

INTERIM REPORT

2012/13



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

(Incorporated in Bermuda with limited liability)  
Stock code:00109

**UNAUDITED CONSOLIDATED INTERIM RESULTS**

The board (The "Board") of Directors (the "Directors") of Good Fellow Resources Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim financial statements of the Company and its subsidiaries (the "Group") for the six months ended 31st December, 2012 (the "Period") together with the comparative figures. The consolidated interim financial statements have not been audited, but have been reviewed by the Company's Audit Committee.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

		For the six months ended 31st December,	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
	Notes		
Turnover	2	9,267	1,328
Cost of sales		(82)	—
Gross profit		9,185	1,328
Other revenue	3	6,456	1,457
Other net gains and losses	3	12,041	(37,128)
Administrative expenses		(8,666)	(9,889)
Finance costs		(32)	(2,065)
Share of profit of a jointly controlled entity		—	2,364
Profit/(loss) before taxation	4	18,984	(43,933)
Taxation	5	(1,907)	284
Profit/(loss) for the period attributable to owners of the Company		17,077	(43,649)
Other comprehensive income			
Share of other comprehensive income of a jointly controlled entity		—	9,289
Fair value change on available-for-sale investments		2,148	—
		2,148	9,289
Total comprehensive income for the period attributable to owners of the Company		19,225	(34,360)
Earnings/(loss) per share attributable to owners of the Company		HK Cents	HK Cents
– Basic and diluted	6	1.18	(3.03)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31st December, 2012 (unaudited)

	Share capital HK\$'000	Share premium HK\$'000	Contributed Surplus HK\$'000	Special reserve HK\$'000	Other reserves HK\$'000	Transition reserve HK\$'000	Share-based compensation reserve HK\$'000	Convertible notes reserve HK\$'000	Available-for-sale investment revaluation reserve HK\$'000	(Accumulated losses)/ Retained profits HK\$'000	Total HK\$'000
At 1st July, 2012	144,221	24,916	170,789	847	39,387	(5)	16,992	6,876	-	(134,031)	269,992
Transactions with owners –											
– Early redemption of convertible notes, net of tax	-	-	-	-	-	-	-	(6,876)	-	-	(6,876)
Profit for the period	-	-	-	-	-	-	-	-	-	17,077	17,077
Other comprehensive income											
For the period	-	-	-	-	-	-	-	-	-	-	-
– Fair value change on available-for-sale investment	-	-	-	-	-	-	-	-	2,148	-	2,148
Total comprehensive income of the period	-	-	-	-	-	-	-	-	2,148	17,077	19,225
At 31st December, 2012	144,221	24,916	170,789	847	39,387	(5)	16,992	-	2,148	(116,954)	282,341

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY****For the six months ended 31st December, 2011 (unaudited)**

	Share capital HK\$'000	Share premium HK\$'000	Contributed Surplus HK\$'000	Special reserve HK\$'000	Other reserves HK\$'000	Translation reserve HK\$'000	Share-based compensation reserve HK\$'000	Convertible notes reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st July, 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 payment	-	-	-	-	-	-	1,203	-	-	1,203
Loss for the period	-	-	-	-	-	-	-	-	(43,649)	(43,649)
Other comprehensive income For the period	-	-	-	-	-	9,289	-	-	-	9,289
Total comprehensive income of the period	-	-	-	-	-	9,289	-	-	(43,649)	(34,360)
At 31st December, 2011	<u>144,221</u>	<u>24,916</u>	<u>170,789</u>	<u>847</u>	<u>52,226</u>	<u>23,790</u>	<u>16,992</u>	<u>7,855</u>	<u>425,771</u>	<u>867,407</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		At 31st December, 2012 (Unaudited) HK\$'000	At 30th June, 2012 (Audited) HK\$'000
	Notes		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	698	852
Loan receivable		100,000	100,000
		<hr/>	<hr/>
		100,698	100,852
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Trade and other receivables	8	1,144	27,878
Available-for-sale investments	9	–	78,193
Convertible notes – debt component	10	–	75,279
Convertible notes – derivative component	10	–	3,383
Assets-held-for-disposal	11	162,472	–
Investments held for trading	12	35,286	35,804
Bank balances and cash		169,375	34,883
		<hr/>	<hr/>
		368,277	255,420
		<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>			
Other payables	13	154,868	26,854
Convertible notes	16	–	29,487
Provision for taxation		30,436	29,307
		<hr/>	<hr/>
		185,304	85,648
		<hr/>	<hr/>

		At 31st December, 2012 (Unaudited) HK\$'000	At 30th June, 2012 (Audited) HK\$'000
	Notes		
<b>NET CURRENT ASSETS</b>		182,973	169,772
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		283,671	270,624
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		1,330	632
		1,330	632
<b>NET ASSETS</b>		282,341	269,992
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	15	144,221	144,221
Reserves		138,120	125,771
		282,341	269,992

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**For the six months ended  
31st December,

	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Net cash from/(used in) operating activities	14,503	(9,636)
Net cash from/(used in) investing activities	149,994	(85)
Net cash used in financing activities	(30,005)	–
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	134,492	(9,721)
Cash and cash equivalents at beginning of the period	34,883	119,758
	<hr/>	<hr/>
Cash and cash equivalents at end of the period, represented by bank balances and cash	169,375	110,037
	<hr/> <hr/>	<hr/> <hr/>

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

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

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

The accounting policies used in preparation of the condensed consolidated interim financial statements are consistent with those adopted in the annual financial statements for the year ended 30th June, 2012.

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1st July, 2012. The adoption of these new and revised HKFRS did not result in significant changes to the Group’s accounting policies, presentation of the Group’s unaudited condensed consolidated financial statements and amounts reported for the current and prior periods.

The Group has not early adopted the new and revised HKFRS that have been issued but are not yet effective for the current period. The Group has already commenced an assessment of the impact of the new and revised HKFRS but is not yet in a position to reasonably estimate whether the new and revised HKFRS would have a significant impact on the Group’s results of operations and financial position.



## 2. TURNOVER AND SEGMENT INFORMATION

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

	For the six months ended 31st December,	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Loan interest income	9,000	–
Trading of apparel	84	–
Dividend income from investments	183	1,328
	<u>9,267</u>	<u>1,328</u>

### 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 and investment holding and provision of financial services; and
- Distribution and trading – trading of goods.

Segment information about these reportable segments is presented below:

**For the six months ended 31st December, 2012 (unaudited)**

	Investment and financial services HK\$'000	Distribution and trading HK\$'000	Consolidated HK\$'000
Turnover – external	9,183	84	9,267
Segment results	18,155	2	18,157
Unallocated corporate income			1,718
Unallocated corporate gain			6,471
Unallocated corporate expenses			(7,330)
Finance costs			(32)
Profit before taxation			18,984
Taxation			(1,907)
Profit for the period			17,077

**For the six months ended 31st December, 2011 (unaudited)**

	Investment and financial services HK\$'000	Distribution and trading HK\$'000	Consolidated HK\$'000
Turnover – external	1,328	–	1,328
Segment results	(32,998)	(438)	(33,436)
Unallocated corporate income			1,457
Unallocated corporate expenses (including share-based payments)			(9,889)
Finance costs			(2,065)
Loss before taxation			(43,933)
Taxation			284
Loss for the period			(43,649)

**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 operations are principally located in Hong Kong in which all of its revenue was derived and non-current assets other than financial instruments are located.

**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\$84,000 and HK\$9,000,000 respectively for the period. Each of them represents 10% or more of the Group's revenue.

## 3. OTHER REVENUE, OTHER NET GAINS AND LOSSES

	For the six months ended 31st December,	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Other revenue		
Imputed interest income on convertible notes	4,738	–
Rental income from sub-lease of office premises	1,716	1,444
Bank interest income	2	12
Sundry income	–	1
	<u>6,456</u>	<u>1,457</u>
Other net gains and (losses)		
Net realized gains on sales of investments	2,005*	315*
Net changes in fair value of investments held for trading	4,834	(37,443)
	<u>6,839</u>	<u>(37,128)</u>
Fair value change on convertible notes – derivative components	(1,269)	–
Gain on early redemption of convertible notes	6,471	–
	<u>12,041</u>	<u>(37,128)</u>
Other revenue and other net gains and (losses)	<u>18,497</u>	<u>(35,671)</u>

\* Net realised gains derived from sale of investments held for trading with proceeds of HK\$7,450,000 (2011: HK\$7,515,000) net of transaction costs.

**4. PROFIT/(LOSS) BEFORE TAXATION**

	For the six months ended	
	31st December, 2012 (Unaudited) HK\$'000	31st December, 2011 (Unaudited) HK\$'000
Profit/(loss) before taxation has been arrived at after charging:		
Staff costs	3,420	4,635
Share-based payments	–	1,203
Depreciation of property, plant and equipment	162	155
Consultancy fees	603	495
Legal and professional fees	499	539

**5. TAXATION**

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

	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Current tax		
– Hong Kong Profits Tax	1,130	–
Deferred tax		
– Current period	777	(284)
Income tax expense/(credit)	1,907	(284)

Provision for Hong Kong Profits Tax has been made at 16.5% of the Group's estimated assessable profits for the period. No provision for Hong Kong Profits Tax has been made for the prior period as the relevant group entities have no estimated assessable profits.

**6. EARNINGS/(LOSS) PER SHARE**

The calculation of basic earnings per share is based on the profit for the period of approximately HK\$17,077,000 (2011: loss of HK\$43,649,000) and on the weighted average number of 1,442,214,000 (2011: 1,442,214,000) ordinary shares in issue during the period.

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

**7. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT**

During the period, the Group spent HK\$8,000 (2011: HK\$98,000) on additions to property, plant and equipment.

**8. TRADE AND OTHER RECEIVABLES**

	At 31st December, 2012 (Unaudited) HK\$'000	At 30th June, 2012 (Audited) HK\$'000
Trade receivables	–	26,606
Other receivables	364	492
Deposits and prepayments	780	780
	<u>1,144</u>	<u>27,878</u>

**9. 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 of the consolidated financial statements of the Group for the year ended 30th June, 2012.

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 whereby the liquidity discount was regarded as Average-price Asian put and valued by Black-Scholes Option Pricing Model. At initial recognition, the fair value of convertible preference shares amounting to HK\$127,505,000 was recognised as available-for-sale investments. During the period, the fair value change of HK\$2,148,000 has been recognised as an increase in available-for-sale investment revaluation reserve. During the period, the Group has not converted any of the outstanding convertible preference shares whose fair value amounted to HK\$80,341,000 (30th June, 2012: HK\$78,193,000).

As detailed in Note 11, the convertible preference shares held by King Partner Holdings Limited will be entirely disposed of upon completion of the major transaction no later than the extended date of 30th June, 2013, and the full amount was reclassified and included into period end balance under "Assets-held-for-disposal" (Note 11).

#### **10. CONVERTIBLE NOTES**

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 of the consolidated financial statements of the Group for the year ended 30th June, 2012. 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.

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, comprising the debt component and the derivative components, based on valuation using discounted cash flow approach and Binomial Tree Pricing Model. 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. During the period, the change in fair value of HK\$1,269,000 in relation to the derivative components was recognised in profit or loss.

During the period, imputed interest income of HK\$4,738,000 in relation to the debt component of the convertible notes receivable was recognised in profit or loss.

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

Group	Debt component (Unaudited) HK\$'000	Derivative components (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1st July, 2012	75,279	3,383	78,662
Imputed interest income	4,738	–	4,738
Change in fair value	–	(1,269)	(1,269)
Reclassified to Assets-held-for-disposal (Note 11)	(80,017)	(2,114)	(82,131)
	<u>          </u>	<u>          </u>	<u>          </u>
At 31st December, 2012	–	–	–
	<u>          </u>	<u>          </u>	<u>          </u>

As detailed in Note 11, the convertible notes held by Acelead Limited will be entirely disposed of upon completion of the major transaction no later than the extended date of 30th June, 2013, and the full amount was reclassified and included into the period end balance under "Assets-held-for-disposal" (Note 11).



**11. ASSETS-HELD-FOR-DISPOSAL**

At 31st December, 2012  
(unaudited)  
HK\$'000

Available-for-sale-investments (*)	80,341
Convertible notes – debt component (**)	80,017
Convertible notes – derivative component (**)	2,114
	162,472
	162,472

(\*) Reclassified from Available-for-sale-investments (Note 9)

(\*\*) Reclassified from Convertible notes (Note 10)

Reference is made to the announcement of the Company dated 11th October, 2012 and the circular dated 7th November, 2012 (the “Circular”) in relation to the major transaction. The Company announced on 11th October, 2012 that the Company entered into a sale and purchase agreement (the “Agreement”) pursuant to which the Company has conditionally agreed to sell and the purchaser has conditionally agreed to purchase 100% of the entire issued share capital of King Partner Holdings Limited and Acelead Limited. The completion shall take place within four Business Days after the fulfillment of the conditions as summarised in the Circular or such later date as may be agreed between the Company and the purchaser and in any event no later than three months following the special general meeting (or such later date as the relevant parties may agree in writing).

As of 31st December, 2012, both King Partner Holdings Limited and Acelead Limited and their underlying assets which were available-for-sale-investments and convertible notes respectively were under the control of the Company and the period end balances for all the underlying assets were grouped and included in the total of HK\$162,472,000 above. More details for the underlying assets to be disposed of can be found in Notes 9 and 10. The earnest money received pursuant to the Agreement is detailed in Note 13. The major transaction was duly passed by the shareholders of the Company at the Special General Meeting held on 27th November, 2012 by way of poll. The completion of the major transaction has been extended to 30th June, 2013 (see Note 19).

Based on interim financial statements prepared for King Partner Holdings Limited and Acelead Limited as of 31st December, 2012, the potential financial impact of the major transaction are estimated as follows:

	HK\$'000 (unaudited)
Consideration	251,426
Net liabilities of subsidiaries at 31st December, 2012 as follows:	
Net liabilities of King Partner Holdings Limited	(47,179)
Net liabilities of Acelead Limited	(1,215)
	<u>(48,394)</u>
Waiver of inter-company balances (Note)	209,535
	<u>161,141</u>
Adjusted net asset value	161,141
Gain on disposal of subsidiaries	<u>90,285</u>

Note: the waiver of the inter-company balances is for fulfillment of certain terms in the Agreement.

## 12. INVESTMENTS HELD-FOR-TRADING

The amount at 31st December, 2012 and 30th June, 2012 represented investments in equity securities listed in Hong Kong, stated at market value.

## 13. OTHER PAYABLES

	At 31st December, 2012 (Unaudited) HK\$'000	At 30th June, 2012 (Audited) HK\$'000
Accruals, deposits and earnest money received	154,621	3,858
	<u>154,621</u>	<u>3,858</u>

Included in period end balance is HK\$150,000,000 represented earnest money received from the purchaser for completion of the sale and purchase, as further detailed in Note 11, of the entire issued share capital of King Partner Holdings Limited and Acelead Limited.

**14. EQUITY SETTLED SHARE-BASED TRANSACTION**

In 2008, the Company adopted a share option scheme that entitles key management personnel and employees to subscribe for shares in the Company. The terms and conditions of the share option scheme are disclosed in note 30 to the financial statements for the year ended 30th June, 2012 (the "Share Option Scheme").

A summary of option movements for the six months ended 31st December, 2012 is presented below:

	Six months ended 31st December, 2012 (Unaudited)		Year ended 30th June, 2012 (Audited)	
	Weighted average exercise price HK\$	Number of shares involved in the options	Weighted average exercise price HK\$	Number of shares involved in the options
At beginning of period/year	1.14	25,080,000	1.14	25,080,000
Granted	-	-	-	-
Exercised	-	-	-	-
Cancelled	-	-	-	-
Outstanding at end of period/year	1.14	25,080,000	1.14	25,080,000
Exercisable of the end of period/year	1.14	25,080,000	1.14	25,080,000

No share option has been granted nor exercised during the six months ended 31st December, 2012 (2011: nil).

**15. SHARE CAPITAL**

	At 31st December, 2012 (Unaudited) HK\$'000	At 30th June, 2012 (Audited) HK\$'000
Authorized: 30,000,000,000 ordinary shares of HK\$0.1 each	3,000,000	3,000,000
Issued and fully paid: 1,442,214,000 ordinary shares of HK\$0.1 each	144,221	144,221

**16. CONVERTIBLE NOTES**

	At 31st December, 2012 (Unaudited) HK\$'000	At 30th June, 2012 (Audited) HK\$'000
Convertible Notes – issued	–	36,363

The convertible notes were issued for among other purposes the financing of a jointly controlled entity previously held by the Group. The principal terms of the convertible notes are as follows:

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

The movements of the liability component and equity component of the convertible notes during the six months ended 31st December, 2012 are as follows:

	Liability component of convertible notes (Unaudited) HK\$'000	Equity component of convertible notes (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At beginning of period	29,487	6,876	36,363
Imputed interest expenses (Note)	32	–	32
Coupon interest	(5)	–	(5)
Reversal of deferred tax liabilities upon early redemption	–	80	80
Early redemption of convertible notes, net of tax	(29,514)	(6,956)	(36,470)
	<hr/>	<hr/>	<hr/>
At end of period	–	–	–
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

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

On 13th July, 2012, the Company early redeemed the entire outstanding principal amount of the convertible notes of HK\$30,000,000 which resulted in gain on early redemption of HK\$6,471,000 recognised in profit or loss.

**17. COMMITMENTS****Commitments under operating leases**

As at 31st December, 2012, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	At 31st December, 2012 (Unaudited) HK\$'000	At 30th June, 2012 (Audited) HK\$'000
Within one year	3,779	3,779
In the second to fifth years inclusive	315	2,205
	<u>4,094</u>	<u>5,984</u>

**18. COMPARATIVE**

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

**19. EVENT AFTER THE REPORTING PERIOD**

Subsequent to 31st December, 2012, the Group had the following significant post balance sheet event:

Reference is made to the announcement of the Company dated 25th February, 2013, a supplemental agreement has been entered into between the Company and the purchaser and the completion date was postponed and extended to 30th June, 2013.

**20. APPROVAL OF THE INTERIM REPORT**

These interim financial statements were approved and authorized for issue by the Board on 28th February, 2013.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

For the six months ended 31st December, 2012, the turnover of the Group increased by approximately HK\$7,939,000 to approximately HK\$9,267,000 (2011: approximately HK\$1,328,000), representing an increase of approximately 597.82% from the corresponding period of 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\$9,000,000 (2011: nil) and (ii) decrease in dividend income from approximately HK\$1,328,000 for the corresponding period of last year to approximately HK\$183,000 for the Period.

The Group recorded a profit attributable to owners of the Group of approximately HK\$17,077,000 for the Period under review compared to a loss of approximately HK\$43,649,000 of the corresponding period of last year. The return to a profit position was mainly due to the combined impact of (i) profit impact of the increase in other net gains and losses of the Group for the Period by approximately HK\$49,169,000 to HK\$12,041,000 (2011: loss of approximately HK\$37,128,000) mainly due to the increase in realised and unrealised gains for investments held for trading at period end by approximately HK\$43,967,000 to approximately HK\$6,839,000, and the Period's recognition of gain on early redemption of convertible notes of approximately HK\$6,471,000; (ii) increase in gross profit in the Period by approximately HK\$7,857,000 to approximately HK\$9,185,000 (2011: HK\$1,328,000) as loan interest income of HK\$9,000,000 (2011: nil) was recorded for the Period; (iii) profit impact as reflected in other revenue increase by approximately HK\$4,999,000 to approximately HK\$6,456,000 for the Period (2011: approximately HK\$1,457,000) attributable to imputed interest on convertible notes of approximately HK\$4,738,000 (2011: nil) and rental and management fee income from sub-lease office premises of approximately HK\$1,716,000 (2011: HK\$1,444,000); (iv) profit impact due to decrease in administrative expenses of approximately HK\$1,223,000 to approximately HK\$8,666,000 (2011: HK\$9,889,000) as share-based payments for the Period was nil (2011: HK\$1,203,000); (v) decrease in share of profit of a jointly controlled entity of approximately HK\$2,364,000 to nil for the Period as the jointly controlled entity was disposed of; and (vi) loss impact of the increase in taxation expenses of the Group for the Period by approximately HK\$2,191,000 to HK\$1,907,000 (2011: credit of approximately HK\$284,000). Overall there was a turn-around into net profit of approximately HK\$17,077,000 (2011: loss of approximately HK\$43,649,000) for the Group for the Period.

## **BUSINESS REVIEW**

With fiscal cliff of the United States as an uncertainty and only temporarily resolved towards end of the Period under review, the Group had remained cautious during the Period on its investment and financial services segment and had transacted only low volume of buy and sell trades of securities, the Group stayed put with 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's sales orders for its distribution and trading segment has brought small turnover to this segment during the Period as compared to nil sales for the corresponding period of last year. Loan financing of HK\$100,000,000 approved on 30th January, 2012, continued to earn interest income and has contributed to the Group's turnover and gross profit for the Period under review. The Group has a Money Lenders Licence and can offer loan financing allowed by the Money Lenders Ordinance of Hong Kong. Loan financing had been the main drive for the Group's turnover and our main business during the Period and we had continued our effort on loan reviews but no new loans were granted during the Period.

## **FUTURE PROSPECTS**

European economic crisis together with monetary easing in Japan both led the worldwide to more economic instability. To cope with the prolonged global economic turmoil, the Group will continue explore and further diversify its income sources and asset base by continuing assessment of investment projects; the Group's current assets have increased by approximately HK\$112,857,000 with the receipt of the earnest money during the Period for the to-be-complete major disposal of its indirect holdings of available-for-sale investments and convertible notes, the Group could utilise its short term assets to further diversify its portfolio of assets and generate investment return to the shareholders.

Through its loan financing activities the Group had earned constant interest income forming part of the internal resources that could strengthen the development of the Group. The Group will explore different loan financing sectors as our growth strategy to generate turnover to the operations in provision of loan financing.

## **Liquidity and Financial Resources**

The Group maintains its strong financial position with cash and cash equivalents of approximately HK\$169,375,000 (30th June, 2012: HK\$34,883,000).



As at 31st December, 2012 the Group had a net current assets of approximately HK\$182,973,000 (30th June, 2012: HK\$169,772,000). The shareholders' equity was approximately HK\$282,341,000 (30th June, 2012: HK\$269,992,000) and there was no borrowing. The Group's gearing ratio, calculated using the total borrowings (including convertible notes liabilities) as a percentage of total shareholders' funds as basis, was nil (30th June, 2012: approximately 10.92%).

### **Contingent Liabilities**

As at 31st December, 2012, the Group did not have any significant contingent liabilities.

### **Major Transaction and Event after the reporting period**

Reference is made to the announcement of the Company dated 11th October, 2012 and the circular dated 7th November, 2012 in relation to the major transaction. The Company announced on 11th October, 2012 that the Company entered into a sale and purchase agreement pursuant to which the Company has conditionally agreed to sell and the purchaser has conditionally agreed to purchase 100% of the entire issued share capital of King Partner Limited and Acelead Limited, both wholly owned subsidiaries of the Company, for a consideration of HK\$251,426,000. The underlying assets of King Partner Holdings Limited and Acelead Limited essentially consist of the convertible preference shares and the convertible notes respectively which fuller details can be found in notes 9, 10 and 11. The major transaction was duly passed by the shareholders of the Company at the Special General Meeting held on 27th November, 2012 by way of poll.

Subsequent to the period end, the completion of the major transaction has been extended to 30th June, 2013, pursuant to a supplement agreement dated 25th February, 2013 (see note 19).

### **INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the six months ended 31st December, 2012 (2011: nil).

### **FOREIGN EXCHANGE EXPOSURE**

The Group's monetary assets and liabilities were primarily denominated in Hong Kong dollars and thus the Group would not have significant exposures to material fluctuations in exchange rates. As at 31st December, 2012, the Group had no material exposures under foreign exchange contracts, interest, currency swaps or other financial derivatives.

## DISCLOSURE OF INTERESTS

### (i) Directors

At 31st December, 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 for Securities Transactions by Directors of Listed Issuers (the “Model Code”) to be notified to the Company and the Stock Exchange were as follows:

#### *Ordinary shares of the Company*

Directors	Capacity	shares held	Number of issued ordinary options held	Number of share Total	Approximate percentage of the issued share capital of the Company
Mr. Ng Leung Ho (Note)	Interest of controlled corporation	406,741,882	–	406,741,882	28.20%
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:

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

### (ii) Substantial Shareholder

At 31st December, 2012, so far as is known to the Directors, shareholders (other than the Directors or chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company which have been disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

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

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

Save as disclosed herein, no other person was directly or indirectly beneficially interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company as at 31st December, 2012.

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

**EMPLOYMENT AND REMUNERATION POLICIES**

As at 31st December, 2012, the Group employed approximately 10 employees. The Remuneration Committee and the Directors of the Group reviewed remuneration policies regularly. The structure of the remuneration packages would take into account the level and composition of pay and the general market conditions in the respective countries and businesses.

**DIRECTORS' RIGHTS TO ACQUIRE SHARES**

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

**SHARE OPTION SCHEME**

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

Up to 31st December, 2012 there were 48,400,000 share options granted. 15,520,000 option has been exercised during the prior period. 7,800,000 option has been cancelled or lapsed during the prior period. Details of which were as follows:

### Number of shares under option

Director	Beginning of period	Granted during the period	Exercised during the period	End of period	Subscription price per share	Date of grant of share options	Vesting and exercisable period
Mr. Law Wai Fai	600,000	-	-	600,000	1.25	5th February, 2008	5th February, 2008 to 4th February, 2018
	600,000	-	-	600,000	0.80	7th September, 2009	7th September, 2009 to 6th September, 2019
Sub-total	1,200,000	-	-	1,200,000			
Mr. Lo Wan Sing, Vincent	-	-	-	-			
	1,400,000	-	-	1,400,000	0.80	7th September, 2009	7th September, 2009 to 6th September, 2019
Mr. Chau On Ta Yuen	600,000	-	-	600,000	1.25	5th February, 2008	5th February, 2008 to 4th February, 2018
	300,000	-	-	300,000	0.80	7th September, 2009	7th September, 2009 to 6th September, 2019
Sub-total	900,000	-	-	900,000			
Employees/ Non-Directors	8,400,000	-	-	8,400,000	1.11	31st January, 2008	31st January, 2008 to 30th January, 2018,
Non-Director	5,900,000	-	-	5,900,000	1.25	5th February, 2008	5th February, 2008 to 4th February, 2018
Non-Director	5,600,000	-	-	5,600,000	1.27	6th February, 2008	6th February, 2008 to 5th February, 2008
Employees/ Non-Directors	1,680,000	-	-	1,680,000	0.80	7th September, 2009	7th September, 2009 to 6th September, 2019
	2,580,000	-	-	2,580,000			
Total	25,080,000	-	-	25,080,000			

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31st December, 2012.

**AUDIT COMMITTEE**

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

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

**CORPORATE GOVERNANCE**

In the opinion of the Directors, the Company has complied throughout the six months ended 31st December, 2012 with the Code on Corporate Governance Practices (the "Code") as set out by the Stock Exchange in Appendix 14 to the Listing Rules during the six months ended 31st December, 2012.

**MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 ("Model Code") to Listing Rules during the Period under review. The Company has made specific enquiry with all Directors and all of them confirmed that they have complied with the required standard set out in the Model Code for the period ended 31st December, 2012.

**APPRECIATION**

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

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

*Executive Directors:*

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

*Independent Non-Executive Directors:*

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

On behalf of the Board

**Ng Leung Ho**  
*Chairman*

Hong Kong, 28th February, 2013