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

(Incorporated in Bermuda with limited liability)

Stock Code:00109

* for identification purposes only

2012 ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors:

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

Independent Non-Executive Directors:

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

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Chan Chi Ming, Tony

AUTHORIZED REPRESENTATIVES

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

AUDIT COMMITTEE

Mr. Law Wai Fai *(Chairman of Audit Committee)*
Mr. Chau On Ta Yuen
Ms. Xu Lei

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

GENERAL COMMITTEE

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

REGISTERED OFFICE OF THE COMPANY

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

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

Units 3310-11
33rd Floor, West Tower
Shun Tak Centre
168-200 Connaught Road Central
Sheung Wan
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

Corporate Information

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

LEGAL ADVISERS

On Hong Kong law:
D.S. Cheung & Co, Solicitors
29th Floor, Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

On Bermuda law:
Conyers Dill & Pearman
2901, One Exchange Square
No. 8 Connaught Place, Central
Hong Kong

AUDITOR

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

PRINCIPAL BANKERS

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

STOCK CODE

SEHK 00109

WEBSITE

www.gfellow.com

Chairman's Statement

BUSINESS REVIEW

We have turned into a net loss of approximately HK$619,312,000 for the Group in current year in comparison to a profit of approximately HK$471,910,000 in last year and our turnover has increased by approximately HK$1,468,000 to approximately HK$34,321,000. The loss position in current year was mainly due to loss on disposal of a subsidiary together with its interest in a jointly controlled entity of approximately HK$487,605,000 and provision for PRC capital gain tax of approximately HK$29,294,000.

During the current year, the investment and financial services continued its contribution for our overall turnover. The loan financing activity generated interest income of approximately HK$7,500,000 for the year under review; contribution for turnover attributable to securities held by the Group increased from approximately HK$1,326,000 in last year to that of approximately HK$2,430,000 for the current year.

The Group's distribution and trading of goods segment has delivered turnover of approximately HK$24,391,000 to the Group for the current year, represented an increase of approximately HK$22,864,000 compared to the prior year.

OUTLOOK

The Group's strategies continue to be applying due care and prudence on expansion and diversification and maintaining core focus of the Group on preserving assets and managing the risks of our assets portfolio in view of the worldwide stagnant economic environment.

Increasing concerns of Europe and absence of clear path to put economic health back into the United States will likely further dampen the global economy, whereby the Group's core business of investment and financial services and distribution and trading will continue to be managed with goal of maintaining income to the Group and to sustain value of our assets.

The accumulation to a higher level of current asset resources of the Group compared to prior periods will help the Group to maintain its positions in anticipation of the continuing global turmoil environment and to pursue different opportunities and new diversified investment portfolio. Loan reviews will be continued under the investment and financial services business and resources will be maintained for the distribution and trading business that has brought turnover to the Group, our segments will continue to bring income and contribute positively to the Group.

Chairman's Statement

APPRECIATION

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

Ng Leung Ho
Chairman

Hong Kong, 28th September, 2012

Management Discussion and Analysis

FINANCIAL REVIEW

For the year ended 30th June, 2012, the turnover of the Group increased by approximately HK$1,468,000 to approximately HK$34,321,000 (2011: approximately HK$32,853,000), representing an increase of approximately 4.47% from last year. Increase in turnover was primarily caused by (i) increase in turnover related to business activities in investment and financial services receiving interest income of approximately HK$7,500,000 (2011: nil) and increase in dividend income from approximately HK$1,326,000 for the prior year to approximately HK$2,430,000 for the current year; and (ii) business activities in distribution and trading have contributed to turnover of approximately HK$24,391,000 for the year under review as compared to approximately HK$1,527,000 in the prior year. The Group recorded a loss attributable to owners of the Group of approximately HK$619,312,000 for the year under review compared to a profit of approximately HK$471,910,000 of last year. The change into a loss position was mainly due to (i) loss on disposal of a subsidiary together with its interest in a jointly controlled entity recognised during the current year of approximately HK$487,605,000 (2011: nil); (ii) decrease in share of profit of a jointly controlled entity of approximately HK$479,786,000 to approximately HK$457,000 (2011: profit of approximately HK$480,243,000) mainly due to share of revaluation gain of an investment property of a jointly controlled entity recorded in the prior year but nil for the current year; (iii) loss impact of the increase in other net losses of the Group for the current year by approximately HK$77,809,000 to HK$98,185,000 (2011: loss of approximately HK$20,376,000) resulting from the increase in realised and unrealised loss for investments held for trading at year end by approximately HK$22,409,000 to approximately HK$42,811,000 and current year's recognition of impairment loss on available-for-sale investments of approximately HK$49,312,000 and loss due to fair value change on convertible notes receivable – derivative components of approximately HK$6,665,000; (iv) decrease in gross profit in the current year by approximately HK$20,987,000 to approximately HK$10,408,000 (2011: HK$31,395,000) as the major component was guaranteed return in the prior year with no direct cost of sales and; (v) loss impact of the increase in taxation expenses of the Group for the current year by approximately HK$29,802,000 to HK$29,292,000 (2011: credit of approximately HK$510,000). The total loss impact from above mentioned (i) to (v) was partly net-off by the profit impact as reflected in other revenue increase by approximately HK$5,892,000 to approximately HK$6,786,000 (2011: approximately HK$894,000) attributable to imputed interest on convertible notes receivable of approximately HK$3,320,000 (2011: nil) and rental and management fee income from sub-lease office premises of approximately HK$3,439,000 (2011: HK$866,000). Overall there was a change into net loss of approximately HK$619,312,000 (2011: profit of approximately HK$471,910,000) for the Group for current year.

BUSINESS REVIEW

Both Europe and United States have shown no sign of recovery of economy yet, the Group has continued to be cautious on its investment and financial services segment and had reduced its buy and sell trades of securities, the Group carried on its strategy to maintain its investment portfolios and diversified its investment portfolios with shareholders' capital return and volatility risks both considered in the Group's holdings of portfolios of the investment and financial services segment. The Group has approved loan financing of HK$100,000,000 during the year under review and interest income has contributed to the Group's turnover and gross profit for the current year. The Group has completed sales orders for its distribution and trading segment and has brought turnover to this segment during the current year which is major contributor to the turnover of the Group for the current year.

Management Discussion and Analysis

FUTURE PROSPECTS

With the third round of quantitative easing in the United States introduced which is more a passive measure to alleviate further depression of the economy and there is no bailout plan to the European crisis, to weather through the global economic turmoil the Group will further diversify its income sources and asset base by continuing assessment of investment projects; other than cash and bank balance which is reduced due to the loan financing of HK$100,000,000 the Group's other current assets have increased by approximately HK$115,262,000 the Group could utilise and realise its short term assets to diversify its portfolio of assets and generate investment return to the shareholders.

The Group has applied more resources since 2011 to bring turnover to the Group through its loan financing activities and the loan financing approved during the current year has provided the Group with constant interest income forming part of the internal resources for further development of the Group. The Group's operations in distribution and trading have contributed positively to the Group and the Group will maintain this direction.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had cash and cash equivalents of approximately HK$34,883,000 (2011: approximately HK$119,758,000). As at 30th June, 2012, the Group had net current assets of approximately HK$169,772,000 (2011: approximately HK$223,003,000). The shareholders' equity was approximately HK$269,992,000 (2011: approximately HK$900,564,000) and there was no borrowing (not including convertible notes liabilities). The Group's gearing ratio, calculated using the total borrowings (including convertible notes liabilities) as a percentage of total shareholders' equity as basis, was approximately 10.92% (2011: approximately 3.34%).

CONTINGENT LIABILITIES

As at 30th June, 2012, the Group did not have any significant contingent liabilities.

DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 30th June, 2012.

VERY SUBSTANTIAL DISPOSAL OF A SUBSIDIARY

The Group has recognised in the consolidated statement of comprehensive income for the current year, the loss on disposal of a subsidiary together with its interest in a jointly controlled entity, which is principally engaged in property investment and development in Fuzhou, the PRC (the "Disposal") of approximately HK$487,605,000, after taken into account the post completion adjustment as announced on 29th June, 2012. Please refer to note 31 to the financial statements for more details.

Financial assets pertaining to the convertible preference shares and convertible notes ("These Assets") issued by China Grand Forestry Green Resources Group Limited ("China Grand") forming part of the consideration for the Disposal were initially recognised as non-current assets of the Group.

Management Discussion and Analysis

In view of possible increasing uncertainty of risks and returns and taking into consideration of the following factors:

(i) it was expected that there would be an improvement and turnaround in the business and financial performance of the ecological forestry business segment of the China Grand Group during the year of 2012 given China Grand recorded a significant decrease in the loss for the period, which was solely generated from its ecological forestry business, of approximately HK$407,754,000, or approximately 62.5%, for the six months ended 30 September 2011 when compared with that of the previous corresponding period as reported in the interim report of China Grand dated 30 November 2011. Despite the aforesaid, the recent business and financial performance of ecological forestry business segment of the China Grand Group was greatly lagged behind the then expectation of the Directors. According to the annual report of China Grand for the year ended 31 March 2012, the ecological forestry business segment of China Grand recorded a significant reportable segment loss of approximately HK$1,466,414,000 for the year ended 31 March 2012. The loss was mainly attributable to the operating loss arising from limited activities in harvesting and trading of biological assets, change in fair value of biological assets and change in fair value of financial assets through profit or loss;

(ii) a general decreasing trend in the share prices of China Grand since the completion of the Disposal on 15 February 2012 up to the date of board meeting of the Company to approve the audited consolidated results of the Group for the financial year ended 30 June 2012 on 28 September 2012 (the "Post Completion Period") and the daily trading volumes of the shares of China Grand were only ranged between 12,600 shares and approximately 8.3 million shares during the Post Completion Period; and

(iii) positive development of the loan financing and trading and distribution businesses of the Group during the year of 2012 and the intention of the Group to deploy more resources to develop those businesses and/or finance other investment opportunities arise;

the Group has changed its intention to hold These Assets for long term and intends to dispose of These Assets within one year. Accordingly, These Assets have been re-classified as current assets.

EMPLOYMENT AND REMUNERATION POLICIES

As at 30th June, 2012, the Group employed approximately 10 employees. The Remuneration Committee and the Directors of the Company reviewed remuneration policies regularly. The structure of the remuneration packages would take into account the level and composition of pay and the general market conditions in the respective countries and businesses.

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 30th June, 2012.

SHARE OPTION SCHEME

The Company has a share option scheme to enable the Directors of the Company to grant options to eligible participants, including executive Directors, of the Company and its subsidiaries to subscribe for shares in the Company. Details of movements in the Company's share options during the year ended 30th June, 2012 are set out in note 30 to the financial statements.

Directors and Senior Management's Profiles

EXECUTIVE DIRECTORS

Mr. NG Leung Ho ("Mr. Ng"), aged 61, was previously an executive Director and Chairman of the Company and a member of each of the Remuneration Committee, Nomination Committee and General Committee of the Company from 14th June, 2007 to 10th November, 2008. He was appointed as Non-Executive Director and Chairman of the Company on 8th September, 2009 and re-designated to Executive Director and member of each of the Remuneration Committee, Nomination Committee and General Committee of the Company on 30th September, 2009. He had been the director of certain subsidiaries of the Company. He had also been the chairman and an executive director of China Grand Forestry Green Resources Group Limited ("**CGFGR**"), the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Mr. Ng has more than 37 years of experience in the field of apparel business. Mr. Ng is currently a JP and a member of the Chinese People's Political Consultative Conference, with a Silver Bauhinia Star (SBS) awarded on 1st July, 2011 by the Government of HKSAR.

Mr. LO Wan Sing, Vincent ("Mr. Lo"), aged 65, was appointed as an Independent Non-Executive Director of the Company on 3rd July, 2007 and re-designated as an Executive Director and Chairman of the Board and appointed as member of the General Committee on 10th November, 2008. Mr. Lo was re-designated as Vice-Chairman of the Board on 8th September, 2009 and appointed as Managing Director, a member of the Remuneration Committee and Nomination Committee of the Company on 1st March, 2011. He was previously the Chairman of Remuneration Committee, and member of each of Audit Committee and Nomination Committee of the Company from 3rd July, 2007 to 10th November, 2008. He has more than 30 years of experience in the field of jewelry and property investment. He is currently the president of Plateria Jewelry Limited and Kwok Cheong Ind. Limited, and also the managing director of Hong Kong New Century Real Estate Limited. He is a member of the Chinese People's Political Consultative Conference, with a Bronze Bauhinia Star (BBS) awarded on 1st July, 2011 by the Government of HKSAR.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAU On Ta Yuen ("Mr. Chau"), aged 65, was appointed as an Independent Non-Executive Director of the Company on 3rd July, 2007. He was also appointed the Chairman of Nomination Committee, a member of each of the Audit Committee and Remuneration Committee of the Company on 3rd July, 2007. He graduated from Xiamen University majoring in Chinese language and literature. Mr. Chau is also Chairman and executive director of China Ocean Shipbuilding Industry Group Limited and an independent non-executive director of Come Sure Group (Holdings) Limited and Sumpo Food Holdings Limited, all of which are listed on the Main Board of the Stock Exchange. Mr. Chau previously held positions for companies listed on the Main Board of the Stock Exchange: (i) as the executive director and the deputy chairman of Dynamic Energy Holdings Limited (formerly known as "Everbest Energy Holdings Limited") (from 20th March, 2003 to 20th November, 2006), (ii) as independent non-executive director of Buildmore International Limited (from 1st December, 2008 to 24th September, 2010); Mr. Chau also held position for company listed on the GEM Board of the Stock Exchange: as an independent non-executive director Hao Wen Holdings Limited (from 28th May, 2003 to 20th August, 2009). He is also a member of the Chinese People's Political Consultative Conference and the deputy chairman of Hong Kong Federation of Fujian Associations, with a Bronze Bauhinia Star (BBS) awarded on 1st July, 2010 by the Government of HKSAR.

Directors and Senior Management's Profiles

Mr. LAW Wai Fai ("Mr. Law"), aged 44, was appointed as an Independent Non-Executive Director of the Company on 3rd July, 2007. He was also appointed as the Chairman of Audit Committee, the Chairman of General Committee, members of Remuneration Committee and Nomination Committee of the Company on 3rd July, 2007. Mr. Law has been re-designated from a member to the Chairman of the Remuneration Committee on 10th November, 2008. He had been an executive director of Superb Summit International Timber Company Limited, a company listed on the Main Board of the Stock Exchange, up to 22nd June, 2010. Mr. Law has extensive experience in financial management. He holds a master of Business Administration degree from the Hong Kong Polytechnic University and a bachelor degree in Accountancy from the City University of Hong Kong. He is also a member of the Hong Kong Institute of Certified Public Accountants and a member of The Institute of Chartered Accountants in England and Wales.

Ms. XU Lei ("Ms. Xu"), aged 33, was appointed as an Independent Non-Executive Director of the Company on 31st December, 2010. She was also appointed as a member of the Audit Committee, a member of the Remuneration Committee and a member of Nomination Committee. Ms. Xu holds a master degree in Journalism. Ms. Xu has more than 5 years working experience with Hong Kong Wen Wei Po and has obtained several press awards. Ms. Xu had been an independent non-executive director, a member of each of the Audit Committee, Remuneration Committee and Nomination Committee from 1 January 2010 to 31 December 2010 of CGFGR.

SENIOR MANAGEMENT

Mr. CHAN Chi Ming, Tony ("Mr. Chan"), aged 44, chief financial officer and company secretary of the Company, is responsible for strategic investment and financial management of the Company. Mr. Chan graduated from Australian National University, with a Bachelor Degree in Commerce (Major in Accounting). Mr. Chan is a member of the CPA Australia and has over 17 years' experience in the field of business advisory, accounting and auditing. Mr. Chan was formerly senior manager of an international accounting firm.

Corporate Governance Report

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

CODE ON CORPORATE GOVERNANCE PRACTICE

In the opinion of the Directors, the Company has complied throughout the year ended 30th June, 2012 with the Code on Corporate Governance Practice (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and the relevant code provisions, including those became effective on 1st April, 2012, except for the following deviations:

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

THE BOARD OF DIRECTORS

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

The Board now comprises of five Directors, with two Executive Directors and three Independent Non-Executive Directors. The Directors' biographical information is set out on pages 9 and 10 under the heading "Directors and Senior Management's Profiles". The Board members up to the date of this report are:

Executive directors
Mr. Ng Leung Ho
Mr. Lo Wan Sing, Vincent

Independent non-executive directors
Mr. Law Wai Fai
Mr. Chau On Ta Yuen
Ms. Xu Lei

None of the members of the Board is related to one another.

The Company has arranged appropriate insurance cover in respect of the legal action against the Directors. Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expenses, upon reasonable request made to the Board.

Corporate Governance Report

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

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

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

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

AUDIT COMMITTEE

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

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

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

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

REMUNERATION COMMITTEE

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

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

NOMINATION COMMITTEE

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

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

GENERAL COMMITTEE

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

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

Corporate Governance Report

ATTENDANCE RECORD AT BOARD AND BOARD COMMITTEE MEETINGS

Board of Directors Meetings

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

Name of Directors	Attendance
Executive Directors	
Mr. Ng Leung Ho *(Chairman)*	11/12
Mr. Lo Wan Sing, Vincent *(Vice-Chairman and Managing Director)*	11/12
Independent Non-Executive Directors	
Mr. Law Wai Fai	11/12
Mr. Chau On Ta Yuen	12/12
Ms. Xu Lei	12/12

Audit Committee Meetings

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

Name of Audit Committee members	Attendance
Independent Non-Executive Directors	
Mr. Law Wai Fai *(Chairman of Audit Committee)*	2/2
Mr. Chau On Ta Yuen	2/2
Ms. Xu Lei	2/2

Remuneration Committee Meetings

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

Name of Remuneration Committee members	Attendance
Independent Non-Executive Directors	
Mr. Law Wai Fai *(Chairman of Remuneration Committee)*	1/1
Mr. Chau On Ta Yuen	1/1
Ms. Xu Lei	1/1
Executive Directors	
Mr. Ng Leung Ho	1/1

General Committee Meeting

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

Name of General Committee members	Attendance
Independent Non-Executive Director	
Mr. Law Wai Fai *(Chairman of General Committee)*	1/1
Executive Directors	
Mr. Ng Leung Ho	1/1
Mr. Lo Wan Sing, Vincent	1/1

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions By Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") during the year under review. The Company has made specific enquiry with all directors and all of them confirmed that they have complied with the required standard set out in the Model Code for the year ended 30th June, 2012.

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

Corporate Governance Report

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

The statement of the external Auditor of the Company, Messrs. BDO Limited, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 26 and 27.

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

AUDITOR'S REMUNERATION

The remuneration in respect of audit and non-audit services provided by the external auditors for the year ended 30th June, 2012 are HK$692,000 and HK$597,000 respectively,

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

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

INVESTOR RELATIONS

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

Report of the Directors

The directors present their annual report and the audited consolidated financial statements of the Company for the year ended 30th June, 2012.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 36 to the financial statements.

RESULTS

The results of the Group for the year ended 30th June, 2012 are set out in the consolidated statement of comprehensive income on page 28.

The directors do not recommend the payment of a dividend for the year ended 30th June, 2012.

FINANCIAL SUMMARY

The financial summary of the consolidated results of the Group for each of the five years ended 30th June, 2012 and of the net assets of the Group as at 30th June, 2012, 2011, 2010, 2009, and 2008 are set out on page 98.

INTEREST IN A JOINTLY CONTROLLED ENTITY

Details of disposal of and movements during the year in the interest in a jointly controlled entity of the Group including advance of an unsecured shareholders' loan of HK$200,000,000 to a jointly controlled entity and details for the balance and attributable interest of the Group are set out in notes 18 and 31 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 28 to the financial statements.

Report of the Directors

SHARE OPTIONS

Details of movements during the year in the share options of the Group are set out in note 30 to the financial statements.

CONVERTIBLE NOTES

Details of movements during the year in the convertible notes of the Company are set out in note 26 to the financial statements.

RESERVES

Details of movements during the year in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 31 and in note 29 to the financial statements respectively.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution amounted to approximately HK$56,189,000 at 30th June, 2012. Under the Companies Act 1981 of Bermuda (as amended), the balances in a company's contributed surplus and share premium accounts are available for distribution. However, the company cannot declare or pay a dividend, or make a distribution out of contributed surplus and share premium if:

(a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of the assets of the company would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Report of the Directors

DIRECTORS

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

Executive Directors:

Mr. Ng Leung Ho
Mr. Lo Wan Sing, Vincent

Independent Non-Executive Directors:

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

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

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

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

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

At 30th June, 2012, the interests or short positions of each Director and the Chief Executive in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provision of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or (c) were required pursuant to the Model Code to be notified to the Company and the Stock Exchange were as follows:

Report of the Directors

Ordinary shares or underlying shares of the Company

Directors	Capacity	Number of issued ordinary shares held	Number of share options held	Total	Approximate percentage of issued share capital of the Company
Mr. Ng Leung Ho *(Note 1)*	Beneficial owner/ Interest of controlled corporation	506,741,882	–	506,741,882	35.13%
Mr. Lo Wan Sing, Vincent	Beneficial owner	40,600,000	1,400,000	42,000,000	2.91%
Mr. Law Wai Fai	Beneficial owner	–	1,200,000	1,200,000	0.08%
Mr. Chau On Ta Yuen	Beneficial owner	300,000	900,000	1,200,000	0.08%

Note 1:

Included (i) personal interests in 100,000,000 underlying shares representing the conversion rights attached to the convertible notes of principal amount of HK$30,000,000 issued by the Company and (ii) corporate interests attributed to Mr. Ng Leung Ho of 406,741,882 shares held by Rich Capital Global Enterprises Limited, which is directly wholly owned by Mr. Ng Leung Ho.

Save as disclosed above, as at 30th June, 2012, none of the directors and the chief executive of the Company were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required pursuant to the Model Code adopted by the Company to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

SHARE OPTION SCHEME

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

Up to 30th June, 2012, there were 48,400,000 share options granted and 7,800,000 option cancelled or lapsed.

15,520,000 options have been exercised in prior years. Details of the outstanding share options were as follows:

Number of shares under option

Director	Beginning of year	Granted during the year	Exercised during the year	End of year	Subscription price per share	Date of grant of share options	Exercisable period
Mr. Law Wai Fai	600,000	–	–	600,000[1]	1.25	5th February, 2008	5th February, 2008 to 4th February, 2018
	600,000	–	–	600,000[1]	0.80	7th September, 2009	7th September, 2009 to 6th September, 2019
Sub-total	1,200,000	–	–	1,200,000			
Mr. Lo Wan Sing, Vincent	1,400,000	–	–	1,400,000[1]	0.80	7th September, 2009	7th September, 2009 to 6th September, 2019
Mr. Chau On Ta Yuen	600,000	–	–	600,000[1]	1.25	5th February, 2008	5th February, 2008 to 4th February, 2018
	300,000	–	–	300,000[1]	0.80	7th September, 2009	7th September, 2009 to 6th September, 2019
Sub-total	900,000	–	–	900,000			
Grand-total	3,500,000	–	–	3,500,000			

Report of the Directors

Employees/ Non-director	Beginning of year	Granted during the year	Exercised during the year	End of year	Subscription price per share	Date of grant of share options	Exercisable period
Employees/ Non-Directors	8,400,000	–	–	8,400,000[1]	1.11	31st January, 2008	31st January, 2008 to 30th January, 2018
Non-Director	5,600,000	–	–	5,600,000[1]	1.27	6th February, 2008	6th February, 2008 to 5th February, 2018
Non-Director	5,900,000	–	–	5,900,000[1]	1.25	5th February, 2008	5th February, 2008 to 4th February, 2018
Employees/ Non-Directors	1,680,000	–	–	1,680,000[1]	0.80	7th September, 2009	7th September, 2009 to 6th September, 2019
Grand-total	21,580,000	–	–	21,580,000			
Total	25,080,000	–	–	25,080,000			

Notes:

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

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

At 30th June, 2012, the shareholder who had an interest or short position in the shares and underlying shares of the Company which have been disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO was as follows:

Name of shareholder	Capacity	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
Rich Capital Global Enterprises Limited *(Note)*	Beneficial owner	406,741,882	28.20%

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

Save as disclosed herein, no other person had any interests or short positions in the shares or underlying shares of the Company as at 30th June, 2012, which were disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

The Group has two external customers, which had accounted for 100% of the Group's turnover from (i) trading and (ii) investment and financial services and turnover from the largest customer included therein amounted to approximately 71%.

The Group has one external supplier, which had accounted for 100% of the Group's cost of sales from trading.

Report of the Directors

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

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

CORPORATE GOVERNANCE

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

INDEPENDENCE CONFIRMATION

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

DIRECTOR'S INTERESTS IN COMPETING BUSINESSES

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

AUDIT COMMITTEE

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

PRE-EMPTIVE RIGHTS

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

EMOLUMENT POLICY

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

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

Report of the Directors

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the best knowledge of the directors, the Company has maintained a sufficient public float throughout the year ended 30th June, 2012.

AUDITOR

The financial statements for the year ended 30th June, 2012 have been audited by BDO Limited. BDO Limited shall retire and a resolution for its reappointment will be proposed at the forthcoming Annual General Meeting of the Company.

On behalf of the Board

Ng Leung Ho
Chairman

Hong Kong, 28th September, 2012

Independent Auditor's Report

BDO

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

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

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

香港干諾道中111號
永安中心25樓

TO THE SHAREHOLDERS OF GOOD FELLOW RESOURCES HOLDINGS LIMITED
金威資源控股有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Good Fellow Resources Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 97, which comprise the consolidated and company's statements of financial position as at 30th June, 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of the affairs of the Group and of the Company as at 30th June, 2012 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Wong Chi Wai
Practising Certificate Number P04945

28th September, 2012

Consolidated Statement of Comprehensive Income

For the year ended 30th June, 2012

	Notes	2012 HK$'000	2011 HK$'000
Turnover	7	**34,321**	32,853
Cost of sales		**(23,913)**	(1,458)
Gross profit		**10,408**	31,395
Other revenue	9	**6,786**	894
Other net gains and losses	9	**(98,185)**	(20,376)
Administrative expenses		**(17,803)**	(16,974)
Loss on disposal of a subsidiary together with its interest in a jointly controlled entity	31	**(487,605)**	–
Finance costs	10	**(4,078)**	(3,782)
Share of profit of a jointly controlled entity	18	**457**	480,243
(Loss)/profit before taxation	11	**(590,020)**	471,400
Taxation	13	**(29,292)**	510
(Loss)/profit for the year attributable to owners of the Company		**(619,312)**	471,910
Other comprehensive income			
– Share of translation difference of a jointly controlled entity	18	**14,232**	14,506
– Reclassification adjustment of translation reserve upon disposal of a subsidiary together with its interest in a jointly controlled entity	31	**(28,738)**	–
– Fair value change on available-for-sale investments	21	**(49,312)**	–
– Reclassification of impairment loss on available-for-sale investments to profit or loss		**49,312**	–
		(14,506)	14,506
Total comprehensive income for the year attributable to owners of the Company		**(633,818)**	486,416
		HK Cents	*HK Cents*
(Loss)/earnings per share attributable to owners of the Company	15		
– Basic		**(42.9)**	32.7
– Diluted		**(42.9)**	30.5

Consolidated Statement of Financial Position

At 30th June, 2012

	Notes	**2012** **HK$'000**	2011 HK$'000
Non-current assets			
Property, plant and equipment	16	**852**	1,070
Interest in a jointly controlled entity	18	**–**	707,258
Loan receivable	19	**100,000**	–
		100,852	708,328
Current assets			
Trade and other receivables	20	**27,878**	7,420
Available-for-sale investments	21	**78,193**	–
Convertible notes receivable – debt component	22	**75,279**	–
Convertible notes receivable – derivative components	22	**3,383**	–
Investments held for trading	23	**35,804**	97,855
Bank balances and cash	24	**34,883**	119,758
		255,420	225,033
Current liabilities			
Trade and other payables	25	**26,854**	2,030
Convertible notes	26	**29,487**	–
Provision for taxation		**29,307**	–
		85,648	2,030
Net current assets		**169,772**	223,003
Total assets less current liabilities		**270,624**	931,331
Non-current liabilities			
Convertible notes	26	**–**	30,089
Deferred tax liabilities	27	**632**	678
		632	30,767
NET ASSETS		**269,992**	900,564
Capital and reserves attributable to owners of the Company			
Share capital	28	**144,221**	144,221
Reserves		**125,771**	756,343
TOTAL EQUITY		**269,992**	900,564

On behalf of the Board

Ng Leung Ho
DIRECTOR

Lo Wan Sing, Vincent
DIRECTOR

Statement of Financial Position

At 30th June, 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	16	**852**	1,070
Investments in subsidiaries	17	**–**	390
		852	1,460
Current assets			
Trade and other receivables	20	**12**	119
Amounts due from subsidiaries	17	**304,303**	271,179
Bank balances and cash	24	**19,830**	101,526
		324,145	372,824
Current liabilities			
Other payables	25	**2,466**	1,138
Amounts due to subsidiaries	17	**–**	1,202
Convertible notes	26	**29,487**	–
Provision for taxation		**29,294**	–
		61,247	2,340
Net current assets		**262,898**	370,484
Total assets less current liabilities		**263,750**	371,944
Non-current liabilities			
Convertible notes	26	**–**	30,089
Deferred tax liabilities	27	**85**	678
		85	30,767
NET ASSETS		**263,665**	341,177
Capital and reserves attributable to owners of the Company			
Share capital	28	**144,221**	144,221
Reserves	29	**119,444**	196,956
TOTAL EQUITY		**263,665**	341,177

On behalf of the Board

Ng Leung Ho
DIRECTOR

Lo Wan Sing, Vincent
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 30th June, 2012

	Share capital HK$'000	Share premium[a] HK$'000	Contributed surplus[a] HK$'000	Special reserve[b] HK$'000	Other reserves[c] HK$'000	Translation reserves[d] HK$'000	Share – based compensation reserve[e] HK$'000	Convertible notes reserve HK$'000	Available-for-sale investment revaluation reserve[f] HK$'000	(Accumulated losses)/ Retained profits HK$'000	Total HK$'000
At 1st July, 2010	144,221	24,916	170,789	847	39,387	(5)	14,807	7,855	–	(2,490)	400,327
Transactions with owners											
– Equity settled share-based payments	–	–	–	–	–	–	982	–	–	–	982
Share of capital reserve of a jointly controlled entity	–	–	–	–	12,839	–	–	–	–	–	12,839
Profit for the year	–	–	–	–	–	–	–	–	–	471,910	471,910
Other comprehensive income for the year											
– Share of translation difference of a jointly controlled entity	–	–	–	–	–	14,506	–	–	–	–	14,506
Total comprehensive income for the year	–	–	–	–	–	14,506	–	–	–	471,910	486,416
At 30th June, 2011	144,221	24,916	170,789	847	52,226	14,501	15,789	7,855	–	469,420	900,564
Transactions with owners											
– Equity settled share-based payments	–	–	–	–	–	–	1,203	–	–	–	1,203
– Early redemption of convertible notes, net of tax	–	–	–	–	–	–	–	(979)	–	–	(979)
	–	–	–	–	–	–	1,203	(979)	–	–	224
Share of capital reserve of a jointly controlled entity	–	–	–	–	3,022	–	–	–	–	–	3,022
Transfer of other reserve of a jointly controlled entity to retained profits upon disposal	–	–	–	–	(15,861)	–	–	–	–	15,861	–
Loss for the year	–	–	–	–	–	–	–	–	–	(619,312)	(619,312)
Other comprehensive income for the year											
– Share of translation difference of a jointly controlled entity	–	–	–	–	–	14,232	–	–	–	–	14,232
– Reclassification adjustment of translation reserve upon disposal of a subsidiary together with its interest in a jointly controlled entity	–	–	–	–	–	(28,738)	–	–	–	–	(28,738)
– Fair value change on available-for-sale investments	–	–	–	–	–		–	–	(49,312)	–	(49,312)
– Reclassification of impairment loss to profit or loss	–	–	–	–	–	–	–	–	49,312	–	49,312
	–	–	–	–	–	(14,506)	–	–	–	–	(14,506)
Total comprehensive income for the year	–	–	–	–	–	(14,506)	–	–	–	(619,312)	(633,818)
At 30th June, 2012	**144,221**	**24,916**	**170,789**	**847**	**39,387**	**(5)**	**16,992**	**6,876**	**–**	**(134,031)**	**269,992**

Consolidated Statement of Changes in Equity

For the year ended 30th June, 2012

(a) The application of the share premium account and contributed surplus are governed by the Bermuda Companies Act.

(b) The special reserve of the Group represents the differences between the nominal value of the aggregate share capital of the subsidiaries acquired pursuant to a group reorganisation in December 1997, over the nominal value of the Company's shares issued in exchange.

(c) Other reserves of the Group of HK$39,387,000 as at 30th June, 2010 and 2012 represent the aggregate of the credit arising from the reduction of nominal value of the Company's share capital in March 1999 and March 2001 less the amount utilised for a bonus issue of shares in September 2000. The movements in other reserves during the years ended 30th June, 2011 and 30th June, 2012 represent the Group's share of capital reserve of a jointly controlled entity arising from capital contributions from joint venture partners.

(d) The translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3. The release of the reserve to profit or loss during the year represents the reversal of translation reserve upon the disposal of a subsidiary together with its interest in a jointly controlled entity.

(e) The share-based compensation reserve represents the fair value of the share options granted by the Company which are yet to be exercised, and recognised in accordance with the accounting policy adopted for share-based payments in note 3.

(f) Available-for-sale investment revaluation reserve represents the cumulative net change in the fair value of available-for-sale investments during the year and is reclassified to profit or loss as impairment loss dealt with in accordance with accounting policies set out in note 3.

Consolidated Statement of Cash Flows

For the year ended 30th June, 2012

	Notes	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES			
(Loss)/profit before taxation		**(590,020)**	471,400
Adjustments for:			
Bank interest income	9	**(27)**	(28)
Interest expenses	10	**4,078**	3,782
Depreciation of property, plant and equipment	16	**316**	316
Share of profit of a jointly controlled entity	18	**(457)**	(480,243)
Impairment loss on available-for-sale investments	21	**49,312**	–
Imputed interest income on convertible notes receivable	22	**(3,320)**	–
Fair value change on convertible notes receivable – derivative components	22	**6,665**	–
Gain on early redemption of convertible notes	26	**(603)**	–
Share-based payments	30	**1,203**	982
Loss on disposal of a subsidiary together with its interest in a jointly controlled entity	31	**487,605**	–
Reversal of long outstanding payables and accruals		**–**	(26)
Write off of property, plant and equipment		**–**	2
Operating cash flows before movements in working capital		**(45,248)**	(3,815)
Increase in loan receivable		**(100,000)**	–
Increase in trade and other receivables		**(20,458)**	(420)
Decrease in investments held for trading		**62,051**	5,019
Increase in trade and other payables		**24,824**	53
NET CASH (USED IN)/FROM OPERATING ACTIVITIES		**(78,831)**	837
INVESTING ACTIVITIES			
Interest received on bank balances	9	**27**	28
Purchase of property, plant and equipment	16	**(98)**	–
Net cash outflow from disposal of a subsidiary together with its interest in a jointly controlled entity, net of related expenses	31	**(886)**	–
NET CASH (USED IN)/FROM INVESTING ACTIVITIES		**(957)**	28
FINANCING ACTIVITIES			
Interest paid		**(887)**	(689)
Early redemption of convertible notes	26	**(4,200)**	–
NET CASH USED IN FINANCING ACTIVITIES		**(5,087)**	(689)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(84,875)**	176
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**119,758**	119,582
CASH AND CASH EQUIVALENTS AT END OF THE YEAR represented by bank balances and cash		**34,883**	119,758

Notes to the Financial Statements

For the year ended 30th June, 2012

1. GENERAL

Good Fellow Resources Holdings Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business of the Company is located at Room 3310-11, 33rd Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

The Company is an investment holding company. The principal activities of the Group are provision of investment and financial services, and distribution and trading. The principal activities of its principal subsidiaries are set out in note 36.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1st July, 2011

HKFRSs (Amendments)	Improvements to HKFRSs 2010
Amendments to HKFRS 7	Disclosure – Transfers of Financial Assets
HKAS 24 (Revised)	Related Party Disclosures

Except as explained below, the adoption of these new/revised standards and interpretations has no significant impact on the Group's financial statements.

Amendments to HKFRS 7 – Financial Instruments: Disclosures

As part of the improvements to HKFRSs issued in 2010, HKFRS 7 has been amended to enhance the interaction between quantitative and qualitative disclosures. If the carrying amount of a financial asset best represents the maximum exposure to credit risk, the standard does not require a positive statement to this effect in the financial statements. This amended disclosure requirement has been applied retrospectively. The carrying amount of the Group's financial assets represents the Group's maximum exposure to credit risk in respect of these financial assets as at 30th June, 2011. The prior year's financial statements included a positive statement to this effect which is removed in the 2012 financial statements following the amendments. The adoption of the amendments has no impact on the Group's reported profit or loss, total comprehensive income or equity for any period presented.

Amendments to HKFRS 7 – Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 improve the disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The adoption of the amendments has no impact on the Group's reported profit or loss, total comprehensive income or equity for any period presented.

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

(a) Adoption of new/revised HKFRSs – effective 1st July, 2011 (continued)

HKAS 24 (Revised) – Related Party Disclosures

HKAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition. The adoption of HKAS 24 (Revised) has no impact on the Group's related party disclosure, reported profit or loss, total comprehensive income or equity in the current or prior periods.

HKAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

(b) Potential impact arising on HKFRSs not yet effective

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2009-2011 Cycle[2]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKFRS 7	Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 27 (2011)	Separate Financial Statements[2]

[1] Effective for annual periods beginning on or after 1st July, 2012
[2] Effective for annual periods beginning on or after 1st January, 2013
[3] Effective for annual periods beginning on or after 1st January, 2014
[4] Effective for annual periods beginning on or after 1st January, 2015

Notes to the Financial Statements

For the year ended 30th June, 2012

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

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

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

HKFRS 9 – Financial Instruments

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

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

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

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

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

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

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of measurement

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional currency and presentation

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

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates 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.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsidiaries

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

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

Notes to the Financial Statements

For the year ended 30th June, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly controlled entity

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

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

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

Property, plant and equipment

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

Financial instruments

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

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, 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. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss where the financial asset is either held for trading or it is designated as at fair value through profit or loss. Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets. Derivates, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Notes to the Financial Statements

For the year ended 30th June, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

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

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

Impairment of financial assets

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost; or
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For Loans and receivables

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

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

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

For Available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments issued by the Group

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

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

Financial liabilities

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

Equity instruments

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

Convertible notes

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Effective interest method

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

Derecognition of financial assets and liabilities

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

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

Impairment of non-financial assets

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

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

Revenue recognition

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

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

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

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

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

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

Income taxes

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

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

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

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

Leases

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

The Group as lessor

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

The Group as lessee

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

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

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

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

Employees benefits

(i) Short term benefits

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

(ii) Pension obligations

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provision and contingent liabilities

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

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

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

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

Share-based payments

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

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

Notes to the Financial Statements

For the year ended 30th June, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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

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

Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) An entity is related to the Group if any of the following conditions apply: (continued)

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Impairment of trade and other receivables, loan receivable and convertible notes receivable

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Provision for taxation

The Group through its investment in a jointly controlled entity is subject to certain taxes in the People's Republic of China (the "PRC") including enterprise income tax and capital gain tax. Significant judgement is required in determining the amount of the provision for taxes and the timing of related taxes. The Group recognises the liabilities for anticipated taxes based on the Group's interpretation of prevailing tax laws and practices. Where the final outcome of these matters is different from the amounts that were initially recorded, such difference will impact the tax provisions in the period in which such determination is made.

5. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital. There was no change in capital management policies and objectives from prior periods.

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

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

	2012	2011
	HK$'000	*HK$'000*
Total borrowings	**29,487**	30,089
Total shareholders' equity	**269,992**	900,564
Gearing ratio	**10.92%**	3.34%

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Credit risk

In order to minimise credit risk, the Group's management has delegated to a team the responsibility for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group's management reviews the recoverable amount of each individual debt, including loan receivable, convertible notes receivable, trade debts, other receivables and loan to a jointly controlled entity, regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. For loan receivable, the Group holds collateral from the borrower and obtains guarantees from the borrower's shareholders and subsidiary as set out in note 19. In this regard, management considers that the Group's credit risk is significantly reduced. As at 30th June, 2012, trade receivables are principally due from a single customer. Loan receivable and convertible notes receivable are also each due from a single counterparty. The Group therefore has significant concentration of credit risk to a few counterparties.

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

Included in trade and other receivables was an other receivable of HK$6,534,000 in respect of guaranteed return from investment receivable from a joint venture partner as at 30th June, 2011 as mentioned in notes 18 and 20. Management considered the credit risk was significantly mitigated as the 50% equity interest in the Group's jointly controlled entity held by the joint venture partner was pledged to the Group as security for the due payment of the guaranteed returns.

Equity price risk

The Group's investments held for trading are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity price risk. The directors manage this exposure by maintaining a portfolio of investments held for trading with different risk profiles. At 30th June, 2012, if the quoted market price of the Group's listed securities had been 10% higher/lower, loss for the year would have been approximately HK$3,580,000 lower/higher (2011: Profit for the year would have been HK$9,786,000 higher/lower).

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk (continued)

The Group's available-for-sale investments as detailed in note 21 are measured at fair value at the end of each reporting period. If the quoted market price of the listed shares of the issuer (i.e. the investee of the Group) has been 20% higher/lower (2011: Nil), the available-for-sale investment revaluation reserve and the corresponding impairment loss recognised in profit or loss for the year would have been approximately HK$15,451,000 higher/ HK$ 15,469,000 lower (2011: Nil).

The derivative components of the Group's convertible notes receivable as detailed in note 22 are required to be measured at fair value at the end of each reporting period. The fair value will be affected either positively or negatively, amongst others, by the changes in the issuer's share price. If the issuer's share price had been 20% higher/lower (2011: Nil) and all other variable were held constant, the Group's loss for the year would be HK$1,455,000 lower/ HK$ 1,225,000 higher (2011: Nil).

Interest rate risk

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

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

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

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash. The Group maintains its financial position with adequate cash and cash equivalents of HK$34,883,000 (2011: HK$119,758,000) at 30th June, 2012.

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

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The contractual maturities of financial liabilities are shown as below:

2012	**Carrying amount** *HK$'000*	**Total contractual undiscounted cash flows** *HK$'000*	**Within 1 year or on demand** *HK$'000*	**More than 1 year but less than 2 years** *HK$'000*	**More than 2 years but less than 5 years** *HK$'000*	**More than 5 years** *HK$'000*
Group						
Trade and other payables	**26,854**	**26,854**	**26,854**	**–**	**–**	**–**
Convertible notes	**29,487**	**30,077**	**30,077**	**–**	**–**	**–**
	56,341	**56,931**	**56,931**	**–**	**–**	**–**
Company						
Other payables	**2,466**	**2,466**	**2,466**	**–**	**–**	**–**
Convertible notes	**29,487**	**30,077**	**30,077**	**–**	**–**	**–**
	31,953	**32,543**	**32,543**	**–**	**–**	**–**

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

Notes to the Financial Statements

For the year ended 30th June, 2012

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

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

7. TURNOVER

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

	2012 ***HK$'000***	2011 *HK$'000*
Trading of apparel	**24,391**	1,527
Loan interest income	**7,500**	–
Dividend income from investments held for trading	**2,430**	1,326
Guaranteed return from a joint venture partner of investment in a jointly controlled entity *(Note 18)*	**–**	30,000
	34,321	32,853

8. SEGMENT REPORTING

Reportable segments

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

The Group has two reportable segments (2011: two). The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Investment and financial services – trading of securities, investment holding and provision of financial services; and

- Distribution and trading – trading of goods.

8. SEGMENT REPORTING (continued)

Reportable segments (continued)

Segment information about these reportable segments is presented below:

For the year ended 30th June, 2012	Investment and financial services HK$'000	Distribution and trading HK$'000	Consolidated HK$'000
Turnover – external	9,930	24,391	34,321
Segment results	(575,305)	478	(574,827)
Unallocated corporate income			3,466
Unallocated corporate gains			603
Unallocated corporate expenses (including share-based payments)			(15,184)
Finance costs			(4,078)
Loss before taxation			(590,020)
Taxation			(29,292)
Loss for the year			(619,312)

Notes to the Financial Statements

For the year ended 30th June, 2012

8. SEGMENT REPORTING (continued)

Reportable segments (continued)

At 30th June, 2012	Investment and financial services HK$'000	Distribution and trading HK$'000	Unallocated HK$'000	Consolidated HK$'000
ASSETS				
Investments held for trading	35,804	–	–	35,804
Available-for-sale investments	78,193	–	–	78,193
Bank balances and cash	14,965	87	19,831	34,883
Loan receivable	100,000	–	–	100,000
Convertible notes receivable – debt component	75,279	–	–	75,279
Convertible notes receivable – derivative components	3,383	–	–	3,383
Other assets	3,150	23,456	2,124	28,730
Consolidated total assets	310,774	23,543	21,955	356,272
LIABILITIES				
Trade and other payables	–	22,996	3,858	26,854
Provision for taxation	–	–	29,307	29,307
Deferred tax liabilities	–	–	632	632
Convertible notes	–	–	29,487	29,487
Consolidated total liabilities	–	22,996	63,284	86,280

Other information For the year ended 30th June, 2012	Investment and financial services HK$'000	Distribution and trading HK$'000	Unallocated HK$'000	Consolidated HK$'000
Depreciation of property, plant and equipment	–	–	316	316
Net realised and unrealised losses on investments held for trading	(42,811)	–	–	(42,811)
Gain on early redemption of convertible notes	–	–	603	603
Impairment loss on available-for-sale investments	(49,312)	–	–	(49,312)
Fair value change on convertible notes receivable – derivative components	(6,665)	–	–	(6,665)
Share of profit of a jointly controlled entity	457	–	–	457
Loss on disposal of a subsidiary together with its interest in a jointly controlled entity	(487,605)	–	–	(487,605)
Imputed interest income on convertible notes receivable	3,320	–	–	3,320

8. SEGMENT REPORTING (continued)

Reportable segments (continued)

Segment information about these reportable segments is presented below:

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

8. SEGMENT REPORTING (continued)

Reportable segments (continued)

At 30th June, 2011	Investment and financial services HK$'000	Distribution and trading HK$'000	Unallocated HK$'000	Consolidated HK$'000
ASSETS				
Investments held for trading	97,855	–	–	97,855
Interest in a jointly controlled entity	707,258	–	–	707,258
Bank balances and cash	18,162	69	101,527	119,758
Other assets	5,222	1	3,267	8,490
Consolidated total assets	828,497	70	104,794	933,361
LIABILITIES				
Other payables	555	–	1,475	2,030
Deferred tax liabilities	–	–	678	678
Convertible notes	–	–	30,089	30,089
Consolidated total liabilities	555	–	32,242	32,797

Other information For the year ended 30th June, 2011	Investment and financial services HK$'000	Distribution and trading HK$'000	Unallocated HK$'000	Consolidated HK$'000
Depreciation of property, plant and equipment	–	–	316	316
Guaranteed return from investment	30,000	–	–	30,000
Reversal of long outstanding payables and accruals	–	–	26	26
Net realised and unrealised losses on investments held for trading	20,402	–	–	20,402
Share of profit of a jointly controlled entity*	480,243	–	–	480,243

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

8. SEGMENT REPORTING (continued)

Geographical information

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. The Group's non-current assets other than financial instruments, and revenue are principally located in or derived from Hong Kong except for the revenue from trading operation of HK$24,391,000 (2011: HK$1,527,000) which was derived from Chile.

Information about major customers

The Group has revenue from one external customer of the Group's distribution and trading segment and investment and financial service segment amounting to HK$24,391,000 and HK$7,500,000 respectively for the year. Each of them represents 10% or more of the Group's revenue.

The Group also has guaranteed return received and receivable from a joint venture partner amounting to HK$30,000,000 during the year ended 30th June, 2011.

9. OTHER REVENUE, OTHER NET GAINS AND LOSSES

	2012	2011
	HK$'000	*HK$'000*
Other revenue		
Imputed interest income on convertible notes receivable *(Note 22)*	**3,320**	–
Rental and management fee income from sub-lease of office premises	**3,439**	866
Bank interest income	**27**	28
	6,786	894
Other net gains and (losses)		
Net realised (losses)/gains on sales of investments*	**(4,473)**	5,848
Net changes in fair value of investments held for trading	**(38,338)**	(26,250)
Net realised and unrealised losses on investments held for trading	**(42,811)**	(20,402)
Impairment loss on available-for-sale investments *(Note 21)*	**(49,312)**	–
Fair value change on convertible notes receivable – derivative components *(Note 22)*	**(6,665)**	–
Gain on early redemption of convertible notes *(Note 26)*	**603**	–
Reversal of long outstanding payables and accruals	**–**	26
	(98,185)	(20,376)
Other revenue, other net gains and (losses)	**(91,399)**	(19,482)

* Net realised losses/gains derived from sales of investments held for trading with proceeds of HK$30,941,000 (2011: HK$85,484,000) net of transaction costs.

Notes to the Financial Statements

For the year ended 30th June, 2012

10. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Interest on convertible notes *(Note 26)*	**4,074**	3,777
Others	**4**	5
	4,078	3,782

11. (LOSS)/PROFIT BEFORE TAXATION

	2012	2011
	HK$'000	*HK$'000*
(Loss)/profit before taxation has been arrived at after charging:		
Directors' emoluments *(Note 12)*	**5,002**	5,413
Staff costs (excluding directors' emoluments):		
Salaries and allowances	**1,962**	1,644
Share-based payments	**498**	327
Retirement benefits scheme contributions	**43**	35
Total staff costs	**7,505**	7,419
Cost of sales	**23,913**	1,458
Share-based payments *(Note 30)* *	**1,203**	982
Auditor's remuneration	**692**	447
Depreciation of property, plant and equipment *(Note 16)*	**316**	316
Consultancy fees	**1,261**	680
Legal and professional fees **	**739**	686

* Share-based payments comprised share-based payments to directors, employees and other third parties, of which HK$538,000 (2011: HK$491,000), HK$498,000 (2011: HK$327,000) and HK$167,000 (2011: HK$164,000) have been included in directors' emoluments, staff costs (excluding directors' emoluments) and consultancy fees respectively.

** Legal and professional fees excluding fee directly attributable to the very substantial disposal transaction occurred during the year.

12. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS

The emoluments paid or payable to each of the five (2011: seven) directors were as follows:

For the year ended 30th June, 2012	**Fees**	**Basic salaries and allowances**	**Retirement benefits scheme contributions**	**Share-based payments**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Mr. Ng Leung Ho	**–**	**3,900**	**12**	**–**	**3,912**
Mr. Lo Wan Sing, Vincent	**–**	**360**	**12**	**290**	**662**
Mr. Chau On Ta Yuen	**60**	**–**	**–**	**124**	**184**
Mr. Law Wai Fai	**60**	**–**	**–**	**124**	**184**
Ms. Xu Lei	**60**	**–**	**–**	**–**	**60**
	180	**4,260**	**24**	**538**	**5,002**

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

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

Notes to the Financial Statements

For the year ended 30th June, 2012

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

Highest paid individuals

Of the five highest paid individuals in the Group, three (2011: four) are directors of the Company whose emoluments are set out above. The emoluments of the remaining two (2011: one) individual are as follows:

	2012	2011
	HK$'000	*HK$'000*
Basic salaries and allowances	**1,327**	1,138
Retirement benefits scheme contributions	**21**	12
Share-based payments	**498**	327
	1,846	1,477

The emoluments were within the following bands:

	2012	2011
	HK$'000	*HK$'000*
Below HK$1,000,001	**1**	–
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**1**	–

In prior years, share options were granted to directors and the highest paid employee in respect of their services to the Group, further details of which are included in note 30. The fair values of such options were determined as at the date of grant and are recognised as expense in profit or loss over the vesting period. The amount of expense recognised in the consolidated statement of comprehensive income for the current year is included in the above directors and highest paid employees' remuneration disclosures.

13. TAXATION

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

	2012	2011
	HK$'000	*HK$'000*
Current tax		
– Hong Kong Profits Tax	**13**	–
– Provision for PRC capital gain tax	**29,294**	–
	29,307	–
Deferred tax		
– Current year *(Note 27)*	**(15)**	(510)
Income tax expense/(credit)	**29,292**	(510)

Provision for Hong Kong Profits Tax has been made at 16.5% of the Group's estimated assessable profits for the year. No provision for Hong Kong Profits Tax has been made for the year ended 30th June, 2011 as the relevant group entities have no estimated assessable profits.

Provision for PRC capital gain tax represents estimated tax expense attributable to the disposal of a subsidiary together with its interest in the PRC jointly controlled entity calculated at 10% on the excess of the fair value of the consideration, over the registered capital of the PRC jointly controlled entity attributable to the Group. Details of the disposal of a subsidiary together with its interest in the PRC jointly controlled entity was set out in note 31.

13. TAXATION (continued)

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

	2012	2011
	HK$'000	*HK$'000*
(Loss)/profit before taxation	**(590,020)**	471,400
Less: share of results of a jointly controlled entity	**(457)**	(480,243)
	(590,477)	(8,843)
Tax credit calculated at Hong Kong Profits Tax rate of 16.5% (2011: 16.5%)	**(97,429)**	(1,459)
Provision for PRC capital gain tax	**29,294**	–
Tax effect of expenses not deductible for tax purpose	**92,748**	976
Tax effect of income not taxable for tax purpose	**(2,459)**	(5,348)
Tax effect of estimated tax losses not recognised	**7,083**	5,781
Tax effect of other temporary differences not recognised	**55**	(460)
Income tax expense/(credit) for the year	**29,292**	(510)

14. PROFIT/LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

Loss attributable to owners of the Company for the year ended 30th June, 2012 dealt with in the financial statements of the Company was approximately HK$29,774,000 (2011: Loss of HK$15,974,000).

15. (LOSS)/EARNINGS PER SHARE

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

(Loss)/profit	**2012** **HK$'000**	2011 *HK$'000*
(Loss)/profit for the purpose of basic (loss)/earnings per share	**(619,312)**	471,910
Add: Interest on convertible notes	**–**	3,777
Less: Deferred taxation	**–**	(510)
(Loss)/profit for the purpose of diluted (loss)/earnings per share	**(619,312)**	475,177

Number of shares	**2012** **'000**	2011 *'000*
Weighted average number of ordinary shares for the purpose of		
– basic (loss)/earnings per share	**1,442,214**	1,442,214
Add: Effect of assumed conversion of convertible notes	**–**	114,000
– diluted (loss)/earnings per share	**1,442,214**	1,556,214

	2012 **HK Cents**	2011 *HK Cents*
(Loss)/earnings per share		
– Basic	**(42.9)**	32.7
– Diluted	**(42.9)**	30.5

The computation of diluted loss per share for the year ended 30th June, 2012 does not assume conversion of the Company's outstanding convertible notes and exercise of the outstanding share options as they had an anti-dilutive effect on the loss per share calculation.

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

Notes to the Financial Statements

For the year ended 30th June, 2012

16. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold Improvements	Furniture, fixtures and equipment	Motor vehicle	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
COST				
At 1st July, 2010	1,113	418	619	2,150
Write-off	–	(7)	–	(7)
At 30th June, 2011	1,113	411	619	2,143
Addition	72	26	–	98
At 30th June, 2012	**1,185**	**437**	**619**	**2,241**
ACCUMULATED DEPRECIATION				
At 1st July, 2010	358	347	57	762
Provided for the year	222	32	62	316
Write-off	–	(5)	–	(5)
At 30th June, 2011	580	374	119	1,073
Provided for the year	233	21	62	316
At 30th June, 2012	**813**	**395**	**181**	**1,389**
CARRYING AMOUNT				
At 30th June, 2012	**372**	**42**	**438**	**852**
At 30th June, 2011	533	37	500	1,070

16. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	**Leasehold Improvements**	**Furniture, fixtures and equipment**	**Motor vehicle**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
COST				
At 1st July, 2010	1,113	242	619	1,974
Write-off	–	(5)	–	(5)
At 30th June, 2011	1,113	237	619	1,969
Addition	72	26	–	98
At 30th June, 2012	**1,185**	**263**	**619**	**2,067**
ACCUMULATED DEPRECIATION				
At 1st July, 2010	358	173	57	588
Provided for the year	222	32	62	316
Write-off	–	(5)	–	(5)
At 30th June, 2011	580	200	119	899
Provided for the year	233	21	62	316
At 30th June, 2012	**813**	**221**	**181**	**1,215**
CARRYING AMOUNT				
At 30th June, 2012	**372**	**42**	**438**	**852**
At 30th June, 2011	533	37	500	1,070

17. INTERESTS IN SUBSIDIARIES

Company	**2012** *HK$'000*	2011 *HK$'000*
Unlisted shares, at cost	–	390
Amounts due from subsidiaries net of impairment loss	**304,303**	271,179
Amounts due to subsidiaries	–	(1,202)
	304,303	270,367

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

	2012 *HK$'000*	2011 *HK$'000*
Balance at beginning of the year	**53,446**	31,074
Impairment loss recognised	**99,968**	22,372
Balance at end of the year	**153,414**	53,446

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

The Company has recognised impairment loss on amounts due from subsidiaries based on the accounting policies shown in note 3.

Particulars of the Company's subsidiaries are disclosed in note 36.

18. INTEREST IN A JOINTLY CONTROLLED ENTITY

Group

	2012	2011
	HK$'000	*HK$'000*
Unlisted shares at cost*	–	–
Share of post acquisition results and reserves	–	507,258
Share of net assets	–	507,258
Loan to the jointly controlled entity	–	200,000
Interest in a jointly controlled entity	–	707,258

* The Company held 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**
			2012	2011	
Grand International Development Limited ("GIDL")	Hong Kong	HK$100	–	50%	Investment holding

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

Notes to the Financial Statements

For the year ended 30th June, 2012

18. INTEREST IN A JOINTLY CONTROLLED ENTITY (continued)

According to the shareholders' agreement between Great Peace and GTCIL, each shareholder should advance an unsecured shareholders' loan of HK$200,000,000 to GIDL or Fujian Sinco on interest free basis to finance the amount of registered capital and investment amount of Fujian Sinco to be contributed by GIDL in proportion to its equity interest in Fujian Sinco. As at 30th June, 2011, Great Peace and GTCIL had advanced each of their loans of HK$200,000,000 to Fujian Sinco via GIDL and the sino-partner, respectively. GIDL or Fujian Sinco would 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 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 would be on demand.

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

For the year ended 30th June, 2011, guaranteed returns of HK$30,000,000 were recognised as income of which HK$6,534,000 was yet to be settled by GTCIL as at 30th June, 2011.

On 30th September, 2011, the Company entered into an agreement to dispose of the jointly controlled entity through the disposal of the entire shareholdings in Great Peace as detailed in note 31. No guaranteed return was recognised for the three months ended 30th September, 2011 as the relevant parties had agreed to terminate the entitlement of the Guaranteed Returns effective from 1st July, 2011.

* *English name for identification only*

18. INTEREST IN A JOINTLY CONTROLLED ENTITY (continued)

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

	As at 15th February, 2012	30th June, 2011
	HK$'000	*HK$'000*
Non-current assets	**1,360,764**	1,322,687
Current assets	**509**	513
Current liabilities	**–**	–
Non-current liabilities	**(311,335)**	(308,684)
Net assets	**1,049,938**	1,014,516
Group's effective interest in the jointly controlled entity's net assets	**524,969**	507,258

	From 1st July, 2011 to 15th February, 2012	Year ended 30th June, 2011
	HK$000	*HK$000*
Revenue	**–**	–
Other revenue	**–**	–
Administrative expenses	**–**	(321)
Finance costs	**(1)**	(1)
Share of profit of Fujian Sinco (i)	**1,015**	1,067,490
Profit for the year	**1,014**	1,067,168
Taxation (ii)	**(100)**	(106,682)
Profit after taxation	**914**	960,486
Other comprehensive income for the year	**28,464**	29,012
Total comprehensive income for the year	**29,378**	989,498
Profit for the year attributable to the Group	**457**	480,243
Other comprehensive income attributable to the Group	**14,232**	14,506
Total comprehensive income attributable to the Group	**14,689**	494,749

18. INTEREST IN A JOINTLY CONTROLLED ENTITY (continued)

(i) The share of profit from Fujian Sinco under GIDL for the year ended 30th June, 2012 including share of fair value gain of an investment property of HK$Nil (2011: HK$1,071,629,000) net of related deferred tax.

The fair values of the investment property as at 30th June, 2011 and 15th February, 2012 were assessed by Asset Appraisal Limited, an independent qualified valuer. The valuation as at 15th February, 2012 was based on direct comparison approach assuming sale of this property at its existing status with the benefit of vacant possession by making reference to comparable sales transactions as available in the relevant market. The valuation as at 30th June, 2011 was arrived at by reference to market evidence of transaction prices for comparable properties, on the basis that the property would be developed and completed in accordance with the development proposals after taking into account of the estimated construction costs to completion to reflect the quality of the completed development.

(ii) The amount represented deferred taxation arising from dividend withholding tax on the undistributed profits of GIDL's jointly controlled entity.

(iii) There was no capital commitment attributable to the Group after completion of the disposal of the interest in the jointly controlled entity on 15th February, 2012. As at 30th June, 2011, there was approximately HK$8,424,000 capital commitment in respect of the outstanding development costs attributable to the Group's effective interest in the jointly controlled entity.

19. LOAN RECEIVABLE

On 23rd December, 2011, Golden Wayford Limited, a wholly owned subsidiary of the Group, entered into a loan agreement with an independent third party and agreed to grant a three years term loan with principal amount of HK$100,000,000 at fixed interest rate of 18% per annum effective on 1st February, 2012.

The repayment of the loan principal will be at maturity and interest is repayable quarterly. The loan is secured by (a) a share mortgage issued by all of the shareholders of the borrower; (b) a debenture issued by the borrower which charges on all of the assets of the borrower; (c) individual and corporate guarantees issued by all of the shareholders of the borrower and a wholly owned subsidiary of the borrower established in the PRC; and (d) six letters of undertakings issued by all of the shareholders of the borrower.

At initial recognition, the Group determined the fair value of the loan receivable equivalent to its principal amount and it is classified as non-current assets.

Management of the Group determined no impairment loss on this loan receivable is required to be recognised, after taking into account the financial position of the borrower and the collaterals held by the Group.

20. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade receivables	**26,606**	–	**–**	–
Other receivables	**492**	–	**–**	–
Guaranteed return from investment receivable from a joint venture partner *(Note 18)*	**–**	6,534	**–**	–
Deposits and prepayments	**780**	886	**12**	119
	27,878	7,420	**12**	119

The following is an ageing analysis of trade receivables, net of allowance for doubtful debts, at the end of the reporting period prepared based on invoice date:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current	**26,606**	–	**–**	–

The average credit period on sales of goods is 120 days from the invoice date.

At 30th June, 2012, all of the Group's trade receivables were neither past due nor impaired. Based on past experience, management believes that no allowance for doubtful debt is necessary in respect of this balance as there have not been a significant change in credit quality and the balance is still considered fully recoverable. The Group held collateral over the guaranteed return from investment receivable from a joint venture partner as at 30th June, 2011 as mentioned in note 6.

21. AVAILABLE-FOR-SALE INVESTMENTS

On 15th February, 2012, the Group received 180,500,000 convertible preference shares with aggregate notional amount of HK$541,500,000 issued by China Grand Forestry Green Resources Group Limited ("China Grand") as part of the consideration for the disposal of a subsidiary together with its interest in a jointly controlled entity as detailed in notes 18 and 31.

The Group as the holder at any time after the issuance of the convertible preference shares can convert them into each of the China Grand's ordinary share initially at a conversion price of HK$3.00 subject to adjustment in the customary manner, including share consolidations, share subdivision, capitalisation issues, capital distributions, rights issues and issues of other securities for cash as discount of more than 20%. The convertible preference shares ranked (a) in priority to the ordinary shares of China Grand and any other class of shares to return of capital; and (b) pari passu with ordinary shares of China Grand as to any dividends accumulated on the convertible preference shares. The holder of each convertible preference share shall not have any voting rights. The convertible preference shares shall be non-redeemable and will not be listed on any stock exchange. The 180,500,000 convertible preference shares of notional value of HK$3.00 each with the conversion price of HK$3.00 each received by the Group have taken into account the adjustments arising from the completion of the capital reorganisation of China Grand ("Capital Reorganisation") effective on 1st December, 2011.

The convertible preference shares were stated at fair value based on valuation performed by an independent valuer using Average-price Asian put model. At initial recognition, the fair value of convertible preference shares amounting to HK$127,505,000 was recognised as available-for-sale investments. The fair value change of HK$49,312,000 has been recognised in available-for-sale investment revaluation reserve during the year and is re-classified to profit or loss as impairment loss. During the year, the Group has not converted any of the outstanding convertible preference shares whose fair value amounted to HK$78,193,000 as at 30th June, 2012.

The available-for-sale financial assets were re-classified as current assets at the end of reporting period as the Group has changed its intention of holding these assets and intends to dispose of these assets within one year.

22. CONVERTIBLE NOTES RECEIVABLE

On 15th February, 2012, the Group was entitled to receive convertible notes with aggregate principal amount of approximately HK$138,503,000 to be issued by China Grand as part of the consideration for the disposal of a subsidiary together with its interest in a jointly controlled entity as mentioned in notes 18 and note 31. The convertible notes carry zero-coupon interest rate and have a maturity period of five years from the date of issue.

The Group as the holder is entitled to convert the convertible notes into ordinary shares of China Grand at a conversion price of HK$3.00 (after adjustment for the Capital Reorganisation) per conversion share at any time during the period commencing from the date of issuance of the convertible notes. The conversion price is subject to adjustments upon the occurrence of, among other matters, subdivision or consolidations of shares, capitalisation issues, rights issues, issues of shares at discount of more than 20% and other dilutive events in accordance with the terms and conditions of the convertible notes.

22. CONVERTIBLE NOTES RECEIVABLE (continued)

China Grand as the issuer of the convertible notes shall have the right to redeem any portion of the outstanding principal amount of the convertible notes at an amount equals to the principal amount of the convertible notes in its sole and absolute discretion at any time and from time to time prior to the date falling on the seventh business day prior to the maturity date by giving to the Group not less than 10 business days' prior written notice.

The Group shall have the right at any time before the date falling on the seventh business day prior to the maturity date to request China Grand to redeem the whole or part of the outstanding principal amount of the convertible notes at a price equal to 100% of the amount to be redeemed, provided that China Grand, having regard to its financial situation together with its subsidiaries as a whole, accepts the request of the Group for early redemption.

The Company determined the fair value of the convertible notes receivable based on valuation performed by an independent valuer using discounted cash flow approach. At initial recognition, the fair value of the convertible notes receivable, was HK$82,007,000 comprising the debt component of HK$71,959,000 with effective interest rate of 12.871% and the derivative components of HK$10,048,000. Both assets were re-classified as current assets at the end of reporting period as the Group has changed its intention of holding these assets and intends to dispose of these assets within one year. Subsequently, the change in fair value of HK$6,665,000 in relation to the derivative components was recognised in profit or loss.

During the year, imputed interest income of HK$3,320,000 in relation to the debt component of the convertible notes receivable was recognised in profit or loss as shown in note 9.

The movements of the debt component and the derivative components of the convertible notes receivable during the year are set out below.

Group	**Debt component** *HK$'000*	**Derivative components** *HK$'000*	**Total** *HK$'000*
At 1st July, 2010 and 30th June, 2011	–	–	–
Initial recognition of the convertible notes receivable on 15th February, 2012 *(Note 31)*	71,959	10,048	82,007
Imputed interest income *(Note 9)*	3,320	–	3,320
Change in fair value *(Note 9)*	–	(6,665)	(6,665)
At 30th June, 2012	**75,279**	**3,383**	**78,662**

23. INVESTMENTS HELD FOR TRADING

The amounts at 30th June, 2011 and 2012 represented investments in equity securities listed in Hong Kong, stated at market value based on bid price at the reporting date.

24. BANK BALANCES AND CASH

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

25. TRADE AND OTHER PAYABLES

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables	**22,996**	–	**–**	–
Other payables, accruals and deposits received	**3,858**	2,030	**2,466**	1,138
	26,854	2,030	**2,466**	1,138

Included in trade payables is trade creditor with the following ageing analysis as of the end of reporting period:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current or less than 1 month	**22,996**	–	**–**	–

26. CONVERTIBLE NOTES

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

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

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

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

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

26. CONVERTIBLE NOTES (continued)

The movements of liability and equity components of the convertible notes during the year are set out below.

Group and Company	Liability component HK$'000	Equity component HK$'000	Total HK$'000
At 1st July, 2010	26,996	7,855	34,851
Imputed interest expenses *(Note 10)*	3,777	–	3,777
Coupon interest	(684)	–	(684)
At 30th June, 2011	**30,089**	**7,855**	**37,944**
Imputed interest expenses *(Note 10)*	4,074	–	4,074
Coupon interest	(883)	–	(883)
Reversal of deferred tax liabilities upon early redemption *(Note 27)*	–	31	31
Early redemption of convertible notes, net of tax	(3,793)	(1,010)	(4,803)
At 30th June, 2012	**29,487**	**6,876**	**36,363**

On 28th March, 2012, the Company early redeemed part of the convertible notes with principal amount of HK$4,200,000, which resulted in a gain on early redemption of HK$603,000 recognised in profit or loss.

As at 30th June 2012, total principal amount of the convertible notes of HK$30,000,000 (2011: HK$34,200,000) can be convertible into 100,000,000 (2011: 114,000,000) ordinary shares of the Company at the conversion price of HK$0.30 per share.

27. DEFERRED TAX LIABILITIES

The following are the deferred tax liabilities recognised by the Group and the Company, which represent the temporary difference between imputed interest and coupon interest arising from the convertible notes issued by the Company and the convertible notes receivable by a subsidiary:

	Group *HK$'000*	Company *HK$'000*
At 1st July, 2010	1,188	1,188
Credited to profit or loss during the year *(Note 13)*	(510)	(510)
At 30th June, 2011	678	678
Credited to profit or loss during the year *(Note 13)*	(15)	(562)
Credited to convertible notes reserve upon early redemption *(Note 26)*	(31)	(31)
At 30th June, 2012	**632**	**85**

At 30th June, 2012, the Group had estimated unutilised tax losses of approximately HK$139,245,000 (2011: HK$110,347,000) available for offsetting against future assessable profits arising in Hong Kong. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unutilised tax losses may be carried forward indefinitely.

28. SHARE CAPITAL

Group and Company	**Number of shares** *'000*	**Amount** *HK$'000*
Ordinary shares		
Authorised:		
At 30th June, 2011 and 2012, at HK$0.10 each	30,000,000	3,000,000
Issued and fully paid:		
At 30th June, 2011 and 2012, at HK$0.10 each	**1,442,214**	**144,221**

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29. RESERVES

Company	Share premium *HK$'000*	Contributed surplus *HK$'000*	Other reserve *HK$'000*	Share-based Compensation reserve *HK$'000*	Convertible notes reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1st July, 2010	24,916	232,738	39,387	14,807	7,855	(85,383)	234,320
Transactions with owners							
– Equity settled share-based payments	–	–	–	982	–	–	982
Loss and total comprehensive income for the year	–	–	–	–	–	(38,346)	(38,346)
At 30th June, 2011	24,916	232,738	39,387	15,789	7,855	(123,729)	196,956
Transactions with owners							
– Equity settled share-based payments	–	–	–	1,203	–	–	1,203
– Early redemption of convertible notes, net of tax	–	–	–	–	(979)	–	(979)
	–	–	–	1,203	(979)	–	224
Loss and total comprehensive income for the year	–	–	–	–	–	(77,736)	(77,736)
At 30th June, 2012	**24,916**	**232,738**	**39,387**	**16,992**	**6,876**	**(201,465)**	**119,444**

No dividend was paid or proposed during the year, nor has any dividend been proposed since 30th June, 2011 and 2012.

30. SHARE-BASED COMPENSATIONS

The Company operates an equity-settled, share-based compensation plan for the purpose of providing incentives and rewards to eligible participants for their contribution to the success of the Group's operations.

An ordinary resolution was passed at the annual general meeting of the Company held on 29th January, 2008 for the approval of the adoption of a new share option scheme (the "New SO Scheme") and termination of another share option scheme adopted on 16th December 1997.

Eligible participants of the New SO Scheme include directors and employees of the Company and its subsidiaries. The New SO Scheme will, unless otherwise cancelled or amended, remain in force for 10 years from 29th January, 2008, after which no further options will be granted but provisions of the New SO Scheme remain in force and all outstanding options granted continue to be valid and exercisable in accordance therewith.

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

Share options granted to a director or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5,000,000, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

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

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30. SHARE-BASED COMPENSATIONS (continued)

Share option – 31st January, 2008

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

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

Share option – 5th February, 2008

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

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

Share option – 6th February, 2008

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

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

On 20th January, 2010, the Company agreed to modify the exercise manner of 180,000 out of the 600,000 share options in respect of one director participant whereby the 180,000 share options became exercisable and fully vested upon the date of modification.

30. SHARE-BASED COMPENSATIONS (continued)

Share option – 7th September, 2009

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

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

On 11th and 13th January, 2010, the Company agreed to modify the exercise manner of 5,640,000 out of the 11,400,000 share options in respect of three non-director participants and 2,520,000 out of the 4,700,000 share options in respect of two director participants respectively whereby the 8,160,000 share options became exercisable and fully vested upon the date of modification.

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

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30. SHARE-BASED COMPENSATIONS (continued)

a) The terms of unexpired and unexercised share options under the New SO Scheme at 30th June, 2011 and 2012 are as follows:

Category of participant	Date of grant	Exercise period	Exercise price per share	Number of share options outstanding at 30th June, 2011 and 2012
Director	5th February, 2008	5th February, 2008 to 4th February, 2018	HK$1.25	1,200,000
	7th September, 2009	7th September, 2009 to 6th September, 2010	HK$0.80	800,000
	7th September, 2009	7th September, 2010 to 6th September, 2011	HK$0.80	720,000
	7th September, 2009	7th September, 2011 to 6th September, 2019	HK$0.80	780,000
Subtotal				3,500,000
Non-director	31st January, 2008	31st January, 2008 to 30th January, 2018	HK$1.11	8,400,000
	5th February, 2008	5th February, 2008 to 4th February, 2018	HK$1.25	5,900,000
	6th February, 2008	6th February, 2008 to 5th February, 2018	HK$1.27	5,600,000
	7th September, 2009	7th September, 2010 to 6th September, 2011	HK$0.80	720,000
	7th September, 2009	7th September, 2011 to 6th September, 2019	HK$0.80	960,000
Subtotal				21,580,000
Total				25,080,000

30. SHARE-BASED COMPENSATIONS (continued)

b) The number and weighted average exercise prices of share options are as follows:

	2012 Weighted average exercise price HK$	**2012** Number of options	2011 Weighted average exercise price HK$	2011 Number of options
Outstanding at beginning and the end of year	**1.14**	**25,080,000**	1.14	25,080,000
Exercisable at end of year	**1.14**	**25,080,000**	1.14	23,340,000

The weighted average remaining contractual life was 5.72 years (2011: 6.33 years).

No share options has been granted, exercised or lapsed during the years ended 30th June, 2011 and 2012. The Group recognised total share-based payments of HK$1,203,000 (2011: HK$982,000) during the year ended 30th June, 2012 (Note 11).

The fair values of equity-settled share options granted during the years ended 30th June, 2008, 2009 and 2010 were estimated as at the date of grant, using the Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

At 30th June, 2012	**31st January, 2008**	**5th February, 2008**	**6th February 2008**	**7th September, 2009**
Number of options	9,600,000	14,300,000	5,600,000	18,900,000
Subscription price	HK$1.11	HK$1.25	HK$1.27	HK$0.80
Dividend yield	0.0%	0.0%	0.0%	0.0%
Volatility	82%	82%	82%	119.36%-123.49%
Risk-free interest rate	2.102%-2.249%	2.102%-2.249%	2.102%-2.249%	1.672%-1.884%
Expected weighted average option lives (in years)	5.5	5.5	5.5	6.0

30. SHARE-BASED COMPENSATIONS (continued)

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

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

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

31. LOSS ON DISPOSAL OF A SUBSIDIARY TOGETHER WITH ITS INTEREST IN A JOINTLY CONTROLLED ENTITY

On 30th September, 2011, the Company entered into a sale and purchase agreement with China Grand and its subsidiary, Grand Supreme Limited ("Grand Supreme"), whereby the Company agreed to sell and Grand Supreme agreed to purchase the entire equity interest held by the Company in Great Peace and its entire direct equity interest in Grand International and the indirect equity interest in Fujian Sinco for consideration of HK$942,000,000 satisfied by cash of HK$190,500,000, 180,500,000 convertible preference shares issued by China Grand with notional value of HK$541,500,000 and convertible notes issued by China Grand with principal amount of HK$210,000,000.

Issuance of the convertible notes by China Grand to the Company on completion date of the disposal is subject to adjustment by reference to the net assets value before deduction of deferred tax liabilities ("NAV") of Fujian Sinco at the completion date of the disposal. The Company is required to bear 30% on the shortfall if the NAV on date of completion of the disposal is less than HK$3,140,000,000 ("Guaranteed NAV") which will then be adjusted to the principal amount of the convertible notes on a dollar-to-dollar basis. On 15th February, 2012, the disposal was completed and the NAV as at that date was approximately HK$238,323,000 less than the Guaranteed NAV, of which approximately HK$71,497,000 was shared by the Company at a rate of 30%. As such, the principal amount of the convertible notes to be issued by China Grand was reduced to approximately HK$138,503,000. On 15th February, 2012, the Group completed the disposal of Great Peace with the resulted loss on the disposal calculated as follows:

31. LOSS ON DISPOSAL OF A SUBSIDIARY TOGETHER WITH ITS INTEREST IN A JOINTLY CONTROLLED ENTITY (continued)

	15th February, 2012	
	HK$'000	*HK$'000*
Group		
Interest in a jointly controlled entity	**724,969**	
Amount due from holding company	**(200,000)**	
Net assets value of Great Peace		**524,969**
Loan advanced by the Group to Great Peace as at 15th February, 2012		**200,000**
Additional loan made by the Group to the jointly controlled entity upon the disposal		**188,976**
Total interest in Great Peace held by the Group		**913,945**
Satisfied by:		
Cash	**190,500**	
Convertible preference shares – at fair value *(Note 21)*	**127,505**	
Convertible notes receivable – at fair value *(Note 22)*	**82,007**	
		400,012
Loss on disposal before related expenses		**513,933**
Expenses directly attributable to the disposal		**2,410**
		516,343
Release of translation reserve attributable to the jointly controlled entity		**(28,738)**
Loss on disposal before taxation (before attributable PRC capital gain tax provision of HK$29,294,000 shown in note 13)		**487,605**
NET CASH OUTFLOW ARISING FROM THE DISPOSAL		
Cash consideration as stated in the above		190,500
Additional loan made to jointly controlled entity in cash as stated in the above		(188,976)
Net proceeds from the disposal		1,524
Direct expenses paid by the Group		(2,410)
Net cash outflow from the disposal, net of related expenses		(886)

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32. OPERATING LEASE ARRANGEMENTS

(a) As lessor

	Group	
	2012	2011
	HK$'000	*HK$'000*
Minimum lease received during the year under operating leases	**3,151**	866

At 30th June, 2012 the Group had outstanding minimum leases receivable under non-cancellable operating leases which are entered into by the Company on behalf of its subsidiary and fall due as follows:

	2012	2011
	HK$'000	*HK$'000*
Within one year	**3,039**	3,151
In the second to fifth years inclusive	**–**	3,039
	3,039	6,190

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

32. OPERATING LEASE ARRANGEMENTS (continued)

(b) As lessee

	Group	
	2012	2011
	HK$'000	*HK$'000*
Minimum lease payments paid during the year under operating leases	**3,779**	2,897

At 30th June, 2012 the Group had outstanding minimum commitments under a non-cancellable operating lease which is entered into by the Company on behalf of its subsidiary and falls due as follows:

	2012	2011
	HK$'000	*HK$'000*
Within one year	**3,779**	3,779
In the second to fifth years inclusive	**2,205**	5,984
	5,984	9,763

Operating lease payments represent rentals payable by the Group for its office premises. The lease is negotiated for a term of three years at fixed rentals.

33. RETIREMENT BENEFITS SCHEME

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

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

Notes to the Financial Statements

For the year ended 30th June, 2012

34. RELATED PARTY DISCLOSURES

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

Related parties	Relationship	Nature of transaction	2012 HK$'000	2011 HK$'000
Transactions:				
GTCIL	Joint venture partner	Guaranteed return received/ receivable *(Note 18)*	–	30,000
Balances:				
GIDL	Jointly controlled entity	Shareholder's loan *(Note 18)*	–	200,000
GTCIL	Joint venture partner	Guaranteed return receivable *(Notes 6 and 18)*	–	6,534

(b) Compensation of key management personnel

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

	2012 HK$'000	2011 HK$'000
Short-term benefits	**5,578**	6,028
Share-based payments	**1,037**	818
Post-employment benefits	**37**	44
	6,652	6,890

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

35. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

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

Group	**2012**	2011
	HK$'000	*HK$'000*
Financial assets		
Fair value through profit or loss		
– Investments held for trading	**35,804**	97,855
– Derivatives	**3,383**	–
Available-for-sale financial assets	**78,193**	–
Loans and receivables (including bank balances and cash)	**237,260**	326,292
	354,640	424,147
Financial liabilities		
Financial liabilities measured at amortised cost	**56,341**	32,119

Company	**2012**	2011
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including bank balances and cash)	**324,133**	372,705
Financial liabilities		
Financial liabilities measured at amortised cost	**31,953**	32,429

Notes to the Financial Statements

For the year ended 30th June, 2012

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

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

– the fair value of investments held for trading with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market price. The fair values of derivative components of convertible notes receivable and the available-for-sale financial assets are determined in accordance with generally accepted pricing models, including Average-price Asian put model, based on observable current market transactions; and

– the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

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

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

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

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

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

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Group	**Level 1**	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 30th June, 2012				
Financial assets at fair value through profit or loss				
Investments held for trading	35,804	–	–	35,804
Derivatives	–	3,383	–	3,383
Available-for-sale investments	–	78,193	–	78,193
	35,804	81,576	–	117,380
At 30th June, 2011				
Financial assets at fair value through profit or loss				
Investments held for trading	97,855	–	–	97,855

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

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

Notes to the Financial Statements

For the year ended 30th June, 2012

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's subsidiaries at 30th June, 2012 are as follows:

Name of subsidiary	Place of incorporation/ operations	Nominal value of issued and fully paid share capital	Percentage held by the Company directly %	Principal activities
Jet United Investment Limited	Hong Kong	HK$1	100	Investment holding
Gold Rising Limited	Hong Kong	HK$1	100	Trading and investment holding
Golden Wayford Limited	Hong Kong	HK$1	100	Finance and investment and provision of management service
King Partner Holdings Limited	British Virgin Islands	US$1	100	Investment holding
Acelead Limited *(Note)*	British Virgin Islands	US$1	100	Investment holding
Up Precious Global Investment Limited *(Note)*	British Virgin Islands	US$1	100	Inactive

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

Note: The subsidiary was incorporated during the year.

37. EVENTS AFTER THE REPORTING PERIOD

(a) On 2nd July, 2012, the Company early redeemed the entire outstanding principal amount of the convertible notes of HK$30,000,000.

(b) On 13th July, 2012, the Group received the convertible notes with principal amount of approximately HK$138,503,000 from China Grand, being part of the consideration relating to the disposal of a subsidiary together with its interest in a jointly controlled entity as described in notes 18 and 31.

38. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 28th September, 2012.

Financial Summary

RESULTS

	For the year ended 30th June,				
	2008	2009	2010	2011	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Turnover	6,567	5,228	24,929	32,853	**34,321**
(Loss)/profit for the year	(42,390)	(44,366)	(2,490)	471,910	**(619,312)**
(Loss)/profit attributable to:					
Owners of the Company	(42,390)	(44,366)	(2,490)	471,910	**(619,312)**

NET ASSETS

	As at 30th June,				
	2008	2009	2010	2011	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	186,703	172,542	430,514	933,361	**356,272**
Total liabilities	(3,113)	(2,998)	(30,187)	(32,797)	**(86,280)**
	183,590	169,544	400,327	900,564	**269,992**
Equity attributable to:					
Owners of the Company	183,590	169,544	400,327	900,564	**269,992**