



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

(Incorporated in Bermuda with limited liability)

Stock Code:00109

2013 ANNUAL REPORT

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Corporate Information

BOARD OF DIRECTORS

Executive Directors:

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

Independent Non-Executive Directors:

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

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Chan Chi Ming, Tony

AUTHORIZED REPRESENTATIVES

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

GENERAL COMMITTEE

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

REGISTERED OFFICE OF THE COMPANY

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

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

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited

Level 22, Hopewell Centre,
183 Queen's Road East,
Hong Kong

LEGAL ADVISERS

On Hong Kong law:

Leung & Associates Solicitors

Room 2408, 24th Floor, Wing On House
71 Des Voeux Road Central
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 profit of approximately HK\$104,239,000 for the Group in current year in comparison to a loss of approximately HK\$619,312,000 in last year and our turnover has decreased by approximately HK\$15,228,000 to approximately HK\$19,093,000. The loss position in last 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 whereas in current year a gain on disposal of available-for-sale investments and convertible notes through disposal of subsidiaries of approximately HK\$88,348,000 was recognised.

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\$18,000,000 (2012: HK\$7,500,000) for the year under review; contribution for turnover attributable to securities held by the Group decreased from approximately HK\$2,430,000 in last year to that of approximately HK\$1,009,000 for the current year.

The Group's distribution and trading of goods segment has delivered turnover of approximately HK\$84,000 to the Group for the current year, represented a decrease of approximately HK\$24,307,000 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 global unstable economy.

The global economy is unstable due to slow recovery of economy at United States and Europe 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 continuing 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 unstable environment and to continue our pursue for different opportunities and new diversified investment portfolio. Loan reviews will be continued under the investment and financial services business which is core business that can continue to bring income and contribute positively to the Group.

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, 27th September, 2013

FINANCIAL REVIEW

For the year ended 30th June, 2013, the turnover of the Group decreased by approximately HK\$15,228,000 to approximately HK\$19,093,000 (2012 : approximately HK\$34,321,000), representing a decrease of approximately 44.37% from last year. Decrease 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\$18,000,000 (2012: HK\$7,500,000) net off by decrease in dividend income from approximately HK\$2,430,000 for the prior year to approximately HK\$1,009,000 for the current year; and (ii) decrease in turnover related to business activities in distribution and trading to turnover of approximately HK\$84,000 for the year under review as compared to approximately HK\$24,391,000 in the prior year.

The Group recorded a profit attributable to owners of the Company of approximately HK\$104,239,000 for the year under review compared to a loss of approximately HK\$619,312,000 of last year. The return into a profit position was mainly due to (i) loss on disposal of a subsidiary together with its interest in a jointly controlled entity recognised during the prior year of approximately HK\$487,605,000 and there had been no corresponding loss for the year under review; (ii) Gain on disposal of available-for-sale investments and convertible notes through disposal of subsidiaries of approximately HK\$88,348,000 (2012: nil) (iii) profit impact of other net gains of the Group recognised for the current year of approximately HK\$1,633,000 compared to other net losses of approximately HK\$98,185,000 of last year resulting from the turnaround of realised and unrealised loss for investments held for trading of last year of approximately HK\$42,811,000 to profit of approximately HK\$3,789,000 for the current year and last year's recognition of impairment loss on available-for-sale investments of approximately HK\$49,312,000 to nil for the current year; (iv) profit impact of the decrease in taxation expenses of the Group for the current year by approximately HK\$25,718,000 to approximately HK\$3,574,000 (2012: approximately HK\$29,292,000); (v) increase in gross profit by approximately HK\$8,603,000 to approximately HK\$19,011,000 for the current year (2012: approximately HK\$10,408,000) as interest income for the loan granted on 23rd December, 2011 earned its full year of interest income in the current year; and (vi) increase in other revenue by approximately HK\$8,469,000 to approximately HK\$15,255,000 (2012: approximately HK\$6,786,000) attributable to imputed interest income on convertible notes receivable of approximately HK\$9,633,000 (2012: HK\$3,320,000) and bank interest income of approximately HK\$2,170,000 (2012: HK\$27,000).

Overall there was a turnaround into net profit of approximately HK\$104,239,000 (2012: loss of approximately HK\$619,312,000) for the Group for current year.

BUSINESS REVIEW

The Group's investment and financial services segment has delivered results with its existing loan financing of HK\$100,000,000 brought in interest income of HK\$18,000,000 during the year under review and has contributed to the Group's turnover and gross profit for the current year. Although Europe and United States have shown early sign of recovery of economy from the recession, the Group has continued to be cautious on its investment and financial services segment and its buy and sell trades of securities were kept in smaller scale, 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's sales orders for its distribution and trading segment has brought small turnover to this segment during the current year. Loan financing is the main drive of the Group's turnover and our main business during the current year, on 21st August, 2013 a new loan agreement (see below heading "MAJOR TRANSACTION IN RELATION TO LOAN ADVANCE" for more details) of HK\$200,000,000 was signed as a result of our efforts for loan reviews.

Management Discussion and Analysis

FUTURE PROSPECTS

With prolonged slow recovery of the global economic turmoil in United States and Europe, the Group's measure is to further diversify its income sources and asset base by continuing assessment of investment projects; with full receipt of HK\$251,426,000 for the Group's major disposal (see below heading "MAJOR DISPOSAL" for more details) of its holdings in convertible notes and convertible preference shares to Mr. Guo Jiadi on 28th June, 2013, even after the new loan financing leading to future cash outflow of HK\$200,000,000, the Group will still have cash resources to invest 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 new loan financing (see below heading "MAJOR TRANSACTION IN RELATION TO LOAN ADVANCE" for more details) of HK\$200,000,000 will provide the Group with more 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\$271,099,000 (2012: approximately HK\$34,883,000).

As at 30th June, 2013, the Group had net current assets of approximately HK\$273,308,000 (2012: approximately HK\$169,772,000). The shareholders' equity was approximately HK\$374,231,000 (2012: approximately 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' equity as basis, was nil (2012: approximately 10.92%).

CONTINGENT LIABILITIES

As at 30th June, 2013, 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, 2013.

MAJOR DISPOSAL

As announced on 28th June, 2013, as a result of the completion of the major disposal, Mr. Guo Jiadi has paid a total sum of HK\$251,426,000 in cash to the Company as the consideration for the disposal of and transfer of the underlying assets of the convertible notes and convertible preference shares to Mr. Guo Jiadi. The resulting financial impact is fuller detailed in Note 31.

MAJOR TRANSACTION IN RELATION TO LOAN ADVANCE

As announced on 21st August, 2013 and as fuller detailed in the circular (the "Circular") dated 10th September, 2013 of the Company, an agreement dated 21st August, 2013 (the "Loan Agreement") was entered into by Golden Wayford Limited (金威豐有限公司), a wholly-owned subsidiary of the Company, as the lender (the "Lender") and Ongood International (HK) Limited (安泰國際(香港)有限公司), as the borrower (the "Borrower"). Pursuant to the Loan Agreement, the Lender has agreed to make available to the Borrower a secured term loan of HK\$200 million for a term of 3 years on terms and subject to the conditions set out therein. The Loan is secured by share mortgages and guarantees which fuller details can be found in the Circular.

EMPLOYMENT AND REMUNERATION POLICIES

As at 30th June, 2013, 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, 2013.

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, 2013 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 62, 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 66, 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 66, 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 (formerly known as "Everpride Biopharmaceutical Company Limited") (from 28th May, 2003 to 20th August, 2009). He is also a member of the Chinese People's Political Consultative Conference 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.

Mr. LAW Wai Fai (“Mr. Law”), aged 45, 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. 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 34, 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 45, 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, 2013 with the Code on Corporate Governance Practice (the “Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), except for the following deviations:

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

Under the code provision A.6.7 of the Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Ms. Xu Lei, an Independent Non-executive Director of the Company, was unable to attend the annual and special general meeting of the Company held on 27 November 2012 owing to other important engagement at the relevant time.

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 8 and 9 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.

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.

Corporate Governance Report

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.

ATTENDANCE RECORD AT BOARD AND BOARD COMMITTEE MEETINGS

Board of Directors Meetings

A total of ten 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 (<i>Chairman</i>)	6/10
Mr. Lo Wan Sing, Vincent (<i>Vice-Chairman and Managing Director</i>)	10/10
Independent Non-Executive Directors	
Mr. Law Wai Fai	10/10
Mr. Chau On Ta Yuen	7/10
Ms. Xu Lei	9/10

Audit Committee Meetings

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

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

Remuneration Committee Meetings

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

Name of Remuneration Committee members	Attendance
Independent Non-Executive Directors	
Mr. Law Wai Fai (<i>Chairman of Remuneration Committee</i>)	2/2
Mr. Chau On Ta Yuen	2/2
Ms. Xu Lei	2/2
Mr. Lo Wan Sing, Vincent	1/2
Executive Directors	
Mr. Ng Leung Ho	2/2

Corporate Governance Report

General Committee Meeting

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

Name of General Committee members	Attendance
Independent Non-Executive Director	
Mr. Law Wai Fai (<i>Chairman of General Committee</i>)	2/2
Executive Directors	
Mr. Ng Leung Ho	2/2
Mr. Lo Wan Sing, Vincent	2/2

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Every newly appointed director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for directors will be arranged where necessary.

All directors have provided their training records to the Company.

During the year ended 30 June 2013, Mr. Chan Chi Ming Tony, the Company Secretary, has undertaken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

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, 2013.

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

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 24 and 25.

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, 2013 are HK\$500,000 and HK\$83,400 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.

COMMUNICATION WITH SHAREHOLDERS

The Company is committed to maintaining a high level of transparency and employs a policy of open and timely disclosure of relevant information to its shareholders. This commitment to fair disclosure and comprehensive and transparent reporting of the Group's activities can be reflected in many aspects.

The Board strives to encourage and maintain constant dialogue with its shareholders through various means. The Chairman (with the assistance of the Company Secretary and the other Directors) has established a shareholders' communication policy to ensure that appropriate steps are taken to provide effective communication with shareholders of the Company. The annual general meetings and other general meetings, if any, of the Company are good communication channels for the Board to meet and exchange views with the Company's shareholders. The Directors use their best endeavour to attend the general meetings so that they may answer any questions from the Company's shareholders.

The Chairman of the Board, and the chairmen of the Audit, Remuneration and Nomination Committees attended the 2012 AGM and were available to answer questions. The external auditor also attended the 2012 AGM to answer questions.

A total of two general 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	
	Annual General Meeting	Special General Meeting
Executive Directors		
Mr. Ng Leung Ho (<i>Chairman</i>)	1/1	1/1
Mr. Lo Wan Sing, Vincent (<i>Vice-Chairman and Managing Director</i>)	1/1	1/1
Independent Non-Executive Directors		
Mr. Law Wai Fai	1/1	1/1
Mr. Chau On Ta Yuen	1/1	1/1
Ms. Xu Lei	0/1	0/1

Corporate Governance Report

The 2012 AGM circular (incorporating the notice of annual general meeting and setting out details in relation to each resolution proposed, information on voting arrangement and other relevant information) was sent to all shareholders at least 20 clear business days before the 2012 AGM. Separate resolutions for each substantially separate issue (including the re-election of retiring Directors) were proposed at the general meeting. The procedures for conducting a poll were clearly explained at the general meeting. All resolutions put to shareholders at the general meeting were voted by way of poll and passed; and the results were published on the websites of the Company and the Stock Exchange.

The Company also communicates to its shareholders through its annual and half-year reports. All such reports can also be accessed via the Company's website <http://www.gfellow.com>. The Directors, Company Secretary or other appropriate members of senior management also respond to enquiries from shareholders and investors promptly. Enquiries can be put forward to the Board through mail to head office of the Company to the Company Secretary.

The Board may whenever it thinks fit call special general meetings, and shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda (as amended).

The Company is committed to protecting the privacy right on all personal data collected from shareholders. When collecting personal data from the shareholders, the Company will specify in the relevant documents the purpose of collection and the use of personal data etc. Contact details are also provided to the shareholders for accessing and correcting their personal data.

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. During the year ended 30 June 2013, there has been no change in the Company's memorandum and articles of association.

The directors present their annual report and the audited consolidated financial statements of the Company for the year ended 30th June, 2013.

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, 2013 are set out in the consolidated statement of comprehensive income on page 26.

The directors do not recommend the payment of a dividend for the year ended 30th June, 2013.

FINANCIAL SUMMARY

The financial summary of the consolidated results of the Group for each of the five years ended 30th June, 2013 and of the net assets of the Group as at 30th June, 2013, 2012, 2011, 2010 and 2009 are set out on page 88.

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.

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.

Report of the Directors

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 29 and in note 29 to the financial statements respectively.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution amounted to approximately HK\$155,471,000 at 30th June, 2013. 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.

CHARITABLE DONATIONS

Total donations made by the Group for charitable and other purposes during the year amounted to HK\$1,000,000.

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, Ms. Xu Lei 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, 2013, 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") as set out in Appendix 10 to the Listing Rules on the Stock Exchange to be notified to the Company and the Stock Exchange were as follows:

Ordinary shares or underlying shares of the Company

Directors	Capacity	Number of issued ordinary shares held	Number of share options held	Total	Approximate percentage of issued share capital of the Company
Mr. Ng Leung Ho (<i>Note 1</i>)	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 1:

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, as at 30th June, 2013, 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.

Report of the Directors

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, 2013, 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.

As at 30th June, 2013, 25,080,000 share options are outstanding details of which were as follows:

Number of shares under option

Director	Beginning of year	Granted during the year	Exercised during the year	End of year	Subscription price per share	Date of grant of share options	Exercisable period
Mr. 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			

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	<u>25,080,000</u>	<u>-</u>	<u>-</u>	<u>25,080,000</u>			

Notes:

- 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, 2013, 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 entire issued capital of Rich Capital Global Enterprises Limited is directly wholly owned by Mr. Ng Leung Ho.

Save as disclosed herein, no other person had any interests or short positions in the shares or underlying shares of the Company as at 30th June, 2013, 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.

Report of the Directors

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 94%.

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

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.

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, 2013.

AUDITOR

The financial statements for the year ended 30th June, 2013 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, 27th September, 2013

Independent Auditor's Report



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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 26 to 87, which comprise the consolidated and company's statements of financial position as at 30th June, 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

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, 2013 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited

Certified Public Accountants

Wong Chi Wai

Practising Certificate number P04945

27th September, 2013

Consolidated Statement of Comprehensive Income

For the year ended 30th June, 2013

	Notes	2013 HK\$'000	2012 HK\$'000
Turnover	7	19,093	34,321
Cost of sales		(82)	(23,913)
Gross profit		19,011	10,408
Other revenue	9	15,255	6,786
Other net gains and losses	9	1,633	(98,185)
Administrative expenses		(16,402)	(17,803)
Gain on disposal of available-for-sale investments and convertible notes through disposal of subsidiaries	31	88,348	–
Loss on disposal of a subsidiary together with its interest in a jointly controlled entity	32	–	(487,605)
Finance costs	10	(32)	(4,078)
Share of profit of a jointly controlled entity	18	–	457
Profit/(loss) before taxation	11	107,813	(590,020)
Taxation	13	(3,574)	(29,292)
Profit/(loss) for the year attributable to owners of the Company		104,239	(619,312)
Other comprehensive income			
Share of translation difference of a jointly controlled entity	18	–	14,232
Fair value change on available-for-sale investments	21	9,807	(49,312)
Reclassification adjustment of fair value gain included in profit or loss on disposal of available-for-sale investments	31	(9,807)	–
Reclassification adjustment of translation reserve upon disposal of a subsidiary together with its interest in a jointly controlled entity	32	–	(28,738)
Reclassification of impairment loss on available-for-sale investments to profit or loss		–	49,312
Other comprehensive income that are or may be reclassified to profit or loss		–	(14,506)
Total comprehensive income for the year attributable to owners of the Company		104,239	(633,818)
		HK Cents	HK Cents
Earnings/(loss) per share attributable to owners of the Company	15		
– Basic		7.2	(42.9)
– Diluted		7.2	(42.9)

Consolidated Statement of Financial Position

At 30th June, 2013

	Notes	2013 HK\$'000	2012 HK\$'000
Non-current assets			
Property, plant and equipment	16	923	852
Loan receivable	19	100,000	100,000
		100,923	100,852
Current assets			
Trade and other receivables	20	4,532	27,878
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	31,902	35,804
Bank balances and cash	24	271,099	34,883
		307,533	255,420
Current liabilities			
Trade and other payables	25	2,929	26,854
Convertible notes	26	–	29,487
Provision for taxation		31,296	29,307
		34,225	85,648
Net current assets		273,308	169,772
Total assets less current liabilities		374,231	270,624
Non-current liabilities			
Deferred tax liabilities	27	–	632
NET ASSETS		374,231	269,992
Capital and reserves attributable to owners of the Company			
Share capital	28	144,221	144,221
Reserves		230,010	125,771
TOTAL EQUITY		374,231	269,992

On behalf of the Board

Ng Leung Ho
DIRECTOR

Lo Wan Sing, Vincent
DIRECTOR

Statement of Financial Position

At 30th June, 2013

	Notes	2013 HK\$'000	2012 HK\$'000
Non-current assets			
Property, plant and equipment	16	923	852
Investments in subsidiaries	17	–	–
		<u>923</u>	<u>852</u>
Current assets			
Trade and other receivables	20	12	12
Amounts due from subsidiaries	17	129,086	304,303
Bank balances and cash	24	256,874	19,830
		<u>385,972</u>	<u>324,145</u>
Current liabilities			
Other payables	25	1,530	2,466
Convertible notes	26	–	29,487
Provision for taxation		29,294	29,294
		<u>30,824</u>	<u>61,247</u>
Net current assets		<u>355,148</u>	<u>262,898</u>
Total assets less current liabilities		<u>356,071</u>	<u>263,750</u>
Non-current liabilities			
Deferred tax liabilities	27	–	85
NET ASSETS		<u><u>356,071</u></u>	<u><u>263,665</u></u>
Capital and reserves attributable to owners of the Company			
Share capital	28	144,221	144,221
Reserves	29	211,850	119,444
TOTAL EQUITY		<u><u>356,071</u></u>	<u><u>263,665</u></u>

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, 2013

	Share capital	Share premium ^(a)	Contribution surplus ^(a)	Special reserve ^(b)	Other reserves ^(c)	Translation reserves ^(d)	Share-based compensation reserve ^(e)	Convertible notes reserve	Available- for-sale investments revaluation reserve ^(f)	(Accumulated losses)/ Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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 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
Transactions with owners											
- Early redemption of convertible notes, net of tax	-	-	-	-	-	-	-	(6,876)	-	6,876	-
Profit for the year	-	-	-	-	-	-	-	-	-	104,239	104,239
Other comprehensive income for the year											
- Fair value change on available-for-sale investments	-	-	-	-	-	-	-	-	9,807	-	9,807
- Reclassification adjustment of fair value gain included in profit or loss on disposal of available-for-sale investments	-	-	-	-	-	-	-	-	(9,807)	-	(9,807)
	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	-	-	-	104,239	104,239
At 30th June, 2013	144,221	24,916	170,789	847	39,387	(5)	16,992	-	-	(22,916)	374,231

Consolidated Statement of Changes in Equity

For the year ended 30th June, 2013

- (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, 2012 and 2013 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 year ended 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 ended 30th June, 2012 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 investments revaluation reserve represents the cumulative net change in the fair value of available-for-sale investments during the year ended 30th June, 2012 and is reclassified to profit or loss as impairment loss dealt with in accordance with accounting policies set out in note 3. The release of the reserve to profit or loss during the year ended 30th June, 2013 represents the reversal of available-for-sale investment revaluation reserve upon the disposal of available-for-sale investments through disposal of a subsidiary.

Consolidated Statement of Cash Flows

For the year ended 30th June, 2013

	Notes	2013 HK\$'000	2012 HK\$'000
OPERATING ACTIVITIES			
Profit/(loss) before taxation		107,813	(590,020)
Adjustments for:			
Bank interest income	9	(2,170)	(27)
Interest expenses	10	32	4,078
Depreciation of property, plant and equipment	16	331	316
Share of loss of a jointly controlled entity	18	–	(457)
Impairment loss on available-for-sale investments		–	49,312
Imputed interest income on convertible notes receivable	22	(9,633)	(3,320)
Fair value change on convertible notes receivable			
– derivative components	22	1,683	6,665
Loss/(gain) on early redemption of convertible notes	26	406	(603)
Share-based payments	30	–	1,203
Loss on disposal of property, plant and equipment		67	–
Gain on disposal of available-for-sale investments and convertible notes through disposal of subsidiaries	31	(88,348)	–
Loss on disposal of a subsidiary together with its interest in a jointly controlled entity	32	–	487,605
Operating cash flows before movements in working capital		10,181	(45,248)
Increase in loan receivable		–	(100,000)
Decrease/(increase) in trade and other receivables		23,346	(20,458)
Decrease in investments held for trading		3,902	62,051
(Decrease)/increase in trade and other payables		(23,925)	24,824
NET CASH FROM/(USED IN) OPERATING ACTIVITIES		13,504	(78,831)
INVESTING ACTIVITIES			
Interest received on bank balances	9	2,170	27
Purchase of property, plant and equipment	16	(779)	(98)
Proceeds on disposal of property, plant and equipment		310	–
Net cash inflow from disposal of available-for-sale investments and convertible notes through disposal of subsidiaries, net of related expenses	31	251,015	–
Net cash outflow from disposal of a subsidiary together with its interest in a jointly controlled entity, net of related expenses	32	–	(886)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		252,716	(957)
FINANCING ACTIVITIES			
Interest paid		(4)	(887)
Early redemption of convertible notes	26	(30,000)	(4,200)
NET CASH USED IN FINANCING ACTIVITIES		(30,004)	(5,087)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		236,216	(84,875)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		34,883	119,758
CASH AND CASH EQUIVALENTS AT END OF THE YEAR represented by bank balances and cash		271,099	34,883

Notes to the Financial Statements

For the year ended 30th June, 2013

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 37.

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

(a) Adoption of new/revised HKFRSs – effective 1st July, 2012

Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets

Except as explained below, the adoption of these amendments has no significant impact on the Group’s financial statements.

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.

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

(b) Potential impact arising on HKFRSs not yet effective

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

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle ¹
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ²
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets ²
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ³
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities ²
HKFRS 9	Financial Instruments ³
HKFRS 10	Consolidated Financial Statements ¹
HKFRS 12	Disclosure of Interests in Other Entities ¹
HKFRS 13	Fair Value Measurement ¹
HKAS 19 (2011)	Employee Benefits ¹
HKAS 27 (2011)	Separate Financial Statements ¹

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

² Effective for annual periods beginning on or after 1 January 2014

³ Effective for annual periods beginning on or after 1 January 2015

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – Investment Entities

The amendments apply to a particular class of businesses that qualify as investment entities. An investment entity’s business purpose is to invest funds solely for returns from capital appreciation, investment income or both. It evaluates the performance of its investments on a fair value basis. Investment entities could include private equity organisations, venture capital organisations, pension funds and investment funds.

The amendments provide an exception to the consolidation requirements in HKFRS 10 Consolidated Financial Statements and require investment entities to measure particular subsidiaries at fair value through profit or loss rather than to consolidate them. The amendments also set out the disclosure requirements for investment entities. The amendments are applied retrospectively subject to certain transitional provisions.

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

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

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.

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.

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

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

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.

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.

Notes to the Financial Statements

For the year ended 30th June, 2013

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Notes to the Financial Statements

For the year ended 30th June, 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

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

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

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

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. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

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.

Notes to the Financial Statements

For the year ended 30th June, 2013

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.

Notes to the Financial Statements

For the year ended 30th June, 2013

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

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 held for trading is recognised when the Group's rights to receive payment have been established.

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.

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, 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.

Notes to the Financial Statements

For the year ended 30th June, 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee 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.

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.

Notes to the Financial Statements

For the year ended 30th June, 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.
- (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).
 - (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.

Notes to the Financial Statements

For the year ended 30th June, 2013

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.

Provision for taxes

The Group through its investments in subsidiaries is subject to certain taxes in the People's Republic of China (the "PRC") and Hong Kong including enterprise income tax, capital gain tax and Hong Kong Profits 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:

	2013 HK\$'000	2012 HK\$'000
Total borrowings	–	29,487
Total shareholders' equity	374,231	269,992
Gearing ratio	N/A	10.92%

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES

The Group's major financial instruments include trade and other receivables, 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, and other receivables, 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 and 2013, trade receivables and loan receivable are principally due from a single customer or counterparty. Convertible notes receivable was also due from a single counterparty as at 30th June, 2012. 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.

Notes to the Financial Statements

For the year ended 30th June, 2013

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (continued)

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, 2013, if the quoted market price of the Group's listed securities had been 10% higher/lower, profit for the year would have been approximately HK\$3,190,000 higher/lower (2012: Loss for the year would have been HK\$3,580,000 lower/higher).

The Group's available-for-sale investments as at 30th June, 2012 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) had been 20% higher/lower, the available-for-sale investment revaluation deficit and the corresponding impairment loss recognised in profit or loss for the year ended 30th June, 2012 would have been approximately HK\$15,451,000 lower/higher.

The derivative components of the Group's convertible notes receivable as at 30th June, 2012 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 and all other variable were held constant, the Group's loss for the year ended 30th June, 2012 would be HK\$1,455,000 lower/higher.

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 receivables carry at fixed interest rate and therefore are not subject to cash flow interest rate risk.

The Group's financial liabilities are issued at fixed interest rate which merely comprises 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\$271,099,000 (2012: HK\$34,883,000) at 30th June, 2013.

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 POLICES (continued)

Liquidity risk (continued)

The contractual maturities of financial liabilities are shown as below:

2013	Carrying amount <i>HK\$'000</i>	Total contractual undiscounted cash flows <i>HK\$'000</i>	Within 1 year or on demand <i>HK\$'000</i>
Group			
Trade and other payables	2,929	2,929	2,929
Company			
Other payables	1,530	1,530	1,530
2012			
	Carrying amount <i>HK\$'000</i>	Total contractual undiscounted cash flows <i>HK\$'000</i>	Within 1 year or on demand <i>HK\$'000</i>
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

Notes to the Financial Statements

For the year ended 30th June, 2013

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (continued)

Foreign currency risk

The Group primarily operates in Hong Kong and most of its transactions are denominated and settled in Hong Kong 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 except that the Group has bank deposits of approximately HK\$152,578,000 (2012: HK\$785,000) denominated in Renminbi included in bank balances and cash as at 30th June, 2013. Had the exchange rate of Renminbi against Hong Kong dollar increased/decreased by 5%, the profit for the year ended 30th June 2013 and equity as at 30th June, 2013 would increase/decrease by approximately HK\$7,629,000. The financial impact on the loss for the year ended 30th June, 2012 and equity as at 30th June, 2012 is insignificant. The above analysis is prepared based on the reasonably possible changes in an exchange rate to which the Group has significant exposure at the end of each reporting period.

7. TURNOVER

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

	2013 HK\$'000	2012 HK\$'000
Loan interest income	18,000	7,500
Dividend income from investments held for trading	1,009	2,430
Trading of apparel	84	24,391
	<u>19,093</u>	<u>34,321</u>

8. SEGMENT REPORTING

Reportable segments

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

The Group has two reportable segments (2012: 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.

Segment information about these reportable segments is presented below:

For the year ended 30th June, 2013	Investment and financial services HK\$'000	Distribution and trading HK\$'000	Consolidated HK\$'000
Turnover – external	<u>19,009</u>	<u>84</u>	<u>19,093</u>
Segment results	<u>116,541</u>	<u>2</u>	<u>116,543</u>
Unallocated corporate income			5,622
Unallocated corporate gains			(473)
Unallocated corporate expenses			(13,847)
Finance costs			(32)
Profit before taxation			<u>107,813</u>
Taxation			(3,574)
Profit for the year			<u><u>104,239</u></u>

Notes to the Financial Statements

For the year ended 30th June, 2013

8. SEGMENT REPORTING (continued)

Reportable segments (continued)

At 30th June, 2013	Investment and financial services <i>HK\$'000</i>	Distribution and trading <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS				
Loan receivable	100,000	-	-	100,000
Other assets	3,041	-	2,414	5,455
Investments held for trading	31,902	-	-	31,902
Bank balances and cash	13,680	545	256,874	271,099
Consolidated total assets	<u>148,623</u>	<u>545</u>	<u>259,288</u>	<u>408,456</u>
LIABILITIES				
Trade and other payables	-	-	2,929	2,929
Provision for taxation	-	-	31,296	31,296
Consolidated total liabilities	<u>-</u>	<u>-</u>	<u>34,225</u>	<u>34,225</u>

8. SEGMENT REPORTING (continued)

Reportable segments (continued)

Other information For the year ended 30th June, 2013	Investment and financial services HK\$'000	Distribution and trading HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Depreciation of property, plant and equipment	-	-	331	331
Net realised and unrealised losses on investments held for trading	3,789	-	-	3,789
Gain on disposal of available-for-sale investments and convertible notes through disposal of subsidiaries	88,348	-	-	88,348
Fair value change on convertible notes receivable – derivative components	(1,683)	-	-	(1,683)
Loss on early redemption of convertible notes	-	-	(406)	(406)
Imputed interest income on convertible notes receivable	9,633	-	-	9,633

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, 2013

8. SEGMENT REPORTING (continued)

Reportable segments (continued)

At 30th June, 2012	Investment and financial services <i>HK\$'000</i>	Distribution and trading <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS				
Investments held for trading	35,804	–	–	35,804
Available-for-sale investments	78,193	–	–	78,193
Convertible notes receivable				
– debt component	75,279	–	–	75,279
Convertible notes receivable				
– derivative components	3,383	–	–	3,383
Bank balances and cash	14,965	87	19,831	34,883
Loan receivable	100,000	–	–	100,000
Other assets	3,150	23,456	2,124	28,730
Consolidated total assets	<u>310,774</u>	<u>23,543</u>	<u>21,955</u>	<u>356,272</u>
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	<u>–</u>	<u>22,996</u>	<u>63,284</u>	<u>86,280</u>

8. SEGMENT REPORTING (continued)

Reportable segments (continued)

Other information For the year ended 30th June, 2012	Investment and financial services <i>HK\$'000</i>	Distribution and trading <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
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

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\$84,000 (2012: HK\$24,391,000) which was derived from Chile.

Information about major customers

The Group has revenue from one (2012: one) external customer of each of the Group's distribution and trading segment and investment and financial service segment amounting to HK\$84,000 (2012: HK\$24,391,000) and HK\$18,000,000 (2012: HK\$7,500,000) respectively for the year.

Notes to the Financial Statements

For the year ended 30th June, 2013

9. OTHER REVENUE, OTHER NET GAINS AND LOSSES

	2013 HK\$'000	2012 HK\$'000
Other revenue		
Imputed interest income on convertible notes receivable (Note 22)	9,633	3,320
Rental and management fee income from sub-lease of office premises	3,452	3,439
Bank interest income	2,170	27
	<u>15,255</u>	<u>6,786</u>
Other net gains and (losses)		
Net realised gains/(losses) on sales of investments held for trading*	2,228	(4,473)
Net changes in fair value of investments held for trading	1,561	(38,338)
	<u>3,789</u>	<u>(42,811)</u>
Net realised and unrealised gains/(losses) on investments held for trading	3,789	(42,811)
Impairment loss on available-for-sale investments (Note 21)	–	(49,312)
Fair value change on convertible notes receivable – derivative components (Note 22)	(1,683)	(6,665)
(Loss)/gain on early redemption of convertible notes (Note 26)	(406)	603
Loss on disposal of property, plant and equipment	(67)	–
	<u>1,633</u>	<u>(98,185)</u>
Other revenue and other net gains and (losses)	<u><u>16,888</u></u>	<u><u>(91,399)</u></u>

* Net realised gains/(losses) derived from sales of investments held for trading with proceeds of HK\$7,784,000 (2012: HK\$30,941,000) net of transaction costs.

10. FINANCE COSTS

	2013 HK\$'000	2012 HK\$'000
Interest on convertible notes (Note 26)	32	4,074
Others	–	4
	32	4,078

11. PROFIT/(LOSS) BEFORE TAXATION

	2013 HK\$'000	2012 HK\$'000
Profit/(loss) before taxation has been arrived at after charging/(crediting):		
Directors' emoluments (Note 12)	4,459	5,002
Staff costs (excluding directors' emoluments):		
Salaries and allowances	1,795	1,962
Share-based payments	–	498
Retirement benefits scheme contributions	46	43
Total staff costs	6,300	7,505
Cost of sales	82	23,913
Share-based payments (Note 30) *	–	1,203
Auditor's remuneration		
Current year	500	692
Over-provision in prior years	(150)	–
Depreciation of property, plant and equipment (Note 16)	331	316
Consultancy fees	1,085	1,261
Legal and professional fees **	188	739

* Share-based payments for the year ended 30th June, 2012 comprised share-based payments to directors, employees and other third parties, of which HK\$538,000, HK\$498,000 and HK\$167,000 are included in directors' emoluments, staff costs (excluding directors' emoluments) and consultancy fees respectively.

** Legal and professional fees excluding fee directly attributable to the disposals of investments as mentioned in notes 31 and 32 to the financial statements.

Notes to the Financial Statements

For the year ended 30th June, 2013

12. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS

The emoluments paid or payable to each of the five (2012: five) directors were as follows:

For the year ended 30th June, 2013	Fees HK\$'000	Basic salaries and allowances HK\$'000	Retirement benefits scheme contributions HK\$'000	Share- based payments HK\$'000	Total HK\$'000
Mr. Ng Leung Ho	–	3,900	15	–	3,915
Mr. Lo Wan Sing, Vincent	–	360	4	–	364
Mr. Chau On Ta Yuen	60	–	–	–	60
Mr. Law Wai Fai	60	–	–	–	60
Ms. Xu Lei	60	–	–	–	60
	180	4,260	19	–	4,459

For the year ended 30th June, 2012	Fees HK\$'000	Basic salaries and allowances HK\$'000	Retirement benefits scheme contributions HK\$'000	Share- based payments HK\$'000	Total 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

During the years ended 30th June, 2012 and 2013, 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 both of the years.

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

Highest paid individuals

Of the five highest paid individuals in the Group, two (2012: three) are directors of the Company whose emoluments are set out above. The emoluments of the remaining three (2012: two) individual are as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Basic salaries and allowances	1,477	1,327
Retirement benefits scheme contributions	29	21
Share-based payments	–	498
	<u>1,506</u>	<u>1,846</u>

The emoluments were within the following bands:

	2013 <i>Number of individuals</i>	2012 <i>Number of individuals</i>
Below HK\$1,000,001	2	1
HK\$1,000,001 to HK\$1,500,000	1	–
HK\$1,500,001 to HK\$2,000,000	–	1
	<u>3</u>	<u>2</u>

The emoluments paid or payable to a member of senior management were within the following bands:

	2013 <i>Number of individuals</i>	2012 <i>Number of individuals</i>
Below HK\$1,000,001	–	–
HK\$1,000,001 to HK\$1,500,000	1	–
HK\$1,500,001 to HK\$2,000,000	–	1
	<u>1</u>	<u>1</u>

In prior years, share options were granted to directors and the highest paid employee in respect of their services to the Group, further details of which are included in note 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 last year is included in the above directors and highest paid employees and senior management's remuneration disclosures.

Notes to the Financial Statements

For the year ended 30th June, 2013

13. TAXATION

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

	2013 HK\$'000	2012 HK\$'000
Current tax		
– Hong Kong Profits Tax	1,989	13
– Provision for PRC capital gain tax	–	29,294
	<u>1,989</u>	<u>29,307</u>
Deferred tax		
– Current year (Note 27)	1,585	(15)
Income tax expense	<u><u>3,574</u></u>	<u><u>29,292</u></u>

Provision for PRC capital gain tax represented 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 32.

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

	2013 HK\$'000	2012 HK\$'000
Profit/(loss) before taxation	107,813	(590,020)
Less: share of results of a jointly controlled entity	–	(457)
	<u>107,813</u>	<u>(590,477)</u>
Tax charge/(credit) calculated at Hong Kong Profits Tax rate of 16.5% (2012: 16.5%)	17,789	(97,429)
Provision for PRC capital gain tax	–	29,294
Tax effect of expenses not deductible for tax purpose	36,558	92,748
Tax effect of income not taxable for tax purpose	(50,654)	(2,459)
Tax effect of estimated tax losses not recognised	79	7,083
Tax effect of other temporary differences not recognised	6	55
Utilisation of previously unrecognised tax losses	(204)	–
Income tax expense for the year	<u><u>3,574</u></u>	<u><u>29,292</u></u>

14. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company for the year ended 30th June, 2013 dealt with in the financial statements of the Company was approximately HK\$39,200,000 (2012: loss attributable to owners of the Company of HK\$29,774,000).

15. EARNINGS/(LOSS) PER SHARE

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Profit/(loss)		
Profit/(loss) for the purpose of basic earnings/(loss) per share	<u>104,239</u>	<u>(619,312)</u>
	2013 <i>'000</i>	2012 <i>'000</i>
Weighted average number of ordinary shares for the purpose of – basic earnings/(loss) per share	<u>1,442,214</u>	<u>1,442,214</u>
	2013 <i>HK Cents</i>	2012 <i>HK Cents</i>
Earnings/(loss) per share		
– Basic	<u>7.2</u>	<u>(42.9)</u>
– Diluted	<u>7.2</u>	<u>(42.9)</u>

The computation of diluted earnings per share for the year ended 30th June, 2013 does not assume conversion of the Company's outstanding convertible notes during the year and exercise of the outstanding share options as they had an anti-dilutive effect on the earnings per share calculation.

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.

Notes to the Financial Statements

For the year ended 30th June, 2013

16. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicle <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST				
At 1st July, 2011	1,113	411	619	2,143
Addition	72	26	–	98
At 30th June, 2012	1,185	437	619	2,241
Addition	–	8	771	779
Disposal	–	–	(619)	(619)
At 30th June, 2013	1,185	445	771	2,401
ACCUMULATED DEPRECIATION				
At 1st July, 2011	580	374	119	1,073
Provided for the year	233	21	62	316
At 30th June, 2012	813	395	181	1,389
Provided for the year	238	26	67	331
Disposal	–	–	(242)	(242)
At 30th June, 2013	1,051	421	6	1,478
CARRYING AMOUNT				
At 30th June, 2013	134	24	765	923
At 30th June, 2012	372	42	438	852

16. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicle <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST				
At 1st July, 2011	1,113	237	619	1,969
Addition	72	26	–	98
At 30th June, 2012	1,185	263	619	2,067
Addition	–	8	771	779
Disposal	–	–	(619)	(619)
At 30th June, 2013	1,185	271	771	2,227
ACCUMULATED DEPRECIATION				
At 1st July, 2011	580	200	119	899
Provided for the year	233	21	62	316
At 30th June, 2012	813	221	181	1,215
Provided for the year	238	26	67	331
Disposal	–	–	(242)	(242)
At 30th June, 2013	1,051	247	6	1,304
CARRYING AMOUNT				
At 30th June, 2013	134	24	765	923
At 30th June, 2012	372	42	438	852

Notes to the Financial Statements

For the year ended 30th June, 2013

17. INTERESTS IN SUBSIDIARIES

Company	2013 HK\$'000	2012 HK\$'000
Unlisted shares, at cost	-	-
Amounts due from subsidiaries net of impairment loss	129,086	304,303
	129,086	304,303

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

	2013 HK\$'000	2012 HK\$'000
Balance at beginning of the year	153,414	53,446
Impairment loss recognised	-	99,968
Written back	(53,206)	-
Balance at end of the year	100,208	153,414

The amounts due from 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 37.

18. INTEREST IN A JOINTLY CONTROLLED ENTITY

On 30th September, 2011, the Company entered into an agreement to dispose of the jointly controlled entity, Fujian Sinco Industrial Co. Ltd.* 福建先科實業有限公司 (“Fujian Sinco”) through the disposal of its entire shareholdings in a subsidiary, Great Peace Global Group Limited, as detailed in note 32.

* English name for identification only

The following table illustrates the summarised statement of comprehensive income of the jointly controlled entity from 1st July, 2011 to 15th February, 2012, date of completion of the disposal:

	From 1st July, 2011 to 15th February, 2012 <i>HK\$'000</i>
Revenue	–
Other revenue	–
Administrative expenses	–
Finance costs	(1)
Share of profit of Fujian Sinco	1,015
Profit for the year	1,014
Taxation	(100)
Profit after taxation	914
Other comprehensive income for the year	28,464
Total comprehensive income for the year	<u>29,378</u>
Profit for the year attributable to the Group	457
Other comprehensive income attributable to the Group	14,232
Total comprehensive income attributable to the Group	<u>14,689</u>

Notes to the Financial Statements

For the year ended 30th June, 2013

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	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Trade receivables	3,041	26,606	–	–
Other receivables	710	492	–	–
Deposits and prepayments	781	780	12	12
	4,532	27,878	12	12

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	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Current	3,041	26,606	–	–

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

At 30th June, 2013, 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.

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 Sandi Holdings Limited, formerly known as China Grand Forestry Green Resources Group Limited, ("China Sandi") 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 32.

The Group as the holder at any time after the issuance of the convertible preference shares can convert them into each of the China Sandi'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 Sandi and any other class of shares to return of capital; and (b) pari passu with ordinary shares of China Sandi 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 Sandi ("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\$9,807,000 (2012: HK\$49,312,000) has been recognised in available-for-sale investment revaluation reserve during the year prior to the date of disposal of the investments.

During the year, the Group received a consideration of HK\$251,426,000 in cash to dispose of and transfer the underlying assets of the subsidiaries, Acelead Limited and King Partner Limited, as detailed in note 31. The convertible preference shares with the fair value of HK\$88,000,000 at the date of disposal were held by King Partner Limited.

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 Sandi 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 32. 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 was entitled to convert the convertible notes into ordinary shares of China Sandi 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 Sandi 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 Sandi 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 Sandi, 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. During the year, the change in fair value of HK\$1,683,000 (2012: HK\$6,665,000) up to the date of disposal in relation to the derivative components was recognised in profit or loss.

During the year, imputed interest income of HK\$9,633,000 up to the date of disposal in relation to the debt component of the convertible notes receivable was recognised in profit or loss as shown in note 9. During the year, the Group received a consideration of HK\$251,426,000 in cash to dispose of and transfer the underlying assets of the subsidiaries, Acelead Limited and King Partner Limited, as detailed in note 31. The convertible notes were held by Acelead Limited.

22. CONVERTIBLE NOTES RECEIVABLE (continued)

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 <i>HK\$'000</i>	Derivative components <i>HK\$'000</i>	Total <i>HK\$'000</i>
<hr/>			
At 1st July 2011			
Initial recognition of the convertible notes receivable (Note 32)	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)
	<hr/>	<hr/>	<hr/>
At 30th June, 2012	75,279	3,383	78,662
Imputed interest income (Note 9)	9,633	–	9,633
Change in fair value (Note 9)	–	(1,683)	(1,683)
	<hr/>	<hr/>	<hr/>
Disposal of subsidiaries (Note 31)	84,912 (84,912)	1,700 (1,700)	86,612 (86,612)
	<hr/>	<hr/>	<hr/>
At 30th June, 2013	–	–	–
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

23. INVESTMENTS HELD FOR TRADING

The amounts at 30th June, 2012 and 2013 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.

Notes to the Financial Statements

For the year ended 30th June, 2013

25. TRADE AND OTHER PAYABLES

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Trade payables	–	22,996	–	–
Other payables, accruals and deposits received	2,929	3,858	1,530	2,466
	2,929	26,854	1,530	2,466

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

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 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 entitled 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.

26. CONVERTIBLE NOTES (continued)

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.

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

Group and Company	Liability component <i>HK\$'000</i>	Equity component <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st July 2011	30,089	7,855	37,944
Imputed interest expenses	4,074	–	4,074
Coupon interest	(883)	–	(883)
Reversal of deferred tax liabilities upon early redemption (<i>Note 27</i>)	–	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
Imputed interest expenses	32	–	32
Coupon interest	(4)	–	(4)
Transfer to accumulated losses upon early redemption	–	(6,876)	(6,876)
Reversal of deferred tax liabilities upon early redemption (<i>Note 27</i>)	79	–	79
Early redemption of convertible notes, net of tax	(29,594)	–	(29,594)
At 30th June, 2013	–	–	–

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

On 3rd July, 2012, the Company early redeemed the entire outstanding amount of the convertible notes at a cash consideration of HK\$30,000,000 which resulted in loss on early redemption of HK\$406,000 recognised in profit or loss.

Notes to the Financial Statements

For the year ended 30th June, 2013

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 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)
	<hr/>	<hr/>
At 30th June, 2012	632	85
Debited/(credited) to profit or loss during the year (Note 13)	1,585	(6)
Disposal of subsidiaries (Note 31)	(2,138)	–
Credited to convertible notes reserve upon early redemption (Note 26)	(79)	(79)
	<hr/>	<hr/>
At 30th June, 2013	–	–
	<hr/> <hr/>	<hr/> <hr/>

At 30th June, 2013, the Group had estimated unutilised tax losses of approximately HK\$118,405,000 (2012: HK\$139,245,000) 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, 2012 and 2013, at HK\$0.10 each	30,000,000	3,000,000
	<hr/>	<hr/>
Issued and fully paid:		
At 30th June, 2012 and 2013, at HK\$0.10 each	1,442,214	144,221
	<hr/>	<hr/>

29. RESERVES

Company	Share	Contributed	Share-based		Convertible	Accumulated	Total
	premium	surplus	Other	compensation	notes	losses	
	HK\$'000	HK\$'000	reserve	reserve	reserve	HK\$'000	HK\$'000
At 1st July, 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
Transactions with owners							
- Early redemption of convertible notes, net of tax	-	-	-	-	(6,876)	6,876	-
Profit and total comprehensive income for the year	-	-	-	-	-	92,406	92,406
At 30th June, 2013	24,916	232,738	39,387	16,992	-	(102,183)	211,850

No dividend was paid or proposed during the year, nor has any dividend been proposed since 30th June, 2012 and 2013.

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.

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

30. SHARE-BASED COMPENSATIONS (continued)**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.

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.

Notes to the Financial Statements

For the year ended 30th June, 2013

30. SHARE-BASED COMPENSATIONS (continued)

- (a) The terms of unexpired and unexercised share options under the New SO Scheme at 30th June, 2012 and 2013 are as follows:

Category of participant	Date of grant	Exercise period	Exercise price per share	Number of share options outstanding at 30th June, 2012 and 2013
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, 2019	HK\$0.80	800,000
	7th September, 2009	7th September, 2010 to 6th September, 2019	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, 2019	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:

	2013		2012	
	Weighted average exercise price HK\$	Number of options	Weighted average exercise price HK\$	Number of options
Outstanding at beginning and the end of year	1.14	<u>25,080,000</u>	1.14	<u>25,080,000</u>
Exercisable at end of year	1.14	<u>25,080,000</u>	1.14	<u>25,080,000</u>

The weighted average remaining contractual life was 4.72 years (2012: 5.72 years).

No share options has been granted, exercised or lapsed during the years ended 30th June, 2012 and 2013. The Group recognised total share-based payments of HK\$ Nil (2012: HK\$1,203,000) during the year ended 30th June, 2013 (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 expected lives of the options may not be necessarily indicative of the exercise pattern that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

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

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

Notes to the Financial Statements

For the year ended 30th June, 2013

31. GAIN ON DISPOSAL OF AVAILABLE-FOR-SALE INVESTMENTS AND CONVERTIBLE NOTES THROUGH DISPOSAL OF SUBSIDIARIES

The Group disposed of its subsidiaries King Partner Limited and Acelead Limited which held the convertible preference shares and convertible notes respectively pursuant to a sale and purchase agreement dated 10th November, 2012. The net assets of King Partner Limited and Acelead Limited at the date of disposal were as follows:

	28th June, 2013
	HK\$'000
<hr/>	
Group	
Available-for-sale investments (Note 21)	88,000
Convertible notes – debt component (Note 22)	84,912
Convertible notes – derivative components (Note 22)	1,700
Deferred tax liabilities (Note 27)	(2,138)
	<hr/>
Total interest in subsidiaries held by the Group	172,474
Satisfied by:	
Cash	251,426
	<hr/>
Gain on disposal before related expenses	78,952
Expenses directly attributable to the disposal	(411)
	<hr/>
	78,541
Release of available-for-sale investments revaluation reserve upon disposal	9,807
	<hr/>
Gain on disposal before taxation	88,348
	<hr/> <hr/>
NET CASH INFLOW ARISING FROM THE DISPOSAL	
Cash consideration as stated in the above	251,426
Direct expenses paid by the Group	(411)
	<hr/>
Net cash inflow from the disposal, net of related expenses	251,015
	<hr/> <hr/>

32. 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 Sandi 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, convertible preference shares issued by China Sandi with nominal value of HK\$541,500,000 and convertible notes issued by China Sandi with nominal value of HK\$210,000,000.

Issuance of the convertible notes by China Sandi to the Company on completion date of the disposal was subject to adjustment by reference to the net assets value (“Guaranteed NAV”) of Fujian Sinco at the completion date of the disposal. The Company was required to bear 30% on the shortfall if the net asset value of Fujian Sinco on date of completion of the disposal was less than HK\$3,140,000,000 which will then be adjusted to the nominal value of the convertible notes on a dollar-to-dollar basis. On 15th February, 2012, the disposal was completed and the net assets value of Fujian Sinco as at that date was HK\$2,902,000,000 where a shortfall of approximately HK\$238,000,000, of which HK\$71,500,000 was shared by the Company at a rate of 30%. As such, the nominal value of the convertible notes to be issued by China Sandi was reduced to HK\$138,500,000. As referred to in note 18, on 15th February, 2012, the Group completed the disposal of Great Peace with the resulted loss on the disposal calculated as follows:

Notes to the Financial Statements

For the year ended 30th June, 2013

32. 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)	
	<hr/>	
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
		<hr/>
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	
	<hr/>	
		400,012
		<hr/>
Loss on disposal before related expenses		513,933
Expenses directly attributable to the disposal		2,410
		<hr/>
		516,343
Release of translation reserve attributable to the jointly controlled entity		(28,738)
		<hr/>
Loss on disposal before taxation (before attributable PRC capital gain tax provision of HK\$29,294,000 shown in Note 13)		487,605
		<hr/> <hr/>
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)
		<hr/>
Net proceeds from the disposal		1,524
Direct expenses paid by the Group		(2,410)
		<hr/>
Net cash outflow from the disposal, net of related expenses		(886)
		<hr/> <hr/>

33. OPERATING LEASE ARRANGEMENTS

(a) As lessor

	Group	
	2013 HK\$'000	2012 HK\$'000
Minimum lease received during the year under operating leases	<u>3,151</u>	<u>3,151</u>

At 30th June, 2013 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:

	2013 HK\$'000	2012 HK\$'000
Within one year	<u>-</u>	<u>3,039</u>

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.

(b) As lessee

	Group	
	2013 HK\$'000	2012 HK\$'000
Minimum lease payments paid during the year under operating leases	<u>3,779</u>	<u>3,779</u>

At 30th June, 2013 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:

	2013 HK\$'000	2012 HK\$'000
Within one year	<u>2,205</u>	<u>3,779</u>
In the second to fifth years inclusive	<u>-</u>	<u>2,205</u>
	<u>2,205</u>	<u>5,984</u>

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.

Notes to the Financial Statements

For the year ended 30th June, 2013

34. 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.

35. RELATED PARTY DISCLOSURES

Compensation of key management personnel

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

	2013 HK\$'000	2012 HK\$'000
Short-term benefits	5,585	5,578
Share-based payments	–	1,037
Post-employment benefits	34	37
	5,619	6,652

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.

36. 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	2013 HK\$'000	2012 HK\$'000
Financial assets		
Fair value through profit or loss		
– Investments held for trading	31,902	35,804
– Derivatives	–	3,383
Available-for-sale financial assets	–	78,193
Loans and receivables (including bank balances and cash)	374,850	237,260
	406,752	354,640
Financial liabilities		
Financial liabilities measured at amortised cost	2,929	56,341
	2,929	56,341
Company	2013	2012
	HK\$'000	HK\$'000
Financial assets		
Loans and receivables (including bank balances and cash)	385,960	324,133
Financial liabilities		
Financial liabilities measured at amortised cost	1,530	31,953
	1,530	31,953

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.

Notes to the Financial Statements

For the year ended 30th June, 2013

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

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

Group	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 30th June, 2013				
Financial assets at fair value through profit or loss				
Investments held for trading	31,902	–	–	31,902
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

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.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's subsidiaries at 30th June, 2013 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
Up Precious Global Investment Limited	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.

38. EVENT AFTER THE END OF REPORTING PERIOD

On 21st August, 2013, the Group entered into a loan agreement with Ongood International (HK) Limited (the "Borrower"), pursuant to which the Group agreed to grant to the Borrower a loan of HK\$200 million for a term of 3 years. The details of which are set out in the Company's circular dated 10th September, 2013. The loan is approved by shareholders of the Company on 26th September, 2013.

39. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27th September, 2013.

Financial Summary

RESULTS

	For the year ended 30th June,				
	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
Turnover	5,228	24,929	32,853	34,321	19,093
Profit/(loss) for the year	(44,366)	(2,490)	471,910	(619,312)	104,239
Profit/(loss) attributable to: Owners of the Company	(44,366)	(2,490)	471,910	(619,312)	104,239

NET ASSETS

	As at 30th June,				
	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
Total assets	172,542	430,514	933,361	356,272	408,456
Total liabilities	(2,998)	(30,187)	(32,797)	(86,280)	(34,225)
	169,544	400,327	900,564	269,992	374,231
Equity attributable to: Owners of the Company	169,544	400,327	900,564	269,992	374,231