

2010/11

INTERIM REPORT



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

(Incorporated in Bermuda with limited liability)

Stock code:00109

GOOD FELLOW RESOURCES HOLDINGS LIMITED
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UNAUDITED CONSOLIDATED INTERIM RESULTS

The board (The "Board") of Directors (the "Directors") of Good Fellow Resources Holdings Limited (formerly known as Wonderful World Holdings Limited) (the "Company") is pleased to announce the unaudited consolidated interim financial statements of the Company and its subsidiaries (the "Group") for the six months ended 31st December, 2010 (the "Period") together with the comparative figures. The consolidated interim financial statements have not been audited, but have been reviewed by the Company's Audit Committee.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended 31st December,	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
	Notes		
Turnover	2	50,602	116,209
Revenue		4,257	8,429
Net changes in fair value of investments held-for-trading		(4,438)	17,063
Other net gains and income	3	15,053	577
Administrative expenses		(8,965)	(11,853)
Finance costs		(1,853)	(2,221)
Share of losses of a jointly controlled entity		(620)	(268)
Profit before taxation	4	3,434	11,727
Taxation	5	249	442
Total comprehensive income for the period, attributable to owners of the Company		3,683	12,169
Profit per share attributable to owners of the Company			
– Basic and diluted	6	HK\$0.003	HK\$0.010

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 31st December, 2010 (unaudited)

	Share capital HK\$'000	Share premium HK\$'000	Contributed Surplus HK\$'000	Special reserve HK\$'000	Other reserve HK\$'000	Translation reserve HK\$'000	Convertible notes reserve HK\$'000	Share-based compensation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st July, 2010	144,221	24,916	170,789	847	39,387	(5)	7,855	14,807	(2,490)	400,327
Total comprehensive income for the period	-	-	-	-	-	-	-	-	3,683	3,683
Equity settled share-based payment	-	-	-	-	-	-	-	982	-	982
At 31st December, 2010	<u>144,221</u>	<u>24,916</u>	<u>170,789</u>	<u>847</u>	<u>39,387</u>	<u>(5)</u>	<u>7,855</u>	<u>15,789</u>	<u>1,193</u>	<u>404,992</u>

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31st December, 2009 (unaudited)

	Share capital HK\$'000	Share premium HK\$'000	Contributed Surplus HK\$'000	Special reserve HK\$'000	Distributable reserve HK\$'000	Translation reserve HK\$'000	Convertible notes reserve HK\$'000	Share-based compensation HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st July, 2009	77,069	550,432	-	847	39,387	(5)	-	12,200	(510,386)	169,544
Total comprehensive income for the period	-	-	-	-	-	-	-	-	12,169	12,169
Issue of shares for cash	23,100	46,200	-	-	-	-	-	-	-	69,300
Expenses incurred in connection with issue of shares	-	(1,464)	-	-	-	-	-	-	-	(1,464)
Recognition of equity component of convertible notes	-	-	-	-	-	-	37,782	-	-	37,782
Deferred tax realised on conversion of convertible notes	-	-	-	-	-	-	5,698	-	-	5,698
Conversion of convertible notes, net of tax	42,500	86,007	-	-	-	-	(35,489)	-	-	93,018
Cancellation of share premium towards accumulated losses and credit to contributed surplus (Note)	-	(681,175)	170,789	-	-	-	-	-	510,386	-
Recognition of equity-settled share based payment	-	-	-	-	-	-	-	5,078	-	5,078
At 31st December, 2009	142,669	-	170,789	847	39,387	(5)	7,991	17,278	12,169	391,125

Note: The application of the share premium account is governed by Section 46(2) of the Bermuda Companies Act. On 30th November, 2009, the shareholders approved the proposed cancellation of the entire amount standing to the credit of the share premium account of the Company as at the date of the approval in the sum of approximately HK\$681,175,000 and applying part of the credit arising therefrom towards elimination of all the accumulated Losses of approximately HK\$510,386,000 with the remaining balance of approximately HK\$170,789,000 being credited to the contributed surplus account of the Company.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 31st December, 2010 (Unaudited) HK\$'000	At 30th June, 2010 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	7	1,220	1,388
Interest in a jointly controlled entity	8	199,050	199,670
		<u>200,270</u>	<u>201,058</u>
CURRENT ASSETS			
Trade and other receivables	9	6,670	7,000
Investments held for trading	10	113,444	102,874
Bank balances and cash		114,623	119,582
		<u>234,737</u>	<u>229,456</u>
CURRENT LIABILITIES			
Trade and other payables	11	572	2,003
		<u>572</u>	<u>2,003</u>
NET CURRENT ASSETS			
		<u>234,165</u>	<u>227,453</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>434,435</u>	<u>428,511</u>
NON-CURRENT LIABILITIES			
Convertible notes	14	28,504	26,996
Deferred tax liabilities		939	1,188
		<u>29,443</u>	<u>28,184</u>
NET ASSETS			
		<u>404,992</u>	<u>400,327</u>
Capital and reserves attributable to owners of the Company			
Share capital	13	144,221	144,221
Reserves		260,771	256,106
		<u>404,992</u>	<u>400,327</u>

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended
31st December,

	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Net cash used in operating activities	(19,639)	(39,669)
Net cash from/(used in) investing activities	15,025	(203,406)
Net cash (used in)/from financing activities	(345)	229,495
	(4,959)	(13,580)
Net decrease in cash and cash equivalents		
Cash and cash equivalents at beginning of the period	119,582	158,985
	114,623	145,405
Cash and cash equivalents at end of the period, represented by bank balances and cash	114,623	145,405

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements (the “Interim Financial Report”) have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The preparation of the Interim Financial Report in conformity with HKAS 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The Interim Financial Report has been prepared under the historical cost convention as modified by the revaluation of investments held-for-trading and certain financial instruments, which are carried at fair values, and in accordance with accounting principles generally accepted in Hong Kong, and accounting standards issued by the HKICPA.

The accounting policies used in preparation of the condensed consolidated interim financial statements are consistent with those adopted in the annual financial statements for the year ended 30th June, 2010 with addition of certain new standards and interpretations of Hong Kong Financial Reporting Standards (“HKFRSs”) issued and effective as at the time of preparing this report. These are:

HKFRS (Amendments)	Improvements to HKFRSs issued in 2009
HKFRS (Amendments)	Improvements to HKFRSs issued in 2010
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HKFRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause

The adoption of the new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods.

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The Group has not early applied the following new standards and revised HKFRSs, that have been issued but are not yet effective in the period covered by these interim condensed consolidated financial statements:

HKFRS (Amendments)	Improvements to HKFRSs issued in 2010 ¹
HKAS 24 (Revised)	Related Party Disclosures ¹
HKFRS 7 (Amendments)	Disclosures-Transfer of Financial Assets ²
HK(IFRIC) – Int 14 (Amendments)	Prepayment of a Minimum Funding Requirement ²
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ³
HKFRS 9	Financial Instruments ⁴

¹ Effective for annual periods beginning on or after 1st January, 2011.

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

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

⁴ Effective for annual periods beginning on or after 1st January, 2013.

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

2. TURNOVER AND SEGMENT INFORMATION

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

	For the six months ended 31st December,	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Investments held for trading	50,602	116,209

Reportable segments

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

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

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

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Segment information about these reportable segments is presented below:

For the six months ended 31st December, 2010 (unaudited)

	Investment and financial services HK\$'000	Distribution and trading HK\$'000	Consolidated HK\$'000
Turnover – external	50,602	–	50,602
Revenue – external*	4,257	–	4,257
Segment results	13,016	–	13,016
Unallocated corporate income			1,050
Unallocated corporate expenses (including share-based payments)			(8,779)
Finance costs			(1,853)
Profit before taxation			3,434
Taxation			249
Profit for the period			3,683

* Segment revenue included net gains from sale of investments held for trading of HK\$3,625,000.

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For the six months ended 31st December, 2009 (unaudited)

	Investment and financial services HK\$'000	Distribution and trading HK\$'000	Consolidated HK\$'000
Turnover – external	116,209	–	116,209
Revenue – external*	8,429	–	8,429
Segment results	24,150	–	24,150
Unallocated corporate income			–
Unallocated corporate expenses (including share-based payments)			(10,202)
Finance costs			(2,221)
Profit before taxation			11,727
Taxation			442
Profit for the period			12,169

* Segment revenue included net gains from sale of investments held for trading of HK\$6,559,000.

By geographical segment

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

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3. OTHER NET GAINS AND INCOME

	For the six months ended 31st December,	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Guarantee return from investment	15,000	–
Bank interest income	25	73
Other interest income	–	504
Reversal of long outstanding payables and accruals	28	–
	<hr/>	<hr/>
	15,053	577
	<hr/>	<hr/>

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4. PROFIT BEFORE TAXATION

	For the six months ended 31st December,	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Realised gains and losses on investments held-for-trading:		
– Proceeds on trading (included in turnover)	(50,602)	(116,209)
– Cost of trading	46,977	109,650
	(3,625)	(6,559)
Depreciation of property, plant and equipment – owned assets	167	153
Dividends from equity securities	(632)	(1,870)
Interest income	(25)	(73)

5. TAXATION

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

	2010 HK\$'000	2009 HK\$'000
Deferred tax		
– Current period (Note 14)	(249)	(442)

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

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6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period of approximately HK\$3,683,000 (2009: HK\$12,169,000) and on the weighted average number of 1,442,214,000 (2009: 1,194,047,261) ordinary shares in issue during the period.

The Company's share options and convertible notes granted had an anti-dilutive effect to the earning per share calculation for the current period.

7. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent HK\$ nil (2009: HK\$959,000) on additions to property, plant and equipment.

8. INTEREST IN A JOINTLY CONTROLLED ENTITY

	31 December, 2010 (Unaudited) HK\$'000	30 June, 2010 (Audited) HK\$'000
Unlisted shares as cost*	–	–
Share of loss	(950)	(330)
Share of net liabilities	(950)	(330)
Loan to the jointly controlled entity	200,000	200,000
	<u>199,050</u>	<u>199,670</u>

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

Particulars of the jointly controlled entity are as follows:

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

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

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

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

Further details in respect of the arrangement for the formation of GIDL are set out in the Company’s circular dated 13th July, 2009 and the announcement dated 21st October, 2009 and note 18 to the financial statements for the year ended 30th June, 2010.

During the prior period, Fujian Xianke commenced construction of an investment property. As at 31st December, 2010, there was approximately HK\$31,390,000 capital commitment in respect of the construction attributable to the Group’s effective interest in the jointly controlled entity.

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9. TRADE AND OTHER RECEIVABLES

	At 31st December, 2010 (Unaudited) HK\$'000	At 30th June, 2010 (Audited) HK\$'000
Guaranteed return from investment receivable from a joint venture partner (Note 8)	6,534	6,534
Deposits and prepayments	136	466
	6,670	7,000
	6,670	7,000

10. INVESTMENTS HELD-FOR-TRADING

The amount at 31st December, 2010 and 30th June, 2010 represented investments in equity securities listed in Hong Kong, stated at market value.

11. TRADE AND OTHER PAYABLES

	At 31st December 2010 (Unaudited) HK\$'000	At 30th June 2009 (Audited) HK\$'000
Trade payables	–	–
Accruals and deposits received	572	2,003
	572	2,003
	572	2,003

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12. EQUITY SETTLED SHARE-BASED TRANSACTION

In 2008, the Company adopted a share option scheme that entitles key management personnel and employees to subscribe for shares in the Company. The terms and conditions of the share option scheme are disclosed in note 27 to the financial statements for the year ended 30 June, 2010 (the "Share Option Scheme").

A summary of option movements for the six months ended 31st December, 2010 is presented below:

	Six months ended		Year ended	
	31st December, 2010 (Unaudited)		30th June, 2010 (Audited)	
	Weighted average exercise price HK\$'000	Number of shares involved in the options	Weighted average exercise price HK\$'000	Number of shares involved in the options
At beginning of period/year	1.13	25,080,000	1.20	21,700,000
Granted	–	–	0.80	18,900,000
Exercised	–	–	0.82	(15,520,000)
Cancelled	–	–	–	–
Outstanding at end of period/year	1.13	25,080,000	1.13	25,080,000
Exercisable of the end of period/year	1.16	23,340,000	1.18	21,900,000

On 7th September, 2009, 18,900,000 share options were granted under the Share Option scheme. No share option has been granted nor exercised during the six months ended 31st December, 2010.

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13. SHARE CAPITAL

	At 31st December, 2010 (Unaudited) HK\$'000	At 30th June, 2010 (Audited) HK\$'000
Authorized:		
30,000,000,000 (30th June, 2010: 30,000,000,000) ordinary shares of HK\$0.1 each (30th June, 2010: HK\$0.1 each)	3,000,000	3,000,000
Issued and fully paid:		
1,442,214,000 (30th June, 2010: 1,442,214,000) ordinary shares of HK\$0.1 each (30th June, 2010: HK\$0.1 each)	144,221	144,221

14. CONVERTIBLE NOTES

	At 31st December, 2010 (Unaudited) HK\$'000	At 30th June, 2010 (Audited) HK\$'000
Convertible Notes – issued	36,359	34,851

The convertible notes were issued for among other purposes the financing of a new jointly controlled entity as stated in note 8. The principal terms of the convertible notes are as follows:

Date of issue	17th August, 2009
Aggregate principal amount	HK\$161.7 million
Outstanding principal amount at period end date	HK\$34.2 million at period end date
Denomination	In multiple of HK\$100,000
Interest rate per annum	2%, payable annually in arrears
Conversion price applicable	HK\$0.30, subject to the usual adjustments
Maturity date	3 years from the date of issue

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The movements of the liability component and equity component of the convertible notes during the six months ended 31st December, 2010 are as follows:

	Liability component of convertible notes HK\$'000	Equity component of convertible notes HK\$'000
At beginning of period	26,996	7,855
Imputed interest expenses (Note)	1,853	–
Coupon interest	(345)	–
	28,504	7,855
At end of period	28,504	7,855

Note: Interest charged is recorded as finance costs in the consolidated statement of comprehensive income.

The convertible notes comprised:

	HK'000
Liability component	28,504
Equity component	7,855
Deferred taxation include in equity component (Note)	(939)
	28,504

Note: Deferred taxation included approximately HK\$249,000 (Note 5) credited to profit or loss during the current period.

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15. COMMITMENTS

Commitments under operating leases

As at 31st December, 2010, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	At 31st December, 2010 (Unaudited) HK\$'000	At 30th June, 2010 (Audited) HK\$'000
Within one year	189	1,399

16. COMPARATIVE

Certain comparative figures have been re-classified to conform with change in presentation or disclosure in the Period.

17. APPROVAL OF THE INTERIM REPORT

These interim financial statements were approved and authorized for issue by the Board on 25th February, 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months period ended 31st December, 2010, the turnover of the Group decreased by approximately HK\$65,607,000 to approximately HK\$50,602,000 (2009: HK\$116,209,000), representing an decrease of approximately 56.46% as compared to the corresponding period of last year. Decrease in turnover was primarily caused by the decrease in turnover related to business activities in investment and financial services with decrease in values of buy and sell trades of investment portfolio.

With uncertainty of the recovery path of the global economy due to different approach of fiscal measures adopted by different regions of the world in response to second round of quantitative easing in the United States, the Group has effected less trading transactions for shares under the investment and financial services segment during the current period. Business activities in distribution and trading have not contributed to turnover (2009: HK\$ nil) for the Group for the period under review.

The Group has net profit of approximately HK\$3,683,000 for the period under review compared to a net profit of HK\$12,169,000 of the corresponding period of last year. The decrease in net profit of approximately HK\$8,486,000 was mainly due to (i) profit on disposal of investment held for trading of approximately HK\$4,257,000 for the current period as compared to a profit of approximately HK\$8,429,000 for the corresponding period of last year leading to decrease in net profit of approximately HK\$4,172,000 as market sentiment was better in the prior period; (ii) recognition of accounting loss of approximately HK\$4,438,000 whereas there were accounting profit of approximately HK\$17,063,000 for the same period last year for the listed shares investments held and stated at market value at period end leading to decrease in net profit of approximately HK\$21,501,000; (iii) other net gains and income increased by approximately HK\$14,476,000 and increase in net profit of same amount during the current period from approximately HK\$577,000 for the corresponding period of last year to that of approximately HK\$15,053,000 for the current period. The profit impact of HK\$14,476,000 was mainly due to guarantee income received of approximately HK\$15,000,000 resulting from completion of the formation the new joint venture company in the PRC; and (iv) decrease in administrative expenses from approximately HK\$11,853,000 for the corresponding period of last year to that of approximately HK\$8,965,000 for the current period leading to a increase in net profit of approximately HK\$2,888,000, which was mainly decrease in share options expenses during the current period compared to the same period last year. Combining the impacts as above narrated, the Group has generated a lower net profit for the six months ended 31st December, 2010 compared to the corresponding period of last year.



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Business Review

Protection of the Group's assets have been the long term focus of the Group in particular we are cautious on possible negative global economic impact resulting from recent instability in the middle east region which creates more uncertainty on the global economy. The new joint venture has brought guarantee return to the Group. With more internal resources available the Group will continue to explore business areas diversifying and bringing in constant and regular income to the Group.

With the successful bid of the land use rights for a piece of land located at Fuzhou, the PRC on 25th August, 2009, and the formation of the new joint venture, as further detailed in the Company's circular dated 13th July, 2009, the jointly controlled entity at Fuzhou, the PRC, has undertaken property development and is on schedule to develop a shopping mall at Fuzhou, the PRC, with national retail franchise entities joining the tenant list this year.

Future Prospects

The Group will continue to review and consider further investment opportunities which bring secured income to the Group as the second round of quantitative easing in the United States reshaping the global balance of trades. The guaranteed return from the new joint venture will help the Group to maintain its internal resources to continue its development during the forthcoming worldwide reshaping periods.

Liquidity and Financial Resources

The Group maintains its strong financial position with cash and cash equivalents of approximately HK\$114.62 million (30th June, 2010: HK\$119.58 million).

As at 31st December, 2010, the Group had a net current assets of approximately HK\$234.17 million (30th June, 2010: HK\$227.45 million). The shareholders' equity was approximately HK\$404.99 million (30th June, 2010: HK\$400.32 million) and there was no borrowing (not including converted convertible notes liabilities). The Group's gearing ratio, calculated using the total borrowings (including convertible notes liabilities) as a percentage of total shareholders' funds as basis, was approximately 7.27%.

Contingent Liabilities

As at 31st December, 2010, the Group did not have any significant contingent liabilities.

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INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 31st December, 2010 (2009: nil).

FOREIGN EXCHANGE EXPOSURE

The Group's monetary assets and liabilities were primarily denominated in Hong Kong dollars and thus the Group would not have significant exposures to material fluctuations in exchange rates. As at 31st December, 2010, the Group had no material exposures under foreign exchange contracts, interest, currency swaps or other financial derivatives.

DISCLOSURE OF INTERESTS

(i) Directors

At 31st December, 2010, the interests or short positions of each Director and the chief executive in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provision of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or (c) were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") to be notified to the Company and the Stock Exchange were as follows:

Ordinary shares of the Company

Directors	Capacity	Number of issued ordinary shares held	Number of share options held	Approximate percentage of the issued share capital of the Company	
				Total	
Mr. Ng Leung Ho (Note 1)	Beneficial owner/Interest of controlled corporation	506,741,883	-	506,741,883	35.13%
Mr. Lo Wan Sing, Vincent	Beneficial owner	40,600,000	1,400,000	42,000,000	2.91%
Mr. Ho Kam Hung	Beneficial owner	510,000	5,900,000	11,000,000	0.76%
Mr. Law Wai Fai	Beneficial owner	-	1,200,000	1,200,000	0.08%
Mr. Chau On Ta Yuen	Beneficial owner	300,000	900,000	1,200,000	0.08%

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Note 1:

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

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

(ii) Substantial Shareholder

At 31st December, 2010, so far as is known to the Directors, shareholders (other than the Directors or chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company which have been disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

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

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



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Save as disclosed herein, no other person was directly or indirectly beneficially interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company as at 31st December, 2010.

None of the Directors has any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to the Company or any of its subsidiaries.

EMPLOYMENT AND REMUNERATION POLICIES

As at 31st December, 2010, the Group employed approximately 12 employees. The Remuneration Committee and the Directors of the Group reviewed remuneration policies regularly. The structure of the remuneration packages would take into account the level and composition of pay and the general market conditions in the respective countries and businesses.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the heading "Share Option Scheme" below, at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

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

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Up to 31 December, 2010, there were 48,400,000 share options granted. 15,520,000 option has been exercised during the prior period. 7,800,000 option has been cancelled or lapsed during the prior period. Details of which were as follows:

Number of shares under option

Director	Beginning of period	Granted during the period	Exercised during the period	End of period	Subscription price per share	Date of grant of share options	Vesting and exercisable period
Mr. Ho Kam Hung	5,900,000	-	-	5,900,000	1.25	5th February, 2008	5th February, 2008 to 4th February, 2018
	-	-	-	-	0.80	7th September, 2009	7th September, 2009 to 6th September, 2019
Sub-total	5,900,000	-	-	5,900,000			
Mr. Law Wai Fai	600,000	-	-	600,000	1.25	5th February, 2008	5th February, 2008 to 4th February, 2018
	600,000	-	-	600,000	0.80	7th September, 2009	7th September, 2009 to 6th September, 2019
Sub-total	1,200,000	-	-	1,200,000			
Mr. Lo Wan Sing, Vincent	-	-	-	-	1.25	5th February, 2008	5th February, 2008 to 4th February, 2018
	1,400,000	-	-	1,400,000	0.80	7th September, 2009	7th September, 2009 to 6th September, 2019
Sub-total	1,400,000	-	-	1,400,000			

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Director	Beginning of period	Granted during the period	Exercised during the period	End of period	Subscription price per share	Date of grant of share options	Vesting and exercisable period
Mr. Chau On Ta Yuen	600,000	-	-	600,000	1.25	5th February, 2008	5th February, 2008 to 4th February, 2018
	300,000	-	-	300,000	0.80	7th September, 2009	7th September, 2009 to 6th September, 2019
Sub-total	900,000	-	-	900,000			
Employees/ Non-Directors	8,400,000	-	-	8,400,000	1.11	31st January, 2008	31st January, 2008 to 30th January, 2018,
Non-Director	5,600,000	-	-	5,600,000	1.27	6th February, 2008	6th February, 2008 to 5th February, 2008
Employees/ Non-Directors	1,680,000	-	-	1,680,000	0.80	7th September, 2009	7th September, 2009 to 6th September, 2019
	15,600,000	-	-	15,680,000			
Total	25,080,000	-	-	25,080,000			

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31st December, 2010.

AUDIT COMMITTEE

The Company formulated written terms of reference for the Audit Committee in accordance with the requirements of the Stock Exchange. The Audit Committee comprises the three independent non-executive Directors of the Company, Mr. Law Wai Fai, Mr. Chau On Ta Yuen and Ms. Xu Lei. The primary duties of the Audit Committee are to review the Company's annual and interim results and to review and supervise the Company's financial reporting and internal control procedures.

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

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied throughout the six months ended 31st December, 2010 with the Code on Corporate Governance Practices (the "Code") as set out by the Stock Exchange in Appendix 14 to the Listing Rules during the six months ended 31st December, 2010 except for the following:

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 ("Model Code") to Listing Rules during the period under review. The Company has made specific enquiry with all Directors and all of them confirmed that they have complied with the required standard set out in the Model Code for the period ended 31st December, 2010.

OTHER

Reference is made to the announcement dated 31st December, 2010 in respect of the appointment of Ms. Xu Lie ("**Ms. Xu**") as an independent non-executive director. The remuneration of Ms. Xu is HK\$60,000 per annum, which was determined by the board of directors of the Company subsequent to her appointment date with reference to her duties and responsibilities within the Company.

APPRECIATION

On behalf of the Board, I would like to thank all of our customers, shareholders, suppliers and employees for their continued support.

List of all Directors of the Company as of the date of this report:

Executive Directors:

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

Independent Non-Executive Directors:

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

On behalf of the Board

Ng Leung Ho
Chairman

Hong Kong, 25th February, 2011