7,009)	(4,649)
Impairment losses on available-for-sale investments	16	(103,964)	(98,669)
Impairment loss on deposit paid for acquisition of a subsidiary	25	–	(23,313)
Gain on disposal of subsidiaries	28	626	–
Loss before taxation	6	(153,310)	(205,348)
Taxation	7	23	(170)
Loss for the year from continuing operations		(153,287)	(205,518)
<b>Discontinued operation</b>			
(Loss)/profit for the year from discontinued operation	8	(10,997)	2,338
Loss for the year		(164,284)	(203,180)
Attributable to:			
Equity holders of the Company		(164,284)	(203,011)
Minority interests		–	(169)
		(164,284)	(203,180)
<b>Loss per share</b>	11		
From continuing and discontinued operations			
– Basic (HK cent)		(38.4)	(55.2)
– Diluted (HK cent)		(38.4)	(55.2)
From continuing operations			
– Basic (HK cent)		(35.9)	(55.8)
– Diluted (HK cent)		(35.9)	(55.8)

# Consolidated Balance Sheet

At 30 June 2009

	NOTES	2009 HK\$'000	2008 HK\$'000
<b>Non-current Assets</b>			
Property, plant and equipment	12	2,824	4,743
Investment properties	13	–	20,227
Intangible assets	14	–	–
Interest in a jointly controlled entity	15	–	–
Available-for-sale investments	16	228,215	8,813
		<b>231,039</b>	<b>33,783</b>
<b>Current Assets</b>			
Deposit paid for the acquisition of an available-for-sale investment	17	–	3,283
Trade and other receivables	18	14,972	5,661
Held for trading investments	19	18,885	6,689
Available-for-sale investments	16	–	389,072
Pledged bank deposits	20	–	162
Bank balances and cash	20	236,735	80,441
		<b>270,592</b>	<b>485,308</b>
<b>Current Liabilities</b>			
Trade and other payables	21	4,344	4,040
Deposit received for disposal of an available-for-sale investment	16	–	50,000
Income tax payable		–	1,545
		<b>4,344</b>	<b>55,585</b>
<b>Net Current Assets</b>		<b>266,248</b>	<b>429,723</b>
<b>Total Assets less Current Liabilities</b>		<b>497,287</b>	<b>463,506</b>

# Consolidated Balance Sheet

At 30 June 2009

	NOTES	2009 HK\$'000	2008 HK\$'000
<b>Non-Current Liability</b>			
Deferred tax liability	22	170	170
		<b>497,117</b>	<b>463,336</b>
<b>Capital and Reserves</b>			
Share capital	23	8,454	37,408
Reserves		488,663	425,928
<b>Total equity</b>		<b>497,117</b>	<b>463,336</b>

The consolidated financial statements on pages 41 to 110 were approved and authorised for issue by the Board of Directors on 23 September 2009 and are signed on its behalf by:

**Wah Wang Kei, Jackie**  
*Director*

**Kwan Kam Hung, Jimmy**  
*Director*



# Consolidated Statement of Changes in Equity

For the year ended 30 June 2009

	Attributable to equity holders of the Company										Minority interests	Total
	Share capital	Share premium	Capital redemption reserve	Contributed surplus	Share options reserve	Exchange reserve	Investment revaluation reserve	Convertible notes reserve	Accumulated losses	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2007	31,443	641,734	807	-	1,437	(449)	-	-	(373,950)	301,022	57	301,079
Exchange difference arising on translation of												
- the Group	-	-	-	-	-	1,478	-	-	-	1,478	15	1,493
- the jointly controlled entity	-	-	-	-	-	81	-	-	-	81	-	81
Total recognised directly in equity	-	-	-	-	-	1,559	-	-	-	1,559	15	1,574
Loss for the year	-	-	-	-	-	-	-	-	(203,011)	(203,011)	(169)	(203,180)
Total recognised income and expenses for the year	-	-	-	-	-	1,559	-	-	(203,011)	(201,452)	(154)	(201,606)
Capital injection from a minority shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	-	97	97
Issue of shares during the year	1,818	96,716	-	-	-	-	-	-	-	98,534	-	98,534
Issue of shares for acquisition of a subsidiary	4,139	231,782	-	-	-	-	-	-	-	235,921	-	235,921
Issue of shares upon exercise of share options	8	359	-	-	(78)	-	-	-	-	289	-	289
Transaction costs attributable to issue of new shares	-	(130)	-	-	-	-	-	-	-	(130)	-	(130)
Recognition of equity-settled share-based payment	-	-	-	-	29,152	-	-	-	-	29,152	-	29,152
Cancellation of share options	-	-	-	-	(1,648)	-	-	-	1,648	-	-	-
At 30 June 2008	37,408	970,461	807	-	28,863	1,110	-	-	(575,313)	463,336	-	463,336
Fair value changes of available-for-sale investments and total recognised directly in equity												
Loss for the year	-	-	-	-	-	-	(60,857)	-	-	(60,857)	-	(60,857)
Released on disposal of subsidiaries (note 28)	-	-	-	-	-	(1,110)	-	-	-	(1,110)	-	(1,110)
Total recognised income and expenses for the year	-	-	-	-	-	(1,110)	(60,857)	-	(164,284)	(226,251)	-	(226,251)
Impairment loss on available-for-sale investments	-	-	-	-	-	-	103,964	-	-	103,964	-	103,964
Recognition of equity component of convertible notes	-	-	-	-	-	-	-	57,406	-	57,406	-	57,406
Transaction costs attributable to issue of convertible notes	-	-	-	-	-	-	-	(1,436)	-	(1,436)	-	(1,436)
Conversion of convertible notes	47,200	109,717	-	-	-	-	-	(55,970)	-	100,947	-	100,947
Cancellation of share options	-	-	-	-	(18,689)	-	-	-	18,689	-	-	-
Repurchase and cancellation of shares	(68)	(781)	849	-	-	-	-	-	(849)	(849)	-	(849)
Capital reorganisation (note 23(g))	(76,086)	(1,079,397)	-	1,155,483	-	-	-	-	-	-	-	-
At 30 June 2009	8,454	-	1,656	1,155,483	10,174	-	43,107	-	(721,757)	497,117	-	497,117



# Consolidated Cash Flow Statement

For the year ended 30 June 2009

	NOTES	2009 HK\$'000	2008 HK\$'000
<b>OPERATING ACTIVITIES</b>			
Loss before taxation	7	(164,307)	(203,010)
Adjustments for:			
Share of loss of a jointly controlled entity		–	679
Interest income		(1,154)	(1,614)
Dividend income		(99)	(29)
Effective interest expense on convertible notes		449	–
Depreciation		1,224	1,213
Bad debts written off		–	26
(Reversal of allowance)/allowance for bad and doubtful debts		(1,065)	1,146
Share-based payment expenses		–	29,152
Fair value change of held for trading investments		7,009	4,649
Loss/(gain) on disposal of property, plant and equipment		12	(7)
Loss on disposal of subsidiaries, net	28	186	–
Decrease/(increase) in fair value of investment properties		6,591	(8,423)
Impairment losses on available-for-sale investments		103,964	98,669
Impairment losses on deposit paid for acquisition of a subsidiary		–	23,313
Operating cash flows before movements in working capital		(47,190)	(54,236)
Increase in trade and other receivables		(8,365)	(4,276)
Increase in held for trading investments		(19,205)	(5,000)
Decrease in temporary payments		–	7,838
Increase in trade and other payables		1,341	1,169
Cash used in operations		(73,419)	(54,505)
Income tax paid		(1,522)	–
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		<b>(74,941)</b>	<b>(54,505)</b>

## Consolidated Cash Flow Statement

For the year ended 30 June 2009

	NOTES	2009 HK\$'000	2008 HK\$'000
<b>INVESTING ACTIVITIES</b>			
Proceeds from disposal of available-for-sale investments		50,000	–
Disposal of subsidiaries	28	40,173	–
Proceeds from disposal of property, plant and equipment		9	665
Interest received		648	1,559
Decrease in pledged bank deposits		162	6,914
Dividend received		99	29
Purchases of available-for-sale investments		(13,900)	(5,813)
Purchases of property, plant and equipment		(1,575)	(3,419)
Deposit received for disposal of an available-for-sale investment		–	50,000
Deposit paid for acquisition of a subsidiary		–	(23,313)
Acquisition of a subsidiary	27	–	(11,800)
Deposits paid for acquisition of an available-for-sale investment		–	(3,283)
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>75,616</b>	<b>11,539</b>
<b>FINANCING ACTIVITIES</b>			
Net proceeds on issue of convertible notes		156,468	–
Payment on repurchase of shares		(849)	–
Net proceeds from issue of shares by placement		–	98,404
Proceeds from issue of shares on exercise of share options		–	289
Capital injection from a minority shareholder of a subsidiary		–	97
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>155,619</b>	<b>98,790</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>156,294</b>	<b>55,824</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		<b>80,441</b>	<b>24,937</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>		<b>–</b>	<b>(320)</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH</b>		<b>236,735</b>	<b>80,441</b>

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 1. GENERAL

The Company is an exempted company with limited liability incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). The addresses of the registered office and principal place of business of the Company is disclosed in the Corporate Information to the annual report.

The consolidated financial statements are presented in Hong Kong dollars (“HKD”), which is also the functional currency of the Company.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries and jointly controlled entity are set out in notes 38 and 15 respectively.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied the following amendments and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2008 <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs 2009 <sup>2</sup>
HKAS 1 (Revised)	Presentation of Financial Statements <sup>3</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>3</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>4</sup>
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>3</sup>
HKAS 39 (Amendment)	Eligible Hedged Items <sup>4</sup>

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate <sup>3</sup>
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters <sup>5</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>3</sup>
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions <sup>5</sup>
HKFRS 3 (Revised)	Business Combinations <sup>4</sup>
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments <sup>3</sup>
HKFRS 8	Operating Segments <sup>3</sup>
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate <sup>3</sup>
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation <sup>6</sup>
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners <sup>4</sup>
HK(IFRIC) – Int 18	Transfer of Assets from Customers <sup>7</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2010

<sup>6</sup> Effective for annual periods beginning on or after 1 October 2008

<sup>7</sup> Effective for transfer on or after 1 July 2009

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group’s ownership interest in a subsidiary.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Hong Kong Stock Exchange and by the Hong Kong Companies Ordinance.

### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement 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 into line with those used by other members of the Group.

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

### **Interest in a jointly controlled entities**

Joint venture arrangements that involve the establishment of a separate entity in which ventures have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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 and sales related taxes.

Revenue from goods sold is recognised when goods are delivered and title has passed.

Service income is recognised when services are rendered.

Proceeds from sales of financial assets at fair value through profit and loss/available-for-sale investments are recognised on a trade date basis when the risks and rewards of ownership are transferred and title has passed.

Interest income from a financial asset is accrued on a time 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 shareholders' rights to receive payment have been established.

### Property, plant and equipment

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

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.





# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

### Intangible assets

Intangible assets represents the cost of acquisition of patents and technology for the provision of credit card security device and digital network authorisation services.

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on assets below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

### Leasing

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 the consolidated income statement on a straight-line basis over the term of the relevant lease.

#### *The Group as lessee*

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. 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. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HKD) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

### Retirement benefits scheme

The retirement benefits scheme contributions relating to the mandatory provident fund scheme charged to the consolidated income statement represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme.

The amount of contributions payable to pension scheme in jurisdictions other than Hong Kong is charged to the consolidated income statement as an expense when employees have rendered services entitling them to the contributions.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and 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. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interest in a 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 be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to be extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

### Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet 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 at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial assets*

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. 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.

#### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis for debt instruments.

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

Financial assets at FVTPL represent financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future;
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes 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 each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

#### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition.

#### *Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. 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 financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

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

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amounts are reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

#### *Financial liabilities and equity*

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

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are mainly other financial liabilities.

#### *Effective interest method*

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

Interest expense is recognised on an effective interest basis.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial liabilities and equity (Continued)*

##### *Convertible notes*

Convertible notes issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the notes into equity, is included in equity (convertible notes reserve).

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes reserve until the conversion option is exercised. On conversion of the convertible notes, the liability component is reclassified as equity and the balance stated in convertible notes reserve will be transferred to share premium. Where the option remains unexercised at the expiry date, the balance stated in convertible notes reserve will be released to the accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

##### *Other financial liabilities*

Other financial liabilities including trade and other payables are subsequently measured at amortised cost, using the effective interest rate method.

##### *Equity instruments*

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



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial liabilities and equity (Continued)*

##### *Derecognition*

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

##### **Impairment losses on assets**

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amounts, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

##### **Share-based payment transactions**

#### *Equity settled share-based payment transactions*

Share options granted to directors and employees of the Company

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share-options reserve).

At the time when the share options are exercised, the amount previously recognised in share-options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-options reserve will be transferred to accumulated losses.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Share-based payment transactions (Continued)

#### Equity settled share-based payment transactions (Continued)

Share options granted to suppliers/consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses immediately, unless the goods or services qualify for recognition as assets. Corresponding adjustment has been made to equity (share options reserve).

## 4. REVENUE

An analysis of the Group's revenue for the year, for both continuing and discontinued operations, is as follows:

	2009 HK\$'000	2008 HK\$'000
<b>Continuing operations</b>		
Provision of financial information services	4,086	3,872
Trading of electronic goods and accessories	24,966	6,805
Others	–	3
	<b>29,052</b>	10,680
<b>Discontinued operation</b>		
Provision of credit card security device and digital network authorisation services	2,125	3,993
	<b>31,177</b>	14,673

## 5. SEGMENT INFORMATION

### (a) Business segments

For management purposes, the Group is currently organised into operating divisions as below:

- Provision of financial information services
- Trading of electronic goods and accessories
- Provision of credit card security device and digital network authorisation services
- Securities trading

The operation of provision of credit card security device and digital network authorisation services was discontinued on 26 March 2009 (see note 8).

These divisions are the basis on which the Group reports its primary segment information.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 5. SEGMENT INFORMATION (Continued)

### (a) Business segments (Continued)

An analysis of the Group's turnover and contributions to operating results and segment assets and liabilities by business segments is as follows:

#### For the year ended 30 June 2009

	Continuing operations			Discontinued operation		Consolidated HK\$'000
	Provision of financial information services HK\$'000	Trading of electronic goods and accessories HK\$'000	Securities trading HK\$'000	Total HK\$'000	Provision of credit card security device and digital network authorisation services HK\$'000	
Segment revenue	4,086	24,966	-	29,052	2,125	31,177
Segment result	(919)	274	(7,009)	(7,654)	(3,594)	(11,248)
Unallocated corporate expenses				(42,539)	(812)	(43,351)
Unallocated income				1,296	-	1,296
Effective interest expense on convertible notes				(449)	-	(449)
Decrease in fair value of investment properties				-	(6,591)	(6,591)
Impairment losses on an available-for-sale investment				(103,964)	-	(103,964)
Loss before taxation				(153,310)	(10,997)	(164,307)
Taxation				23	-	23
Loss for the year				(153,287)	(10,997)	(164,284)

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 5. SEGMENT INFORMATION (Continued)

### (a) Business segments (Continued)

At 30 June 2009

	Continuing operations			Discontinued operation	Consolidated HK\$'000
	Provision of financial information services HK\$'000	Trading of electronic goods and accessories HK\$'000	Securities trading HK\$'000	Provision of credit card security device and digital network authorisation services HK\$'000	
<b>ASSETS</b>					
Segment assets	1,231	4,156	18,885	–	24,272
Available-for-sale investments					228,215
Unallocated corporate assets					249,144
<b>Total assets</b>					<b>501,631</b>
<b>LIABILITIES</b>					
Segment liabilities	1,725	–	–	–	1,725
Unallocated corporate liabilities					2,789
<b>Total liabilities</b>					<b>4,514</b>

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 5. SEGMENT INFORMATION (Continued)

### (a) Business segments (Continued)

At 30 June 2009

	Continuing operations				Discontinued operation	Consolidated HK\$'000
	Provision of financial information services HK\$'000	Trading of electronic goods and accessories HK\$'000	Securities trading HK\$'000	Unallocated HK\$'000	Provision of credit card security device and digital network authorisation services HK\$'000	
OTHER INFORMATION						
Capital additions	559	-	-	219	797	1,575
Depreciation	184	-	-	578	462	1,224
Allowance/(reversal of allowance) for bad and doubtful debts	3	-	-	-	(1,068)	(1,065)
Loss on disposal of property, plant and equipment	-	-	-	1	11	12

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 5. SEGMENT INFORMATION (Continued)

### (a) Business segments (Continued)

For the year ended 30 June 2008

	Continuing operations				Total HK\$'000	Discontinued operation	Consolidated HK\$'000
	Provision of financial information services HK\$'000	Trading of electronic goods and accessories HK\$'000	Securities trading HK\$'000	Others HK\$'000		Provision of credit card security device and digital network authorisation services HK\$'000	
Segment revenue	3,872	6,805	–	3	10,680	3,993	14,673
Segment result	(1,278)	43	(4,649)	(19)	(5,903)	(5,406)	(11,309)
Unallocated corporate expenses					(77,463)	–	(77,463)
Share of loss of a jointly controlled entity					–	(679)	(679)
Increase in fair value of investment properties					–	8,423	8,423
Impairment losses on an available-for-sale investment					(98,669)	–	(98,669)
Impairment loss on deposit paid for acquisition of a subsidiary					(23,313)	–	(23,313)
(Loss)/profit before taxation					(205,348)	2,338	(203,010)
Taxation					(170)	–	(170)
(Loss)/profit for the year					(205,518)	2,338	(203,180)





# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 5. SEGMENT INFORMATION (Continued)

### (a) Business segments (Continued)

At 30 June 2008

	Continuing operations				Discontinued operation	Consolidated HK\$'000
	Provision of financial information services HK\$'000	Trading of electronic goods and accessories HK\$'000	Securities trading HK\$'000	Unallocated HK\$'000	Provision of credit card security device and digital network authorisation services HK\$'000	
OTHER INFORMATION						
Capital additions	623	–	–	2,381	875	3,879
Depreciation	115	410	–	167	521	1,213
Bad debts written off	–	–	–	26	–	26
Allowance for bad and doubtful debts	–	–	–	–	1,146	1,146
(Gain)/loss on disposal of property, plant and equipment	–	–	–	(19)	12	(7)

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 5. SEGMENT INFORMATION (Continued)

### (b) Geographical segments

Revenue from the Group's continuing operations of HK\$29,052,000 (2008: HK\$10,680,000) was derived from Hong Kong, which is the geographical market, irrespective of the origin of the goods/services.

Revenue from the Group's discontinued operation of provision of credit card security device and digital network authorisation services derived from Hong Kong and the People's Republic of China (the "PRC") amounted to HK\$379,000 (2008: HK\$1,498,000) and HK\$1,746,000 (2008: HK\$2,495,000), respectively.

The following is an analysis of the carrying amount of segment assets and capital additions, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Capital Additions	
	At 30 June		For the year ended 30 June	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Hong Kong	24,272	9,439	1,179	2,744
The PRC	—	5,242	396	1,135
	<b>24,272</b>	14,681	<b>1,575</b>	3,879

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 6. LOSS BEFORE TAXATION

	Continuing operations		Discontinued operation		Consolidated	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Loss before taxation has been arrived at after charging/ (crediting):						
Staff costs						
– Directors' emoluments (note 9(a))	23,968	26,087	–	–	23,968	26,087
– Other staff costs	6,962	4,716	4,021	5,158	10,983	9,874
– Contributions to retirement benefits schemes, excluding directors	138	135	190	385	328	520
– Share-based payment expenses, excluding directors	–	25,679	–	–	–	25,679
<b>Total staff costs</b>	<b>31,068</b>	<b>56,617</b>	<b>4,211</b>	<b>5,543</b>	<b>35,279</b>	<b>62,160</b>
Auditors' remuneration	950	1,240	–	100	950	1,340
Depreciation of property, plant and equipment	762	692	462	521	1,224	1,213
Cost of inventories recognised as expense	24,525	6,683	–	–	24,525	6,683
Bad debts written off	–	26	–	–	–	26
Allowance/(reversal of allowance) for bad and doubtful debts	3	–	(1,068)	1,146	(1,065)	1,146
Operating lease payments in respect of office premises and warehouse	2,075	1,811	453	780	2,528	2,591
Loss/(gain) on disposal of property, plant and equipment	1	(19)	11	12	12	(7)
Rental income under operating leases	–	–	(768)	(729)	(768)	(729)
Less: direct operating expenses that generated rental income during the year	–	–	75	73	75	73
	–	–	(693)	(656)	(693)	(656)
Dividend income	(99)	(29)	–	–	(99)	(29)
Exchange gain, net	(4)	(9)	–	(1,717)	(4)	(1,726)
Interest income	(1,143)	(1,517)	(11)	(97)	(1,154)	(1,614)

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 7. TAXATION

	Continuing operations		Discontinued operation		Consolidated	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Hong Kong Profits Tax						
– Overprovision in prior years	(23)	–	–	–	(23)	–
Deferred tax (note 22)	–	170	–	–	–	170
	(23)	170	–	–	(23)	170

Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) of the estimated assessable profit for the year. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

No provision for Hong Kong Profits Tax or taxation in other jurisdictions has been made in the consolidated financial statements for both years as neither the Company nor any of its subsidiaries had any assessable profits in both years.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 7. TAXATION (Continued)

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

	2009 HK\$'000	2008 HK\$'000
(Loss)/profit before taxation		
– Continuing operations	(153,310)	(205,348)
– Discontinued operation	(10,997)	2,338
	<b>(164,307)</b>	<b>(203,010)</b>
Tax at Hong Kong Profits Tax rate of 16.5% (2008: 16.5%)	(27,111)	(33,497)
Tax effect of expenses not deductible for tax purpose	17,534	20,127
Tax effect of income not taxable for tax purpose	(250)	(266)
Tax effect of tax losses not recognised	9,827	14,027
Effect of different tax rates of subsidiaries operating in other jurisdictions	–	(223)
Overprovision in respect of prior years	(23)	–
Others	–	2
Taxation for the year	<b>(23)</b>	<b>170</b>

## 8. DISCONTINUED OPERATION

On 3 March 2009, a wholly-owned subsidiary of the Company, Star Cyberpower V.F. Limited (“Star Cyberpower VF”), entered into a sale agreement with an independent third party, to dispose of 100% interest in its subsidiaries, namely, Star Cyber DNA Limited, Star Mobile DNA Payment Gateway Limited, Credit Card DNA Security System (Shenzhen) Limited (“CCDNA(SZ)”, Supreme Zone Limited and Startruck Group Limited (collectively the “Star Cyber DNA Group”), which carried out all of the Group’s provision of credit card security device and digital network authorisation service operation. The disposal was effected in order to generate cash flows for the expansion of the Group’s other businesses. The disposal was completed on 26 March 2009, on which date control of the Star Cyber DNA Group passed to the acquirer.

The business segment of provision of credit card security device and digital network authorisation services was classified as discontinued operation in respect of both years.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

### 8. DISCONTINUED OPERATION (Continued)

The (loss)/profit for the period/year from the discontinued operation is analysed as follows:

	<b>Period ended 26 March 2009 HK\$'000</b>	Year ended 30 June 2008 HK\$'000
(Loss)/profit from provision of credit card security device and digital network authorisation services operation for the period/year	<b>(10,185)</b>	2,338
Loss on disposal of provision of credit card security device and digital network authorisation services (see note 28)	<b>(812)</b>	–
	<b>(10,997)</b>	2,338

The results of the provision of credit card security device and digital network authorisation services operations for the period from 1 July 2007 to the date of disposal, which have been included in the consolidated income statement, were as follows:

	<b>Period ended 26 March 2009 HK\$'000</b>	Year ended 30 June 2008 HK\$'000
Turnover	<b>2,125</b>	3,993
Cost of sales	<b>(1,149)</b>	(2,316)
(Decrease)/increase in fair value of investment properties	<b>(6,591)</b>	8,423
Share of loss of a jointly controlled entity	–	(679)
Other income	<b>2,077</b>	2,543
Distribution expenses	<b>(1,014)</b>	(812)
Administrative expenses	<b>(5,633)</b>	(8,814)
(Loss)/profit for the period/year	<b>(10,185)</b>	2,338

The comparative figures in the consolidated income statement for the year ended 30 June 2008 was restated to present the profit from discontinued operation for the year then ended.

The carrying amounts of the assets and liabilities of the Star Cyber DNA Group at the date of disposal are disclosed in note 28.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 8. DISCONTINUED OPERATION (Continued)

During the year, the contribution of the discontinued operation to the Group's net operating cash flows, investing activities and financing activities were analysed as follows:

	<b>Period ended 26 March 2009 HK\$'000</b>	Year ended 30 June 2008 HK\$'000
Net cash used in operating activities	(509)	(15,239)
Cash (used in)/from investing activities	(777)	6,204
Cash from financing activities	–	97
<b>Net cash outflows</b>	<b>(1,286)</b>	<b>(8,938)</b>



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### (a) DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the directors for the year were as follows:

#### For the year ended 30 June 2009

	Other emoluments					Total HK\$'000
	Fees HK\$'000	Salaries and other emoluments HK\$'000	Discretionary bonus HK\$'000	Contributions to retirement benefits scheme HK\$'000	Share-based payments HK\$'000	
Executive directors:						
Owen L Hegarty (Note 1)	-	777	-	2	-	779
Wah Wang Kei, Jackie	-	2,160	2,060	12	-	4,232
Hui Richard Rui (Note 2)	-	-	-	-	-	-
Kwan Kam Hung, Jimmy (Note 3)	-	-	-	-	-	-
Wong Kam Fu (Note 4)	-	3,600	8,235	9	-	11,844
Lew Mon Hung (Note 5)	-	-	5,000	12	-	5,012
Tam Wai Keung, Billy (Note 4)	-	630	490	9	-	1,129
Wong Hong Loong (Note 6)	-	388	100	10	-	498
Sin Chi Keung, Mega (Note 7)	-	88	-	4	-	92
Non-executive director:						
Tsui Ching Hung (Note 12)	-	-	-	-	-	-
Independent non-executive directors:						
Ma Yin Fan (Note 3)	27	-	-	-	-	27
Leung Hoi Ying (Note 8)	25	-	-	-	-	25
Wong Che Man, Eddy (Note 4)	50	-	150	-	-	200
Tang King Fai (Note 9)	-	-	45	-	-	45
Dai Zhongcheng (Note 4)	-	-	45	-	-	45
Tai Chun Kit (Note 10)	-	-	15	-	-	15
Yu Pan (Note 11)	25	-	-	-	-	25
	127	7,643	16,140	58	-	23,968

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

### (a) DIRECTORS' EMOLUMENTS (Continued)

Notes:

1. Appointed on 10 May 2009.
2. Appointed on 5 March 2009.
3. Appointed on 25 March 2009.
4. Resigned on 25 March 2009.
5. Resigned on 3 August 2009.
6. Resigned on 22 April 2009.
7. Retired on 12 November 2008.
8. Appointed on 31 March 2009.
9. Resigned on 31 March 2009.
10. Appointed on 12 November 2008 and resigned on 31 March 2009.
11. Appointed on 31 March 2009 and resigned on 22 July 2009.
12. Appointed as executive director on 5 March 2009 and re-designated as non-executive director on 22 July 2009.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

### (a) DIRECTORS' EMOLUMENTS (Continued)

For the year ended 30 June 2008

	Other emoluments					Total HK\$'000
	Fees HK\$'000	Salaries and other emoluments HK\$'000	Discretionary bonus HK\$'000	Contributions to retirement benefits scheme HK\$'000	Share-based payments HK\$'000	
Executive directors:						
Wong Kam Fu	–	4,800	–	12	–	4,812
Tam Wai Keung, Billy	–	840	–	12	837	1,689
Lew Mon Hung	–	–	15,541	12	1,150	16,703
Wah Wang Kei, Jackie (Note 1)	–	490	–	3	–	493
Sin Chi Keung, Mega	–	240	–	12	84	336
Wong Hong Loong	–	480	–	12	1,150	1,642
Edward Patrick Jacobson (Note 2)	–	–	–	–	–	–
Non-executive directors:						
Frank Douglas Magnus (Note 2)	–	–	–	–	–	–
Tang Yantian (Note 2)	–	–	–	–	–	–
Independent non-executive directors:						
Wong Che Man, Eddy	100	–	–	–	84	184
Tang King Fai	30	–	–	–	84	114
Dai Zhongcheng	30	–	–	–	84	114
	160	6,850	15,541	63	3,473	26,087

Notes:

1. Appointed on 9 April 2008.
2. Retired on 28 November 2007.

No director waived any emoluments in both years. The remuneration of directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

### (b) EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2008: three) were executive directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining one (2008: two) individual(s) were as follows:

	2009 HK\$'000	2008 HK\$'000
Salaries and other benefits	958	152
Retirement benefits scheme contributions	12	8
Share-based payment expenses	–	6,247
	970	6,407

The emoluments were within the following bands:

	2009 Number of employees	2008 Number of employees
HK\$Nil to HK\$1,000,000	1	–
HK\$3,000,001 to HK\$3,500,000	–	2
	1	2

- (c) During both years, no emoluments have been paid by the Group to any directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

## 10. DIVIDEND

No dividend was paid or proposed during 2009, nor has any dividend been proposed since the balance sheet date (2008: nil).

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 11. LOSS PER SHARE

### For continuing and discontinued operations

The calculation of the basic loss per share attributable to the equity holders of the Company is based on the following data:

	2009 HK\$'000	2008 HK\$'000
Loss for the year attributable to the equity holders of the Company, for the purposes of basic and diluted loss per share	<b>(164,284)</b>	(203,011)

	Number of shares	
	2009	2008 (restated)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<b>427,559,296</b>	367,725,693

The weighted average number of ordinary shares for both years has been adjusted for the capital reorganisation of the Company in June 2009. Details of which are disclosed in note 23(g).

The computation of diluted loss per share does not include adjustments for the Company's outstanding share options as these options have anti-dilutive effect in both years.

### From continuing operations

The calculation of the basic loss per share attributable to the equity holders of the Company is based on the following data:

	2009 HK\$'000	2008 HK\$'000 (restated)
Loss for the year attributable to the equity holders of the Company	<b>(164,284)</b>	(203,011)
Less: (Loss)/profit for the year from discontinued operation	<b>(10,997)</b>	2,338
Loss for the year attributable to the equity holders of the Company from continuing operations	<b>(153,287)</b>	(205,349)

The denominators used are the same as those detailed above for the basic loss per share.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 11. LOSS PER SHARE (Continued)

### From discontinued operation

Basic loss per share for the discontinued operation is HK2.6 cents per share (2008: earnings of HK0.6 cents per share), based on the loss for the year from the discontinued operation of HK\$10,997,000 (2008: profit for the year from discontinued operations of HK\$2,338,000) and the denominators detailed above for the basic loss per share.

## 12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>COST</b>				
At 1 July 2007	781	6,061	1,846	8,688
Exchange adjustments	54	197	–	251
Additions	–	1,307	2,572	3,879
Disposals	–	(661)	(1,288)	(1,949)
At 30 June 2008	835	6,904	3,130	10,869
Additions	–	1,575	–	1,575
Disposal of subsidiaries	(446)	(2,157)	(1,281)	(3,884)
Disposals	–	(136)	–	(136)
At 30 June 2009	389	6,186	1,849	8,424
<b>ACCUMULATED DEPRECIATION</b>				
At 1 July 2007	474	4,195	937	5,606
Exchange adjustments	26	109	3	138
Provided for the year	105	648	460	1,213
Eliminated on disposals	–	(38)	(793)	(831)
At 30 June 2008	605	4,914	607	6,126
Provided for the year	56	630	538	1,224
Eliminated on disposal of subsidiaries	(272)	(790)	(573)	(1,635)
Eliminated on disposals	–	(115)	–	(115)
At 30 June 2009	389	4,639	572	5,600
<b>CARRYING VALUES</b>				
At 30 June 2009	–	1,547	1,277	2,824
At 30 June 2008	230	1,990	2,523	4,743

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

### 12. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment are depreciated on a straight-line basis after taking into account their estimated residual value, at the following rates per annum:

Leasehold improvements	10% to 50% or over the terms of the leases whichever is shorter
Furniture, fixtures and equipment	20%
Motor vehicles	20%

### 13. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
FAIR VALUE	
At 1 July 2007	–
Exchange realignment	1,700
Transfer from deposit paid for acquisition of investment properties	10,104
Increase in fair value recognised in the consolidated income statement	8,423
	<hr/>
At 30 June 2008	20,227
Decrease in fair value recognised in the consolidated income statement	(6,591)
Disposal of subsidiaries ( <i>note 28</i> )	(13,636)
	<hr/>
At 30 June 2009	–

The Group's investment properties were situated in the PRC and were held under medium-term leases. All of the Group's property interests held under operating leases to earn rentals were measured using the fair value model and were classified and accounted for as investment properties.

The fair values of the Group's investment properties at 30 June 2008 and at the date of disposal of subsidiaries have been arrived at on the basis of valuations carried out on the relevant dates by Greater China Appraisal Limited, independent qualified professional valuers. The valuations were arrived at by reference to market evidence of transaction prices for similar properties.



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 14. INTANGIBLE ASSETS

	<b>Patents and Technology</b>
	<i>HK\$'000</i>
<b>COST</b>	
At 1 July 2007, 30 June 2008 and 1 July 2008	85,884
Disposal of subsidiaries ( <i>note 28</i> )	(85,884)
<hr/>	
At 30 June 2009	–
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS</b>	
At 1 July 2007, 30 June 2008 and 1 July 2008	85,884
Disposal of subsidiaries ( <i>note 28</i> )	(85,884)
<hr/>	
At 30 June 2009	–
<b>CARRYING VALUES</b>	
At 30 June 2009	–
<hr/>	
At 30 June 2008	–

## 15. INTEREST IN A JOINTLY CONTROLLED ENTITY

	<b>2009</b>	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of investment in an unlisted jointly controlled entity	–	1,832
Share of post acquisition losses	–	(1,832)
<hr/>		
	–	–

During the year ended 30 June 2009, the Group disposed of its entire equity interests in the jointly controlled entity upon the disposal of subsidiaries as detailed in note 28.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 15. INTEREST IN A JOINTLY CONTROLLED ENTITY (Continued)

Details of the Group's jointly controlled entity as at 30 June 2008 and at the date of disposal of subsidiaries were as follows:

Name of jointly controlled entity	Form of business structure	Place of establishment and operations	Class of equity held	Registered capital	Effective percentage of equity interests held by the Group %	Voting rights held by the Group %	Principal activity
北京一卡通電子支付科技有限公司 Beijing Superpass e-payment Co. Limited ("Beijing Superpass") (Note)	Sino- foreign joint venture	The PRC	Registered capital	Renminbi ("RMB") 4,580,000	40	50	Inactive

Note: The English name is for identification purpose only.

Extracts of the results and financial position of Beijing Superpass based on the unaudited management accounts as at 30 June 2008, prepared under accounting principles generally accepted in Hong Kong are as follows:

	2008 HK\$'000
Turnover	—
Loss for the year	2,620
Group's share of loss of a jointly controlled entity	679
	2008 HK\$'000
Total assets	2,679
Total liabilities	(2,881)
Net liabilities attributable to venturers	(202)
Group's share of net assets of a jointly controlled entity	—

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 15. INTEREST IN A JOINTLY CONTROLLED ENTITY (Continued)

The Group has discontinued recognition of its share of losses of the jointly controlled entity since the Group's share of losses in this jointly controlled entity has exceeded its interest in the jointly controlled entity. The amounts of unrecognised share of this jointly controlled entity, extracted from the relevant unaudited management account in respect of the Group's jointly controlled entity, both for the period from 1 July 2008 to the date of its disposal through the disposal of subsidiaries, for the year 2008 and cumulatively, are as follows:

	Period ended 26 March 2009 HK\$'000	Year ended 30 June 2008 HK\$'000
Unrecognised share of losses of a jointly controlled entity for the period/year	259	369
Accumulated unrecognised share of losses of a jointly controlled entity	628	369

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 16. AVAILABLE-FOR-SALE INVESTMENTS

	2009 HK\$'000	2008 HK\$'000
Unlisted equity securities, at cost less impairment		
W-Phone, Inc. ("W-Phone") (Note a)	–	–
Madagascar Petroleum International Limited ("MPIL") (Note b)	–	389,072
Easy Link Card Business Services Limited ("Easy Link Card") (Note c)	–	8,813
	–	397,885
Listed equity securities, at fair value		
Sino Union Petroleum & Chemical International Limited ("SUNPEC") (Note b)	228,215	–
	228,215	397,885
Analysed for reporting purposes as:		
Non-current assets	228,215	8,813
Current assets	–	389,072
	228,215	397,885

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 16. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

*Notes:*

- (a) W-Phone is a private entity incorporated in the United States of America. The unlisted investment in W-Phone, amounted to HK\$3,420,000, is measured at cost less accumulated impairment losses at each balance sheet date. The investment was fully impaired as at 30 June 2009 and 2008.
- (b) MPIL is a private entity incorporated in the British Virgin Islands (“BVI”). The sole asset held by MPIL is the exploration right in an oil mine located in the Republic of Madagascar. The unlisted investment as at 30 June 2008 represented the Group’s 36% equity interests in MPIL.

During the year ended 30 June 2008, further to the Group’s acquisition of 15% equity interest in MPIL through acquisition of 96.66% and 3.34% interest in Dormer Group Limited (“Dormer”) in July 2007 (details of which are set out in note 27) and November 2007, respectively, the Group’s interest in MPIL was increased to 36% accordingly.

The board of directors of MPIL comprised of three directors, one of the directors was nominated by the Group. However, the directors of the Company were of the opinion that 67% of the voting right was held by another investor who precluded the Group from exercising significant influence in MPIL. Therefore, the directors were of the opinion that the investment in MPIL was regarded as available-for-sale investment and was measured at cost less accumulated impairment losses at 30 June 2008.

On 17 April 2008, the Group entered into an agreement with SUNPEC (a company whose share are listed on the Hong Kong Stock Exchange), an independent third party to the Group, whereby, the Company agreed to dispose of its entire 36% equity interest in MPIL (the “MPIL Disposal”) at an aggregate consideration of HK\$810,000,000 satisfied as to HK\$100,000,000 in cash and HK\$710,000,000 by the issue of 253,571,428 shares of SUNPEC at HK\$2.8 per share.

On 22 May 2008, the Group received HK\$50,000,000 deposit from SUNPEC and on 7 August 2008 (the “MPIL Disposal Completion Date”), all the conditions pursuant to the MPIL Disposal were satisfied and the MPIL Disposal was completed. The Company received the remaining HK\$50,000,000 cash consideration and 253,571,428 shares of SUNPEC whose fair value as at that date amounted to HK\$289,072,000 based on its published share price of HK\$1.14 per share at the MPIL Disposal Completion Date.

As a result of the MPIL Disposal, an impairment loss of HK\$98,669,000 was recognised in respect of the investment in MPIL during the year ended 30 June 2008. The carrying amount of the investment in MPIL on the date of disposal amounted to HK\$389,072,000.

The 253,571,428 shares in SUNPEC held by the Group represented 4.15% interest in SUNPEC at 30 June 2009. Such investment in SUNPEC is accounted for as available-for-sale investment during the year ended 30 June 2009.

As at 31 December 2008, an impairment loss in investment in SUNPEC of HK\$103,964,000 was recognised in the consolidated income statement, determined using SUNPEC’s published share price at 31 December 2008. For the six months ended 30 June 2009, a fair value increase of HK\$43,107,000 was recognised in reserve determined using SUNPEC’s published share price at 30 June 2009.

In August 2009, the Group disposed of its entire investment in SUNPEC at consideration of approximately HK\$167 million, based on its average published share price of HK\$0.66 per share at the date of disposal.

- (c) In 2008, the amount represented 19% equity interests in Easy Link Card, a private entity incorporated in Hong Kong. The investment was disposed of upon the disposal of subsidiaries as disclosed in note 28.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

### 17. DEPOSIT PAID FOR THE ACQUISITION OF AN AVAILABLE-FOR-SALE INVESTMENT

On 24 January 2008, Star Financial Limited, a wholly-owned subsidiary of the Company, entered into a share transfer agreement with an independent third party (the "Vendor") to acquire 7% equity interests in Fossick Rudder Software Technology Co. Ltd. ("Fossick"), a company established under the laws of the PRC. The Group has paid RMB3,000,000 (equivalent to HK\$3,283,000). The Group paid the consideration in full for the acquisition of an available-for-sale investment during the year ended 30 June 2008.

On 19 December 2008, CCDNA(SZ), a wholly-owned subsidiary of the Company established under the laws of the PRC, entered into a supplemental agreement with the Vendor, pursuant to which Star Financial Limited terminated the process to obtain the legal title of the 7% equity interest in Fossick while CCDNA(SZ) underwent the acquisition of the relevant investment directly from the Vendor, at a consideration of RMB3,000,000 (equivalent to HK\$3,283,000) in order to simplify the procedures for the transfer of legal title. On 23 December 2008, CCDNA(SZ) obtained the legal title to the relevant investment and the respective deposit was transferred to available-for-sale investments accordingly.

During the year ended 30 June 2009, the Group disposed of its entire investment in Fossick upon the disposal of CCDNA(SZ) to an independent third party as detailed in note 28.

### 18. TRADE AND OTHER RECEIVABLES

	2009 HK\$'000	2008 HK\$'000
Trade receivables	2,860	3,418
Other receivables	12,115	3,889
Less: allowance for other receivables	(3)	(1,646)
	<b>14,972</b>	<b>5,661</b>

The Group normally allows an average credit period of 60 days to its trade customers. The following is an ageing analysis of trade receivables at the reporting date which is determined based on the invoice date:

	2009 HK\$'000	2008 HK\$'000
0-60 days	2,860	3,350
61-90 days	–	56
Over 90 days	–	12
	<b>2,860</b>	<b>3,418</b>

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 18. TRADE AND OTHER RECEIVABLES (Continued)

Before accepting any new customer, the Group will assess the potential customer's credit quality and define its credit limit. Credit sales are made to customers with appropriate credit history. Credit limits attributed to customers are reviewed regularly.

At the balance sheet dates, the directors considered the trade receivables which were neither past due nor impaired were of good credit quality.

At 30 June 2008, there were HK\$205,000 (2009: nil) trade receivable balances which were past due at the balance sheet date for which the Group had not provided for impairment loss. There had not been significant change in credit quality and the directors of the Company considered the amounts were still recoverable. The Group did not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired:

	2009 HK\$'000	2008 HK\$'000
0-60 days	–	137
61-90 days	–	56
Over 90 days	–	12
	–	205

Movement in the allowance for other receivables:

	2009 HK\$'000	2008 HK\$'000
Balance at beginning of the year	1,646	1,510
Amounts written off	–	(1,010)
Impairment losses (reversed)/recognised on other receivables	(1,065)	1,146
Disposal of subsidiaries	(578)	–
Balance at the end of the year	3	1,646

At balance sheet dates, the Group's receivables were individually determined to be impaired. The individually impaired receivables are recognised based on the credit history of the debtors, such as financial difficulties or default in payments, and current market conditions. The Group does not hold any collateral over these balances.



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 19. HELD FOR TRADING INVESTMENTS

	2009 HK\$'000	2008 HK\$'000
Equity securities listed in Hong Kong, at fair value	18,885	6,689

## 20. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

At 30 June 2008, pledged bank deposits of approximately HK\$162,000 represented amounts pledged to a bank to secure short-term credit facilities granted to a subsidiary. The deposit has been released during the year.

The pledged deposits carry fixed interest rate ranging from 0.34125 % to 0.9125% per annum.

Bank balances carry interest at market rates which range from 0.428% to 0.564% (2008: 0.35% to 0.57875%) per annum.

## 21. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors of HK\$212,000 (2008: HK\$226,000) which aged within 30 days at the balance sheet date.

The average credit period on purchases of goods is 30 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

## 22. DEFERRED TAX LIABILITY

The following is the major deferred tax liability recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK\$'000
At 1 July 2007	–
Charge to consolidated income statement for the year	170
At 30 June 2008 and 30 June 2009	170

At the balance sheet date, the Group has unused tax losses of HK\$206,399,000 (2008: HK\$197,152,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profits streams. Tax losses may be carried forward indefinitely.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 23. SHARE CAPITAL

	Number of shares	Value HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1 July 2007 and 30 June 2008	60,000,000,000	600,000
Share Consolidation ( <i>note g</i> )	(54,000,000,000)	–
Share Subdivision ( <i>note g</i> )	54,000,000,000	–
<hr/>		
At 30 June 2009	60,000,000,000	600,000
<hr/>		
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1 July 2007	3,144,314,345	31,443
Issue of shares ( <i>Note a</i> )	181,800,000	1,818
Issue of shares for acquisition of a subsidiary ( <i>note b</i> )	413,896,104	4,139
Exercise of share options ( <i>Note c</i> )	833,333	8
<hr/>		
At 30 June 2008	3,740,843,782	37,408
Share repurchase ( <i>Note d</i> )	(6,810,000)	(68)
Conversion of convertible notes ( <i>Note e</i> )	4,719,999,998	47,200
Exercise of share options ( <i>Note f</i> )	19	–
Share consolidation ( <i>Note g</i> )	(7,608,630,420)	–
Capital reduction ( <i>Note g</i> )	–	(76,086)
<hr/>		
At 30 June 2009	845,403,379	8,454

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 23. SHARE CAPITAL (Continued)

Notes:

- (a) On 31 July 2007, 81,800,000 shares of HK\$0.01 each were issued and allotted to independent third parties at a price of HK\$0.63 per share under private share placements. On 27 September 2007, 100,000,000 shares of HK\$0.01 each were issued and allotted to independent third parties at a price of HK\$0.47 per share under private share placements.
- (b) As part of the consideration for the acquisition of a subsidiary as detailed in note 27, 413,896,104 shares of HK\$0.01 each were issued and allotted to the vendor at a price of HK\$0.57 per share on 30 July 2007. The fair value of the ordinary shares of the Company, determined by the published price available at the date of completion, was HK\$0.57 per share.
- (c) On 13 July 2007, 17 July 2007 and 23 July 2007, an aggregate of 833,333 share options were exercised by the directors of the Company at a subscription price of HK\$0.348 per share.
- (d) During the year ended 30 June 2009, the Company repurchased its own shares on the Hong Kong Stock Exchange as follows:

Month of repurchase	No. of ordinary shares of HK\$0.01 each	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
July 2008	2,570,000	0.142	0.135	353
August 2008	4,240,000	0.127	0.103	489

The above shares were cancelled upon repurchase.

- (e) During the year ended 30 June 2009, 4,719,999,998 shares of the Company of HK\$0.01 each were issued upon conversion of convertible notes with an aggregate principal amount of HK\$160,480,000.
- (f) On 5 March 2009, 19 new shares of HK\$0.01 each was issued upon 19 share options being exercised by an employee of the Company at a subscription price of HK\$0.255 per share for a consideration of HK\$5.
- (g) On 20 April 2009, the Company proposed reorganisation of the share capital (the "Capital Reorganisation"). The Capital Reorganisation became effective on 1 June 2009 after the approval by the shareholders. The Capital Reorganisation involved the following:
- (i) every ten existing shares of HK\$0.01 each in both the issued and unissued share capital of the Company were consolidated (the "Share Consolidation") into one consolidated share of HK\$0.10 each (the "Consolidated Share");
  - (ii) the par value of each issued Consolidated Share was reduced from HK\$0.10 to HK\$0.01 by cancellation of HK\$0.09 (the "Capital Reduction") and to form a reorganised share of HK\$0.01 each;

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 23. SHARE CAPITAL (Continued)

Notes: (Continued)

- (g) (iii) each of the authorised but unissued Consolidated Share in the capital of the Company of HK\$0.10 each was subdivided into ten unissued shares of \$0.01 each;
- (iv) the entire amount standing to the credit of the share premium account of the Company as at 29 May 2009 was reduced and cancelled (the “Share Premium Reduction”);
- (v) the credit of approximately HK\$76,086,000 and HK\$1,079,397,000 arising from the Capital Reduction and the Share Premium Reduction, respectively, was credited to the contributed surplus account of the Company which can be applied to against the accumulated losses of the Company; and
- (vi) subsequent to the Share Consolidation, the authorised share capital of the Company of HK\$600,000,000 is divided into 60,000,000,000 shares of HK\$0.01 each.

Immediately after the Capital Reorganisation, the number of issued shares of the Company was reduced to 845,403,379 shares of HK\$0.01 each and the paid-up capital was reduced to HK\$8,454,000.

All these shares issued by the Company during both years rank *pari passu* with the then existing ordinary shares in all respects.

## 24. CONVERTIBLE NOTES

On 27 March 2009 and 20 May 2009, the Company issued zero coupon convertible notes at par value of HK\$24,480,000 and HK\$136,000,000, respectively. The convertible notes holders are entitled at any time before the maturity date of 30 June 2012 to convert the outstanding convertible notes into ordinary shares of the Company of HK\$0.01 each at an initial conversion price of HK\$0.034 per conversion share (subject to anti-dilutive adjustments). If the convertible notes have not been converted, they will be redeemed on 30 June 2012 at the principal amount of the convertible notes then outstanding.

On initial recognition on 27 March 2009 and 20 May 2009, the fair value of the liability component of convertible notes is determined using the prevailing market interest rate of similar non-convertible debts at 19.58% and 14.41%, respectively. The fair values of the liability components at the respective date of issue are HK\$13,658,000 and HK\$89,416,000. The convertible notes are denominated in HKD. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the convertible notes into equity, is included in equity (convertible notes reserve).

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

### 24. CONVERTIBLE NOTES (Continued)

The entire amount of convertible notes with an aggregate principal amount of HK\$160,480,000 were converted into 4,719,999,998 ordinary shares of HK\$0.01 each of the Company as follows:

Date of conversion	Principal amount of convertible notes <i>HK\$'000</i>	Number of Ordinary Share of HK\$0.01 each
1 April 2009	12,240	360,000,000
7 May 2009	12,240	360,000,000
22 May 2009	17,680	520,000,000
26 May 2009	77,180	2,269,999,998
27 May 2009	41,140	1,210,000,000

The movement of the liability component of the convertible notes for the year is set out below:

	<i>HK\$'000</i>
Liability component:	
At 1 July 2008	–
Issue of convertible notes, net of transaction cost	100,498
Effective interest expenses	449
Conversion of convertible notes	(100,947)
<hr/>	
At 30 June 2009	–

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 25. DEPOSIT PAID FOR THE ACQUISITION OF A SUBSIDIARY

On 23 October 2007, Triple Winner International Limited (“Triple Winner”), a wholly-owned subsidiary of the Company entered into a framework agreement (the “Framework Agreement”) with Guoye PRC Inc. (“Guoye”), an independent third party to the Group, to acquire 51% equity interests in Mongol Oil Shale LLC which holds coal resources in Mongolia (the “Proposed Acquisition”). As at 30 June 2008, the Company paid a refundable cash deposit of US\$3,000,000 (equivalent to HK\$23,313,000) to Guoye (the “Deposit”).

Pursuant to the terms as set out in the Framework Agreement, if Triple Winner and Guoye fail to enter into a definitive agreement in relation to the Proposed Acquisition on or before 31 January 2008, the Framework Agreement shall lapse and the contract parties have no further obligation to each other, save and except that Guoye shall refund to Triple Winner the Deposit without interest.

Triple Winner and Guoye had not entered into any definitive agreement up to 31 January 2008 and the Framework Agreement lapsed. On 7 March 2008, Guoye brought an action in High Court against Triple Winner and the Company to claim for damages for the breach of the Framework Agreement by Triple Winner and the Company. The directors of the Company are of the opinion that due to the fact that no definitive agreement was entered between Triple Winner and Guoye up to 31 January 2008, the Framework Agreement shall be lapsed and Guoye shall refund the US\$3,000,000 deposit paid by Triple Winner to Guoye. Accordingly, the Company and Triple Winner brought an action to the High Court against Guoye on 11 August 2008 to recover the Deposit.

During the year ended 30 June 2008, the directors of the Company considered the possibility to recover the Deposit was remote, an impairment loss of HK\$23,313,000 was recognised in the consolidated income statement for the year ended 30 June 2008.

In March 2009, the Hong Kong High Court issued a consent order whereby the Company, Triple Winner and Guoye were ordered to discontinue the actions and to withdraw the respective claims against each other.

## 26. SHARE-BASED PAYMENT TRANSACTIONS

The Company’s share option scheme was adopted pursuant to a resolution passed on 30 July 2004 (the “2004 Scheme”), for the purpose of providing incentives or rewards to directors, employees, invested entities, suppliers and customers of the Group and entities that provide research, development or technological support or other services to the Group, any shareholders of any members of the Group or any invested entities or any holders of any securities issued by any members of the Group or any invested entities. The 2004 scheme will expire on 29 July 2014. Under the 2004 Scheme, the Board of Directors of the Company may grant options to eligible employees, including executive directors of the Company or its subsidiaries, to subscribe for shares in the Company.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 26. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The maximum number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2004 Scheme or any other share option scheme adopted by the Company must not in aggregate exceed 30% of its issued share capital from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the 2004 Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue unless it is approved by shareholders in a general meeting of the Company. The maximum number of shares issuable under the options to each eligible participant in any 12-month period is limited to 1% of the shares in issue unless it is approved by shareholders in a general meeting of the Company. Any grant of options under the 2004 Scheme to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by independent non-executive directors (excluding any independent non-executive director who is the grantee of the options). Any share options granted to a substantial shareholder or an independent non-executive director of the Company or to any of their respective associates, in excess of 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of grant) in excess of HK\$5 million, in any 12-month period, are subject to shareholders' approval in a general meeting of the Company.

At 30 June 2009, the number of shares of the Company in respect of which options had remained outstanding under the 2004 Scheme of the Company was 12,383,998 (2008: 355,480,000\*), representing 1.5% (2008: 9.5%) of the shares of the Company in issue at that date.

Total consideration received during the year ended 30 June 2008 from eligible participants for taking up the options granted during the year then ended was HK\$35 (2009: nil).

Options granted must be taken up within 28 days of the date of grant, upon payment of HK\$1 as the consideration for accepting the grant. The exercise period of the share options granted under the 2004 Scheme shall be determined by the Board of Directors when such options are granted, provided that such period shall not end more than 10 years from the date of grant. The exercise price is determined by the Board of Directors of the Company, and will not be less than the highest of the closing price of the Company's shares at the date of grant, the average closing price of the Company's shares for the five trading days immediately preceding the date of grant and the nominal value of the Company's shares.

The share options granted during both years were vested immediately on grant date.

\* Before the adjustment for Share Consolidation or Capital Reduction as detailed in note 23(g).



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 26. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) The following table discloses the movements of the Company's share options for both years:

Category of participants	Date of grant	Exercise period	Exercise price per share	Adjusted exercise price per share (Note)	Outstanding at 1.7.2007	Granted during the year	Exercised during the year	Cancelled/lapsed during the year	Outstanding at 1.7.2008	Adjustment during the year (Note)	Exercised during the year	Cancelled/lapsed during the year	Outstanding at 30.6.2009 (Note)	
														HK\$
Directors	7.2.2006	7.2.2006-6.2.2008	0.348	3.48	1,166,666	-	(833,333)	(333,333)	-	-	-	-	-	
	3.1.2007	3.1.2007-2.1.2009	0.152	1.52	24,000,000	-	-	-	24,000,000	-	-	(24,000,000)	-	
	8.1.2008	8.1.2008-7.1.2010	0.255	2.55	-	61,480,000	-	-	61,480,000	(30,366,000)	-	(27,740,000)	3,374,000	
Employees of the Group	8.1.2008	8.1.2008-7.1.2010	0.255	2.55	-	271,000,000	-	(19,000,000)	252,000,000	(64,889,973)	(19)	(179,900,010)	7,209,998	
	16.4.2008	16.4.2008-15.4.2010	0.255	2.55	-	18,000,000	-	-	18,000,000	(16,200,000)	-	-	1,800,000	
Others	2.4.2007	29.5.2007-28.5.2008	0.228	2.28	400,000	-	-	(400,000)	-	-	-	-	-	
					25,566,666	350,480,000	(833,333)	(19,733,333)	355,480,000	(111,455,973)	(19)	(231,640,010)	12,383,998	
Exercisable at the end of the year									355,480,000					12,383,998
Weighted average exercise price (HK\$)					0.162	0.255	0.348	0.256	0.248	0.255	0.255	0.244	0.255	

Note: The exercise price and the number of share options outstanding at 30 June 2009 have been adjusted to reflect the effect of the Capital Reorganisation as detailed in note 23(g).

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK\$0.3900 (2008: HK\$0.6448).

During the year ended 30 June 2008, options were granted at the following dates and the respective estimated fair values are as follows:

	Date of grant	
	8.1.2008	16.4.2008
Number of share options granted	332,480,000	18,000,000
Estimated fair values of share options granted (HK\$'000)	27,842	1,310

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

### 26. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) (Continued)

The fair values of the share options granted for the year ended 30 June 2008 were valued by RHL Appraisal Limited. The fair values were valued using Black-Scholes Option Pricing Model (the "Model"). The inputs into the Model during the year ended 30 June 2008 were as follow:

	<b>Granted on 8.1.2008</b>	<b>Granted on 16.4.2008</b>
Grant date share price	HK\$0.250*	HK\$0.204*
Option exercisable period	8.1.2008 to 7.1.2010	16.4.2008 to 15.4.2010
Exercise price	HK\$0.255*	HK\$0.255*
Expected life	One year	One year
Expected volatility	86.14%	75.77%
Dividend yield	Nil	Nil
Risk-free interest rate	2.69%	0.99%
Fair value of option per share	HK\$0.0837	HK\$0.0728

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain objective assumptions.

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 365 days. The expected life used in the Model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

The closing price of the Company's shares immediately before 8 January 2008 and 16 April 2008, the dates of grant of options, were HK\$0.250\* and HK\$0.204\* respectively.

The fair values of the options determined at the dates of grant using the Model were HK\$29,152,000 and were recognised in the consolidated income statement for the year ended 30 June 2008. The total number of shares available for issue under the 2004 Scheme is 12,383,998 which represent 1.5% of the issued share capital of the Company as at 30 June 2009.

\* Before the adjustments for Share Consolidation or Capital Reduction as detailed in note 23(g).

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 27. ACQUISITION OF A SUBSIDIARY

On 30 July 2007, the Group acquired 96.66% of the issued share capital of Dormer for a consideration of approximately HK\$335,921,000. As part of the consideration, 413,896,104 shares of the Company with par value of HK\$0.01 each were issued. The fair value of the shares of the Company, determined using the published price available at the date of the completion, amounted to approximately HK\$235,921,000. In addition, at 30 June 2007, HK\$100,000,000 deposit was paid for this acquisition of subsidiary. Details of which were set out in note 23(b).

In the opinion of the directors, the fair value of the identifiable assets and liabilities of the subsidiary acquired during the year ended 30 June 2008 approximated their respective carrying amounts. The net asset acquired, and the identified asset arising, was as follows:

	<b>Acquirees' carrying amount</b> <i>HK\$'000</i>
Net asset acquired:	
Available-for-sale investments	335,921
<hr/>	
Consideration is satisfied by:	
Deposit paid for acquisition of a subsidiary	100,000
Share issued	235,921
<hr/>	
	335,921
<hr/>	

Dormer did not contribute any turnover or profit to the Group since the date of acquisition. If the acquisition had been completed on 1 July 2007, Dormer also did not contribute any turnover or profit to the Group for the year ended 30 June 2008.

On 5 November 2007, the Group further acquired the remaining 3.34% of the issued share capital of Dormer at a cash consideration of HK\$11,800,000 and accordingly, Dormer became a wholly-owned subsidiary of the Group.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 28. DISPOSAL OF SUBSIDIARIES

As detailed in note 8, on 26 March 2009, the Group discontinued its credit card security device and digital network authorisation services operation through the disposal of the Star Cyber DNA Group to an independent third party at a cash consideration of HK\$18,000,000. The loss on disposal of Star Cyber DNA Group is HK\$812,000.

On 26 February 2009, the Group through its wholly-owned subsidiary, Credit Card DNA Securities System Limited, entered into a sale agreement with Fast Sky Investments Limited, an independent third party, to dispose of its entire 100% interest in Star EPS.com Limited (“EPS.com”), Star EPS.com (HK) Limited, Ming Yuen Assets Limited, Star EPS.com (Shenzhen) Limited, 香港好易聯投資集團有限公司 and Shenzhen Payment Express Business Services Limited (collectively referred to the “Star EPS Group”) at a cash consideration of HK\$23,800,000. The Star EPS Group was engaged in investment holding.

The net assets of the Star Cyber DNA Group and Star EPS Group at the date of disposal were as follows:

	<b>Star Cyber DNA Group</b> <i>HK\$'000</i>	<b>Star EPS Group</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
NET ASSETS DISPOSED OF			
Property, plant and equipment	2,182	67	2,249
Investment properties	13,636	–	13,636
Available-for-sale investments	3,283	22,713	25,996
Intangible assets	–	–	–
Interest in a jointly controlled entity	–	–	–
Trade and other receivables	614	11	625
Bank balances and cash	1,302	325	1,627
Trade and other payables	(956)	(81)	(1,037)
	20,061	23,035	43,096
Minority interests	–	–	–
Exchange reserve	(1,249)	139	(1,110)
(Loss)/gain on disposal of subsidiaries	(812)	626	(186)
	18,000	23,800	41,800
Satisfied by:			
Cash	18,000	23,800	41,800

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 28. DISPOSAL OF SUBSIDIARIES (Continued)

	<b>Star Cyber DNA Group</b>	<b>Star EPS Group</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash inflow/(outflow) arising on disposal:			
Cash consideration	18,000	23,800	41,800
Bank balances and cash disposed of	(1,302)	(325)	(1,627)
	<hr/>	<hr/>	<hr/>
	16,698	23,475	40,173

The contribution of the Star Cyber DNA Group on the Group's results and the net cash flows resulted from the disposal of Star Cyber DNA Group for the period from 1 July 2008 to the date of disposal and for the year ended 30 June 2008 are disclosed in note 8.

## 29. MAJOR NON-CASH TRANSACTIONS

During the year ended 30 June 2009, the Group had the following major non-cash transactions:

- An aggregate principal amount of HK\$160,480,000 convertible notes were converted into 4,719,999,998 shares of HK\$0.01 each of the Company.
- As a result of Capital Reorganisation as detailed in note 23(g), a credit of approximately HK\$76 million and HK\$1,079 million arising from the Capital Reduction and the Share Premium Reduction respectively, were credited to the contributed surplus account of the Company.
- As detailed in note 16(b), 253,571,428 shares of SUNPEC were received as part of the consideration for the disposal of the 36% equity interest of MPIL, an available-for-sale investment of the Group.

During the year ended 30 June 2008, the Group had the following major non-cash transactions:

- The consideration for acquisition of 100% interests in Dormer was partly settled by the Company's issue of 413,896,104 shares of HK\$0.01 each at HK\$0.57 per share, totalling HK\$235,921,000.
- The Group purchased a motor vehicle at a consideration of HK\$1,379,000 which was partly settled by trading-in of an existing motor vehicle with a net carrying value of HK\$495,000 at a transfer value of HK\$460,000.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 30. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of the convertibles notes disclosed in note 24, net of cash and cash equivalents, and equity attributable to equity holders of the Company, comprising issued share capital, reserves and accumulated losses.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues, share buy-backs or raising of new debt.

## 31. FINANCIAL INSTRUMENTS

### 31a. Categories of financial instruments

	2009 HK\$'000	2008 HK\$'000
<b>Financial assets</b>		
Loans and receivables (including cash and cash equivalents)	245,527	86,152
Available-for-sale financial assets	228,215	397,885
Held for trading investments	18,885	6,689
<b>Financial liabilities</b>		
Amortised cost	1,091	2,890

### 31b. Financial risk management objectives and policies

The Group's major financial instruments include held for trading investments, trade and other receivables, available-for-sale investments, pledged bank deposits, bank balances, trade and other payables and convertible notes. Details of these financial instruments are disclosed in 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.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 31. FINANCIAL INSTRUMENTS (Continued)

### 31b. Financial risk management objectives and policies (Continued)

#### *Market risk*

(i) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances.

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

The exposures of the Group to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The cash flow interest rate risk of the Group is mainly concentrated on the fluctuation of Hong Kong Interbank Offer Rate arising from the bank balances.

The Company considers the Group's exposure is not significant as those interest-bearing bank balances are within short maturity period. Accordingly, no sensitivity analysis was prepared.

(ii) Other price risk – Investments in equity securities

The Group is exposed to equity price risk through the Group's available-for-sale investments and held for trading investments. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's listed equity price risk is mainly concentrated on equity instruments quoted in the Hong Kong Stock Exchange.

#### *Sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to equity price risks, excluding unlisted investments which are measured at cost less impairment, at the reporting date.

If the prices of the respective equity securities had been 10% (2008: 10%) higher/lower:

- the Group's post-tax loss for the year would decrease/increase by HK\$1,577,000 (2008: HK\$559,000) as a result of the changes in fair value of held for trading investments; and
- investment revaluation reserve would increase/decrease by HK\$22,822,000 (2008: investment revaluation reserve would increase by HK\$39,789,000/loss for the year would increase by HK\$39,789,000) as a result of the changes in fair value of available-for-sale investments.



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 31. FINANCIAL INSTRUMENTS (Continued)

### 31b. Financial risk management objectives and policies (Continued)

#### *Credit risk*

The Group's maximum exposure to credit risk in the event of the counterparties' failure to discharge their obligations in relation to each class of recognised financial assets are the amounts stated in the consolidated balance sheet. In order to minimise the credit risk, management of the Group has determined credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debtor at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are financial institutions with good reputation.

#### *Liquidity risk*

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the operations of the Group and to maintain a balance between continuity of funding and flexibility through the use of bank borrowings.

The following tables detail the remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 31. FINANCIAL INSTRUMENTS (Continued)

### 31b. Financial risk management objectives and policies (Continued)

#### Liquidity risk (Continued)

#### Liquidity tables

	Weighted average effective interest rate %	Less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 30 June 2009 HK\$'000
<b>2009</b>						
Trade and other payables	-	1,091	-	-	1,091	1,091
<b>2008</b>						
	Weighted average effective interest rate %	Less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 30 June 2008 HK\$'000
Trade and other payables	-	2,890	-	-	2,890	2,890

### 31c. Fair value

- The fair value of financial assets with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market bid prices.
- The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 32. OPERATING LEASES

### The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Within one year	1,742	1,076
In the second to fifth year inclusive	495	250
	<b>2,237</b>	1,326

Operating lease payments represented rentals payables by the Group for certain of its office premises and warehouse. Leases are negotiated for terms ranging from one to two years.

### The Group as lessor

Property rental income earned during the year was HK\$768,000 (2008: HK\$729,000). The office premises generated a rental yield of 7.5% (2008: 3.6%) for the year ended 30 June 2009.

At the balance sheet date, the Group had contracted with tenants for the follow future minimum lease payment:

	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Within one year	–	1,024
In the second to fifth year inclusive	–	939
	–	1,963

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 33. CAPITAL COMMITMENTS

At the balance sheet date, the Group had the following capital commitments:

	2009 HK\$'000	2008 HK\$'000
Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of acquisition of property, plant and equipment	—	227
Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment	—	4,368

## 34. RELATED PARTY DISCLOSURES

### (i) Related party transactions

During the year, the Group had the following transactions with related parties:

	NOTES	2009 HK\$'000	2008 HK\$'000
Consultancy service fee paid by the Group	(i)	—	180
Rental income received/receivable by the Group	(ii)	—	644

Notes:

- (i) It represented investment consultancy service fee paid to Mr. Yi Xing Wu, a then substantial shareholder of the Company.
- (ii) The amount represented the Group's rental income from Beijing Superpass which was a jointly-controlled entity of the Company.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

### 34. RELATED PARTY DISCLOSURES (Continued)

#### (ii) Key management personnel compensation

	2009 HK\$'000	2008 HK\$'000
Salaries, bonus and other benefits	24,867	24,301
Share-based payments (Note)	–	5,399
Contributions to retirement benefits scheme	70	84
	<b>24,937</b>	<b>29,784</b>

Note: Share option benefits represent the fair value at the grant date of share options issued under the 2004 Scheme charged to the consolidated income statement during the year ended 30 June 2008.

### 35. POST BALANCE SHEET EVENTS

Subsequent to 30 June 2009, the Group has the following post balance sheet events:

- (i) On 24 April 2009, Acewick Holdings Limited (a wholly-owned subsidiary of the Company) (“Acewick”), Polytex Investments Inc. (“Polytex”, a direct wholly-owned subsidiary of China Sci-Tech Holdings Limited), an independent third party to the Group, the Company and China Sci-Tech Holdings Limited entered into an option agreement (the “Option Agreement”) pursuant to which Polytex conditionally agreed, among other things, to grant a call option to Acewick at a consideration of HK\$1 for a period of six months from the Option Agreement date, whereby Acewick may require Polytex to sell or procure the sale of the entire issued share capital in Maxter Investments Limited (“Maxter”) to Acewick (the “Acquisition”) at a consideration ranged from HK\$1,713 million to HK\$1,801 million, which would be satisfied by maximum cash consideration of HK\$1,723,600,000 and ordinary shares of the Company of HK\$0.01 each issued at HK0.35 each for the remaining balance. The consideration would be subject to certain adjustments as set out in the Option Agreement.

The principal assets of Maxter and its subsidiaries are the mine property and the exploration right of a mine for gold and silver located in the Regency of South Tapanuli, Northern Sumatra, Indonesia (the “Martabe Project”). At the date of this report, the Martabe Project is still in an exploration stage and has not yet commenced mining operation. The directors of the Company expect that the earliest date the Martabe Project may commence mining operation is the first quarter of 2011.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 35. POST BALANCE SHEET EVENTS (Continued)

(i) (Continued)

On 3 July 2009, the Group exercised the option pursuant to the Option Agreement and the Acquisition was completed at consideration of HK\$1,718,546,000 cash and 221,428,571 ordinary shares of the Company at HK\$0.35 each. On 3 July 2009, 221,428,571 new shares of HK\$0.01 each were issued and allotted to Polytex at HK\$0.35 per share. The issue price represented a discount of 19.54% to the closing price of the immediately preceding business day of HK\$0.435 per share.

In the opinion of the directors, the fair value of the call option exercisable by the Group is insignificant at 24 April 2009, at 30 June 2009 and at 3 July 2009.

- (ii) On 2 July 2009, the Company entered into a share placing agreement with a placing agent for placing 13,000,000,000 new ordinary shares (the “Share Placing”) of HK\$0.01 each at a placing price of HK\$0.35 per share. The Share Placing was completed on 3 July 2009.

## 36. RETIREMENT BENEFITS SCHEMES

The Group participates in a Mandatory Provident Fund Scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance, for all its employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. Under the rules of MPF Scheme, the employer and its employees are each required to make contributions to MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the MPF Scheme. No forfeited contributions are available to reduce the contributions payable in future years.

The employees in the subsidiaries in the PRC are members of the state-sponsored pension scheme (the “State-sponsored Pension Scheme”) operated by the government in the PRC. The subsidiaries in the PRC are required to contribute a certain percentage of their payroll to the State-sponsored Pension Scheme to fund the benefits. The only obligation of the Group with respect to the State-sponsored Pension Scheme is to make the required contributions under State-sponsored Pension Scheme.

During the year, the total amount contributed by the Group to the MPF Scheme and the State-sponsored Pension Scheme, charged to the consolidated income statement, were HK\$268,000 (2008: HK\$268,000) and HK\$118,000 (2008: HK\$315,000), respectively.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 37. BALANCE SHEET OF THE COMPANY

As at 30 June 2009

	NOTES	2009 HK\$'000	2008 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		24	40
Investments in subsidiaries		1	140,020
		<b>25</b>	140,060
<b>Current assets</b>			
Other receivables		5,671	619
Amounts due from subsidiaries	(a)	428,919	162,124
Bank balances and cash		1,202	74,754
		<b>435,792</b>	237,497
<b>Current liabilities</b>			
Trade and other payables		2,520	1,114
Deposit received for disposal of an available-for-sale investment		–	50,000
		<b>2,520</b>	51,114
<b>Net current assets</b>		<b>433,272</b>	186,383
<b>Total assets less current liabilities</b>		<b>433,297</b>	326,443
<b>Non-current liability</b>			
Amounts due to subsidiaries	(a)	28,990	71,278
		<b>404,307</b>	255,165
<b>Capital and reserves</b>			
Share capital		8,454	37,408
Reserves	(b)	395,853	217,757
<b>Total equity</b>		<b>404,307</b>	255,165



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 37. BALANCE SHEET OF THE COMPANY (Continued)

Notes:

(a) Amounts due from/(to) subsidiaries

The amount due from subsidiaries are unsecured, non-interest bearing and repayable on demand. The directors are of the opinion that the amount would be recovered in the next twelve months. The amounts due to subsidiaries are unsecured, non-interest bearing and repayable on demand.

(b) Reserves

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contribution surplus HK\$'000	Share options reserve HK\$'000	Convertible notes reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 July, 2007	641,734	807	93,289	1,437	-	(689,643)	47,624
Loss for the year and total recognised expenses for the year	-	-	-	-	-	(187,668)	(187,668)
Issue of shares during the year	96,716	-	-	-	-	-	96,716
Issue of shares for acquisition of a subsidiary	231,782	-	-	-	-	-	231,782
Issue of shares upon exercise of share options	359	-	-	(78)	-	-	281
Transaction costs attributable to issue of new shares	(130)	-	-	-	-	-	(130)
Recognition of equity settled share-based payment	-	-	-	29,152	-	-	29,152
Cancellation of share options	-	-	-	(1,648)	-	1,648	-
At 1 July 2008	970,461	807	93,289	28,863	-	(875,663)	217,757
Loss for the year and total recognised expenses for the year	-	-	-	-	-	(6,926)	(6,926)
Recognition of equity component of convertible notes	-	-	-	-	57,406	-	57,406
Transaction costs attributable to issue of convertible notes	-	-	-	-	(1,436)	-	(1,436)
Conversion of convertible notes	109,717	-	-	-	(55,970)	-	53,747
Cancellation of share options	-	-	-	(18,689)	-	18,689	-
Repurchase and cancellation of shares	(781)	849	-	-	-	(849)	(781)
Capital reorganisation (note 23(g))	(1,079,397)	-	1,155,483	-	-	-	76,086
<b>At 30 June 2009</b>	<b>-</b>	<b>1,656</b>	<b>1,248,772</b>	<b>10,174</b>	<b>-</b>	<b>(864,749)</b>	<b>395,853</b>

The contributed surplus of the Company includes (i) the difference between the consolidated shareholders' funds of the subsidiaries at the date at which they were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1994; (ii) the surplus arising from the group reorganisation in 1998; and (iii) the surplus arising from Capital Reorganisation in 2009, details of which are set out in note 23(g).

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 37. BALANCE SHEET OF THE COMPANY (Continued)

Notes: (Continued)

### (b) Reserves (Continued)

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if

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

In the opinion of the directors, reserves available for distribution to shareholders at 30 June 2009 were HK\$384,023,000 (2008: nil).

## 38. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at 30 June 2009 and 2008 are as follows:

Name of subsidiary	Place of incorporation/ operation	Class of shares equity held	Nominal value of issued and fully paid share capital/ registered capital	Effective percentage of equity interests/ voting rights held by the Company				Principal activities
				Directly		Indirectly		
				2009 %	2008 %	2009 %	2008 %	
Star Cyberpower V.F. Limited	BVI/Hong Kong	Ordinary	US\$1	–	–	100	100	Investment holding
Star Cyberpower Management Limited	Hong Kong	Ordinary	HK\$10,000	100	100	–	–	Provision of management services and trading of electronic goods and accessories
Star EPS.com (HK) Limited	Hong Kong	Ordinary	HK\$1	–	–	–	100	Electronic commerce
Star Financial Limited	Hong Kong	Ordinary	HK\$200	–	–	100	100	Provision of financial information services

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 38. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Class of shares equity held	Nominal value of issued and fully paid share capital/ registered capital	Effective percentage of equity interests/ voting rights held by the Company				Principal activities
				Directly		Indirectly		
				2009 %	2008 %	2009 %	2008 %	
Star Mobile DNA Payment Gateway Limited	Hong Kong	Ordinary	HK\$2	–	–	–	100	Provision of credit card security device, digital network authorisation services and property investment
星光易辦事科技(深圳)有限公司 Star EPS.com (Shenzhen) Limited (Note (i))	PRC	Registered capital	US\$150,000	–	–	–	100	Provision of e-business solution and e-commerce platform
天碼軟件開發(深圳)有限公司 CCDNA(SZ) (Note (i))	PRC	Registered capital	US\$1,700,000	–	–	–	100	Provision of credit card security device and digital network authorisation services
深圳支付通商務服務有限公司 Shenzhen Payment Express Business Services Limited (Note (ii))	PRC	Registered capital	HK\$2,000,000	–	–	–	90	Provision of credit card security device and digital network authorisation services
Giant Win Limited	Hong Kong	Ordinary	HK\$1	–	–	100	–	Operating fund management
Winner Force Limited	Hong Kong	Ordinary	HK\$1	–	–	100	–	General administration
Win Genius Investments Limited	Hong Kong	Ordinary	HK\$1	–	–	100	–	Securities investment

**Notes:**

- (i) It is a wholly-owned foreign enterprise established in the PRC and the English name is for identification purpose only.
- (ii) It is a sino-foreign equity joint venture established in the PRC and the English name is for identification purpose only.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

## 38. PRINCIPAL SUBSIDIARIES (Continued)

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries of the Group had any debt securities outstanding at the balance sheet date or at any time during the year.



## Five-year Financial Summary

### (a) Results

	For the year ended 30 June				2009 HK\$'000
	2005 HK\$'000 (Restated)	2006 HK\$'000 (Restated)	2007 HK\$'000 (Restated)	2008 HK\$'000 (Restated)	
Revenue					
– Continuing operations	2,348	2,560	2,875	10,680	29,052
– Discontinued operation	984	1,414	3,963	3,993	2,125
	<b>3,332</b>	<b>3,974</b>	<b>6,838</b>	<b>14,673</b>	<b>31,177</b>
Loss before taxation	(63,030)	(73,318)	(44,539)	(205,348)	(153,310)
Taxation	–	–	6,263	(170)	23
(Loss)/profit for the year from discontinued operation	(8,380)	(9,875)	(5,276)	2,338	(10,997)
Loss before minority interests	(71,410)	(83,193)	(43,552)	(203,180)	(164,284)
Loss attributable to minority interests	–	–	46	169	–
Loss attributable to equity holders of the Company	(71,410)	(83,193)	(43,506)	(203,011)	(164,284)

## Five-year Financial Summary

### (b) Assets and liabilities

	<b>As at 30 June</b>				
	2005 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	<b>2009 <i>HK\$'000</i></b>
Total assets	64,870	187,363	305,495	519,091	<b>501,631</b>
Total liabilities	(22,804)	(12,952)	(4,416)	(55,755)	<b>(4,514)</b>
	42,066	174,411	301,079	463,336	<b>497,117</b>
Equity attributable to equity holders of the Company	42,066	174,411	301,022	463,336	<b>497,117</b>
Minority interests	–	–	57	–	–
	42,066	174,411	301,079	463,336	<b>497,117</b>