香港資源控股
HONG KONG RESOURCES HOLDINGS

HONG KONG RESOURCES HOLDINGS COMPANY LIMITED
香港資源控股有限公司

(Incorporated in Bermuda with limited liability and carrying on business in Hong Kong as HKRH China Limited)

(Stock code: 2882)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2012

The board of directors (the "**Board**") of Hong Kong Resources Holdings Company Limited (the "**Company**") announces the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 30 June 2012 (the "**Current Year**").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2012

	Notes	**Year ended 30 June 2012** *HK$'000*	15 months ended 30 June 2011 *HK$'000*
Turnover	*3*	**3,840,630**	3,223,377
Cost of sales		**(3,122,233)**	(2,479,826)
Gross profit		**718,397**	743,551
Other income		**13,755**	21,357
Selling expenses		**(509,356)**	(466,976)
General and administrative expenses		**(150,165)**	(157,838)
Equity-settled share-based payments		**(2,222)**	(7,304)
Other operating expenses		**(16,711)**	(25,578)

	Notes	**Year ended 30 June 2012** *HK$'000*	15 months ended 30 June 2011 *HK$'000*
Profit from operations		**53,698**	107,212
Change in fair value of derivatives embedded in convertible bonds		**1,142**	26,006
Finance costs		**(67,621)**	(54,396)
Share of results of associates		**(2,931)**	(4,728)
Share of results of jointly controlled entities		**(3,020)**	(187)
(Loss) profit before taxation	*4*	**(18,732)**	73,907
Taxation	*5*	**(10,539)**	(35,395)
(Loss) profit for the year/period		**(29,271)**	38,512
Other comprehensive income:			
Exchange difference arising on translation		**8,041**	24,827
Total comprehensive (expense) income for the year/period		**(21,230)**	63,339
(Loss) profit for the year/period attributable to:			
Owners of the Company		**(29,271)**	38,437
Non-controlling interests		**–**	75
		(29,271)	38,512
Total comprehensive (expense) income for the year/period attributable to:			
Owners of the Company		**(21,230)**	63,264
Non-controlling interests		**–**	75
		(21,230)	63,339
(Loss) earnings per ordinary share	*7*		
Basic		**(HK$0.015)**	HK$0.020
Diluted		**(HK$0.015)**	HK$0.020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Notes	30 June 2012 HK$'000	30 June 2011 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**76,723**	77,921
Deposits for acquisition of property, plant and equipment		**8,410**	–
Deposits paid	8	**8,516**	10,733
Intangible assets		**171,186**	168,066
Interests in associates		**9,260**	–
Interests in jointly controlled entities		**3,752**	1,532
		277,847	258,252
Current assets			
Inventories		**972,429**	982,399
Trade and other receivables and deposits paid	8	**338,041**	248,105
Amount due from a jointly controlled entity		**17,438**	–
Financial assets at fair value through profit or loss	9	**2,065**	–
Tax recoverable		**8,742**	–
Pledged bank deposits		**60,182**	36,040
Bank balances and cash		**161,614**	224,804
		1,560,511	1,491,348
Current liabilities			
Trade and other payables, accruals and deposits received	10	**366,819**	324,659
Derivative financial instruments	11	**428**	1,570
Convertible bonds	11	**150,898**	–
Obligations under finance leases		**541**	432
Bank and other borrowings		**350,956**	312,390
Gold loans	12	**97,613**	62,055
Tax liabilities		**7,349**	24,145
		974,604	725,251

	Notes	30 June 2012 HK$'000	30 June 2011 HK$'000
Net current assets		**585,907**	766,097
Total assets less current liabilities		**863,754**	1,024,349
Non-current liabilities			
Bank and other borrowings		**30,000**	40,000
Convertible bonds	*11*	**206,056**	332,532
Obligations under finance leases		**–**	537
Deferred tax liabilities		**41,063**	41,695
		277,119	414,764
NET ASSETS		**586,635**	609,585
CAPITAL AND RESERVES			
Share capital		**19,696**	19,696
Reserves		**566,939**	589,889
Equity attributable to owners of the Company		**586,635**	609,585
Non-controlling interests		**–**	–
TOTAL EQUITY		**586,635**	609,585

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Change of financial year end date in last financial year

During the 15-month period from 1 April 2010 to 30 June 2011, the financial year end date of the Group was changed from 31 March to 30 June as the directors consider such change would make the financial year end date of the Company consistent with the business and marketing of the Group and will enable the Company to better utilize its resources and facilitate better planning and operation of the Group. Accordingly, the current financial period covers a 12-month period from 1 July 2011 to 30 June 2012 and the comparative financial period covers a 15-month period from 1 April 2010 to 30 June 2011 and are therefore not comparable.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and revised HKFRSs applied in the current year

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRSs (Amendments)	Amendments to HKAS 1, HKAS 34, HKFRS 7 and HK(IFRIC) – Int 13 as part of improvements to HKFRSs issued in 2010
HKFRS 7 (Amendments)	Disclosures – Transfer of Financial Assets
HKAS 24 (Revised in 2009)	Related Party Disclosures
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current year and prior period and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle[1]
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
HKFRS 9	Financial Instruments[2]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Revised)	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 19 (Revised 2011)	Employee Benefits[1]
HKAS 27 (Revised 2011)	Separate Financial Statements[1]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[1]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

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

HKFRS 9 "Financial Instruments" issued in November 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in November 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability designated as at fair value through profit or loss attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors are in the process of assessing the financial impact of the application of HKFRS 9 on the consolidated financial statements.

The directors anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. TURNOVER AND SEGMENT INFORMATION

(a) Turnover

An analysis of the Group's turnover for the year/period is as follows:

	Year ended 30 June 2012	15 months ended 30 June 2011
	HK$'000	*HK$'000*
Sales of goods	**3,787,327**	3,203,108
Franchise income	**25,593**	20,269
Royalty income	**27,710**	–
	3,840,630	3,223,377

(b) Segment information

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on types of goods and geographical location. This is the basis upon which the Group is organised.

Specifically, the Group's operating and reportable segments under HKFRS 8 "Operating Segments" are as follows:

a. Retail and franchising operations for selling gold and jewellery products in Mainland China;

b. Retail operations for selling gold and jewellery products in Hong Kong and Macau.

Major products of the Group include gold products, jewellery products and other precious metal products.

Information regarding the above segments is reported below.

Segment revenues and results

For the year ended 30 June 2012

	Reportable segment				
	Retail and franchising operations for selling gold and jewellery products in Mainland China	**Retail operations for selling gold and jewellery products in Hong Kong and Macau**	**Total**	**Others** *(note)*	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE					
External sales	**3,473,668**	**338,382**	**3,812,050**	**28,580**	**3,840,630**
RESULT					
Segment results	**151,803**	**4,255**	**156,058**	**22,997**	**179,055**
Other income					**13,755**
Unallocated staff related expenses					**(43,003)**
Other unallocated corporate expenses					**(29,976)**
Advertising, promotion and business development expenses					**(63,911)**
Equity-settled share-based payments					**(2,222)**
Change in fair value of derivatives embedded in convertible bonds					**1,142**
Finance costs					**(67,621)**
Share of results of associates					**(2,931)**
Share of results of jointly controlled entities					**(3,020)**
Loss before taxation					**(18,732)**
Taxation					**(10,539)**
Loss for the year					**(29,271)**

For the 15 months ended 30 June 2011

	Reportable segment				
	Retail and franchising operations for selling gold and jewellery products in Mainland China	Retail operations for selling gold and jewellery products in Hong Kong and Macau	Total	Others *(note)*	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE					
External sales	2,793,265	421,568	3,214,833	8,544	3,223,377
RESULT					
Segment results	207,538	41,581	249,119	(2,565)	246,554
Other income					21,357
Unallocated staff related expenses					(49,096)
Other unallocated corporate expenses					(32,185)
Advertising, promotion and business development expenses					(72,114)
Equity-settled share-based payments					(7,304)
Change in fair value of derivatives embedded in convertible bonds					26,006
Finance costs					(54,396)
Share of results of associates					(4,728)
Share of result of a jointly controlled entity					(187)
Profit before taxation					73,907
Taxation					(35,395)
Profit for the period					38,512

Segment profit represents the profit earned by each segment without allocation of other income, central administration costs, marketing and promotion expenses, corporate staff and directors' salaries, equity-settled share-based payments, change in fair value of derivatives embedded in convertible bonds, finance costs, share of results of associates and jointly controlled entities and taxation. This is the measure reported to the chief operating decision markers for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

As at 30 June 2012

	Reportable segment				
	Retail and franchising operations for selling gold and jewellery products in Mainland China	**Retail operations for selling gold and jewellery products in Hong Kong and Macau**	**Total**	**Others *(note)***	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Segment assets	**1,186,830**	**154,626**	**1,341,456**	**29,830**	**1,371,286**
Intangible assets					**171,186**
Interests in associates					**9,260**
Interests in jointly controlled entities					**3,752**
Amount due from a jointly controlled entity					**17,438**
Financial assets at fair value through profit or loss					**2,065**
Tax recoverable					**8,742**
Pledged bank deposits					**60,182**
Bank balances and cash					**161,614**
Other corporate assets					**32,833**
Consolidated assets					**1,838,358**
LIABILITIES					
Segment liabilities	**291,977**	**55,227**	**347,204**	**1,502**	**348,706**
Bank and other borrowings					**380,956**
Gold loans					**97,613**
Derivative financial instruments					**428**
Convertible bonds					**356,954**
Obligations under finance leases					**541**
Tax liabilities					**7,349**
Deferred tax liabilities					**41,063**
Other corporate liabilities					**18,113**
Consolidated liabilities					**1,251,723**

As at 30 June 2011

	Reportable segment				
	Retail and franchising operations for selling gold and jewellery products in Mainland China	Retail operations for selling gold and jewellery products in Hong Kong and Macau	Total	Others *(note)*	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Segment assets	1,092,303	197,550	1,289,853	1,434	1,291,287
Intangible assets					168,066
Interest in a jointly controlled entity					1,532
Pledged bank deposits					36,040
Bank balances and cash					224,804
Other corporate assets					27,871
Consolidated assets					1,749,600
LIABILITIES					
Segment liabilities	270,416	40,099	310,515	1,342	311,857
Bank and other borrowings					352,390
Gold loans					62,055
Derivative financial instruments					1,570
Convertible bonds					332,532
Obligations under finance leases					969
Tax liabilities					24,145
Deferred tax liabilities					41,695
Other corporate liabilities					12,802
Consolidated liabilities					1,140,015

(note) Others represent other operating segments that are not reportable, which include the trading of other precious metals in Hong Kong, royalty income and online marketing and e-commerce.

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than intangible assets, interests in associates, interests in jointly controlled entities, amount due from a jointly controlled entity, financial assets at fair value through profit or loss, pledged bank deposits, bank balances and cash, tax recoverable and other corporate assets; and

- all liabilities are allocated to reportable segments other than bank and other borrowings, gold loans, derivative financial instruments, convertible bonds, obligations under finance leases, tax liabilities, deferred tax liabilities and other corporate liabilities.

Other entity-wide segment information

For the year ended 30 June 2012

	Retail and franchising operations for selling gold and jewellery products in Mainland China	**Retail operations for selling gold and jewellery products in Hong Kong and Macau**	**Others**	**Unallocated**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Amounts included in the measure of segment profit or segment assets:					
Capital additions	**19,274**	**1,730**	**–**	**3,260**	**24,264**
Depreciation	**15,472**	**3,690**	**84**	**1,419**	**20,665**
Loss on disposal of property, plant and equipment	**766**	**667**	**–**	**–**	**1,433**

For the 15 months ended 30 June 2011

	Retail and franchising operations for selling gold and jewellery products in Mainland China	Retail operations for selling gold and jewellery products in Hong Kong and Macau	Others	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Capital additions	50,893	10,609	261	4,075	65,838
Depreciation	14,636	3,278	21	1,453	19,388
Loss (gain) on disposal of property, plant and equipment	7,110	56	–	(87)	7,079

Geographical information

Information about the Group's revenue from external customer is presented based on the location of the operation. Information about the non-current assets of the Group (excluding deposits paid, intangible assets, interests in associates and interests in jointly controlled entities) is presented based on geographical location of the assets:

For the year ended 30 June 2012

	Non-current assets *HK$'000*	**Revenue from external customers** *HK$'000*
Mainland China	**63,869**	**3,501,378**
Hong Kong & Macau	**21,264**	**339,252**
	85,133	**3,840,630**

For the 15 months ended 30 June 2011

	Non-current assets *HK$'000*	Revenue from external customers *HK$'000*
Mainland China	59,180	2,793,265
Hong Kong & Macau	18,741	430,112
	77,921	3,223,377

4. (LOSS) PROFIT BEFORE TAXATION

	Year ended 30 June 2012 *HK$'000*	15 months ended 30 June 2011 *HK$'000*
(Loss) profit before taxation has been arrived at after charging (crediting):		
Advertising, promotion and business development expenses	**63,911**	72,114
Auditor's remuneration	**1,880**	1,880
Change in fair value of gold loans	**(1,920)**	7,610
Change in fair value of financial assets at fair value through profit or loss	**1,305**	–
Cost of inventories recognised as an expense	**3,122,848**	2,472,216
Depreciation of property, plant and equipment	**20,665**	19,388
Loss on disposal of property, plant and equipment	**1,433**	7,079
Staff cost, including directors' emoluments:		
– Wages and salaries	**216,414**	207,268
– Retirement benefit costs	**16,180**	11,553
– Equity-settled share-based payments	**2,222**	613

5. TAXATION

	Year ended 30 June 2012 *HK$'000*	15 months ended 30 June 2011 *HK$'000*
Current tax:		
Hong Kong Profits Tax	**895**	9,593
PRC Enterprise Income Tax	**10,190**	26,190
Macau Complementary Tax	**86**	893
	11,171	36,676
Deferred taxation	**(632)**	(1,281)
	10,539	35,395

Hong Kong Profits Tax is calculated at 16.5% (15 months ended 30 June 2011: 16.5%) on the estimated assessable profits for the year/period.

Pursuant to the Enterprise Income Tax Law and Implementation Rules of the PRC, a subsidiary of the Company established in the PRC is entitled to a preferential income tax rate of 24% to 25% (15 months ended 30 June 2011: 22% to 24%) for the year ended 30 June 2012. According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guoshuifa [2007] No.39), the tax rate of the entity that previously enjoyed the tax preferential treatment is increased progressively to 25% over a five-year period up to 2012.

In additions, according to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion With Respect to Taxes on Income, royalties derived by a subsidiary of the Group incorporated in Hong Kong is entitled to a reduced withholding PRC Enterprises Income Tax at 7% provided that it is the "beneficial owner" of the payment as required under Guoshuihan [2009] 601.

The Macau Complementary Tax is calculated progressively at rates ranging from 9% to 12% of the estimated assessable profit for the year/period.

6. DIVIDENDS

	Year ended 30 June 2012	15 months ended 30 June 2011
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year/period:		
Ordinary shares		
Final dividend paid for the 15-month ended 30 June 2011 of HK0.20 cent per share (1.4.2010 to 30.6.2011: for the year ended 31 March 2010 of HK$0.35 cent per share)	**3,938**	6,811
Preference shares		
Final dividend paid for the 15-month ended 30 June 2011 of HK0.875 cent per share (1.4.2010 to 30.6.2011: for the year ended 31 March 2010 of HK$0.35 cent per share)	**4**	82
	3,942	6,893

The Board has resolved not to recommend a final dividend in respect of the year ended 30 June 2012 to the holders of both ordinary shares and preference shares of the Company.

7. (LOSS) EARNINGS PER ORDINARY SHARE

	Year ended 30 June 2012	15 months ended 30 June 2011
	HK$'000	*HK$'000*
(Loss) earnings:		
(Loss) profit for the year/period attributable to owners of the Company	**(29,271)**	38,437
Dividends on preference shares	**(3)**	(201)
(Loss) profit for the year/period attributable to owners of the Company for the purpose of basic (loss) earnings per ordinary share	**(29,274)**	38,236
Effect of dilutive potential ordinary shares:		
Dividends on preference shares	**3**	201
(Loss) profit for the year/period attributable to owners of the Company for the purpose of diluted (loss) earnings per ordinary share	**(29,271)**	38,437

	Year ended 30 June 2012 Number of *'000*	15 months ended 30 June 2011 Number of *'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per ordinary share	**1,969,085**	1,923,965
Effect of dilutive potential ordinary shares:		
Preference shares	**404**	23,139
Share options	**–**	497
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per ordinary share	**1,969,489**	1,947,601

Note:

The weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per ordinary share for the period from 1 April 2010 to 30 June 2011 had been adjusted for the effect of the bonus issued pursuant to an ordinary resolution passed at a special general meeting held on 30 April 2010.

The computation of diluted loss per ordinary share for the year ended 30 June 2012 did not assume the exercise of the share options because their exercise price is higher than the average share price. The computation of diluted earnings per ordinary share for the period from 1 April 2010 to 30 June 2011 did not assume the exercise of certain share options because their exercise price is higher than the average share price. In addition, the computation did not assume the conversion of the Company's outstanding convertible bonds since their conversion would result in a decrease in loss (15 months ended 30 June 2011: an increase in profit) per ordinary share.

8. TRADE AND OTHER RECEIVABLES AND DEPOSITS PAID

	30 June 2012 *HK$'000*	30 June 2011 *HK$'000*
Non-current deposits paid:		
Rental and utility deposits	**8,516**	10,733
Current trade and other receivables and deposits paid comprise:		
Trade receivables	**275,259**	200,987
Other receivables and deposits paid	**62,782**	47,118
	338,041	248,105

Retail sales are usually made in cash, through credit cards or through reputable and dispersed department stores. The Group generally allows a credit period of 30 to 90 days to its debtors.

Included in trade receivables at 30 June 2012 are trade receivables from associates and a jointly controlled entity amounting to HK$13,937,000 (2011: HK$27,200,000) and HK$4,345,000 (2011: HK$7,043,000) respectively.

Included in other receivables at 30 June 2012 are other receivables from an associate amounting to HK$3,647,000 (2011: HK$3,596,000). In addition, included in other receivables at 30 June 2012 was prepayment to a related company, which is 60% owned by Dr. Liu Wangzhi, a then director of the Company, for sourcing of gold from the Shanghai Gold Exchange on behalf of the Group, amounting to HK$6,380,000 (2011: HK$13,113,000).

The following is an aged analysis of trade receivables presented based on the invoice date, net of allowance, at the end of the reporting period.

	30 June 2012	30 June 2011
	HK$'000	*HK$'000*
0 – 30 days	**225,271**	155,255
31 – 60 days	**27,858**	6,442
61 – 90 days	**2,496**	4,079
Over 90 days	**19,634**	35,211
	275,259	200,987

Included in the Group's trade receivables balance are debtors with aggregate amount of HK$49,881,000 (2011: HK$45,732,000) which are past due as at reporting date for which the Group has not provided for impairment loss.

Aging of trade receivables which are past due but not impaired is as follows:

	30 June 2012	30 June 2011
	HK$'000	*HK$'000*
31 – 60 days	**27,858**	6,442
61 – 90 days	**2,486**	4,079
Over 90 days	**19,537**	35,211
	49,881	45,732

Trade receivables that were past due but not impaired relate to certain independent customers that have a good repayment record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

In determining the recoverability of trade and other receivables, the Group considers any change in the credit quality of the debtors from the date credit was initially granted up to the reporting date. Other than the concentration of credit risk in respect of trade receivables from an independent customer of HK$27,710,000 (2011: nil), associates of HK$13,937,000 (2011: HK$27,200,000) and a jointly controlled entity of HK$4,345,000 (2011: HK$7,043,000), there is no concentration of credit risk due to the customer base being large and unrelated. Accordingly, the directors believe that there is no allowance required. The Group does not hold any collateral over these balances.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The amount as at 30 June 2012 represents the fair value of the open position of gold bullion contracts through margin account with an aggregated notional value of United States Dollars 6,229,000 (30 June 2011: nil). The contracts contain terms enabling the Group either to take delivery of the gold bullion or closing out the position and settling net in cash at the Group's discretion. The fair value is determined based on the quoted market price at the end of the reporting period.

10. TRADE AND OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	30 June 2012	30 June 2011
	HK$'000	*HK$'000*
Trade payables	**74,892**	96,735
Deposits received from customers *(note a)*	**103,807**	88,488
Franchisee guarantee deposits *(note b)*	**49,198**	33,017
Other payables, accruals and other deposits	**138,922**	106,419
	366,819	324,659

Notes:

(a) Deposits received from customers represent deposits and receipts in advance from the franchisees and customers for purchase of inventories.

(b) Franchisee guarantee deposits represent deposits from the franchisees for use of the trademarks "3D-GOLD".

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	30 June 2012	30 June 2011
	HK$'000	*HK$'000*
0 – 30 days	**53,154**	60,252
31 – 60 days	**9,537**	12,755
61 – 90 days	**2,477**	11,106
Over 90 days	**9,724**	12,622
	74,892	96,735

11. CONVERTIBLE BONDS

(i) Convertible bonds

Convertible bonds due 2012 ("CB 2012")

On 23 July 2010, the Company entered into a subscription agreement with independent third parties (the "subscribers") for the issue of convertible bonds at par value with aggregate principal amount of HK$138,000,000. Each convertible bond bears interest at the rate of 5% per annum which is due every six months, and the convertible bond matures on the date falling on the second anniversary from the date of issue of such convertible bond.

The conversion can be made at anytime on or after 3 August 2010 up to and including 2 August 2012 at a conversion price of HK$1.58 per ordinary share, subject to anti-dilutive adjustments.

As at 30 June 2012, a total of 87,341,772 (2011: 87,341,772) ordinary shares in the Company will be allotted and issued upon the conversions in full of the convertible bonds.

Upon issue of CB 2012, an amount of HK$133,748,000 and HK$4,252,000 were recognised as liability and derivative embedded in CB 2012, respectively.

The Company shall redeem the CB 2012 at 110% of the respective outstanding principal amount on maturity date of 2 August 2012.

At 30 June 2012, CB 2012 with a carrying amount of HK$150,898,000 (2011: HK$141,133,000) (principal amount of HK$138,000,000) remained outstanding.

Subsequent to the reporting period, the Company redeemed the CB 2012 at HK$151,800,000, representing 110% of the outstanding principal amount on maturity.

Convertible bonds due 2013 ("CB 2013")

On 3 August 2010, the Company entered into a subscription agreement with third parties (the "subscribers") for the issue of convertible bonds at par value with aggregate principal amount of HK$216,000,000. Each convertible bond bears interest at the rate of 5% per annum which is due every six months, and the convertible bond matures on the date falling on the third anniversary from the date of issue of such convertible bond. CB 2013 with principal amount of HK$56,000,000 were granted to related parties of the Company including Dr. Liu Wangzhi, a then director of the Company, and Dr. Hui Ho Ming, Herbert, a director of the Company, Ace Captain Investments Limited, a company wholly-owned by Mr. Martin Lee Ka Shing who is an associate of Mr. Chui Chuen Shun, a then director of the Company, and Limin Corporation which is wholly-owned by Dr. Wong, Kennedy Ying Ho, a director and the Chairman of the Company.

The conversion can be made at anytime on or after 15 September 2010 up to and including 14 September 2013 at a conversion price of HK$1.58 per ordinary share, subject to anti-dilutive adjustments.

As at 30 June 2012, a total of 136,708,861 (2011: 136,708,861) ordinary shares in the Company will be allotted and issued upon the conversions in full of the convertible bonds.

Upon issue of CB 2013, an amount of HK$191,488,000 and HK$24,512,000 were recognised as liability and derivative embedded in CB 2013, respectively.

The Company shall redeem the CB 2013 at 110% of the respective outstanding principal amount on maturity date of 14 September 2013.

At 30 June 2012, CB 2013 with a carrying amount of HK$206,056,000 (2011: HK$191,399,000) (principal amount of HK$216,000,000) remained outstanding.

The movement of the liability component of the CB 2012 and CB 2013 for the current year and prior period are set out as below:

	Liability component		
	CB 2012	**CB 2013**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2010	–	–	–
Issue of convertible bonds	133,748	191,488	325,236
Expenses on issue of convertible bonds	–	(9,612)	(9,612)
Interest charged during the period	13,662	18,073	31,735
Payment of coupon interest	(3,460)	(5,326)	(8,786)
Coupon interest accrued at 30 June 2011 and included in other payables	(2,817)	(3,224)	(6,041)
At 30 June 2011	**141,133**	**191,399**	**332,532**
Coupon interest accrued at 1 July 2011 and included in other payables	**2,817**	**3,224**	**6,041**
Interest charged during the year	**16,684**	**25,487**	**42,171**
Payment of coupon interest	**(6,900)**	**(10,829)**	**(17,729)**
Coupon interest accrued at 30 June 2012 and included in other payables	**(2,836)**	**(3,225)**	**(6,061)**
At 30 June 2012	**150,898**	**206,056**	**356,954**

	30 June 2012	30 June 2011
	HK$'000	*HK$'000*
Analysed for reporting purposes as:		
Current liabilities	**150,898**	–
Non-current liabilities	**206,056**	332,532
	356,954	332,532

During the year ended 30 June 2012 and the 15 months period ended 30 June 2011, the effective interest rates of CB 2012 and CB 2013 were 10.74% and 12.02%, respectively.

(ii) Derivative financial instruments

	Embedded derivatives		
	CB 2012	**CB 2013**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2010	–	–	–
Embedded derivatives at date of issue of convertible bonds	4,252	24,512	28,764
Expenses on issue of convertible bonds	–	(1,188)	(1,188)
Change in fair value	(4,229)	(21,777)	(26,006)
At 30 June 2011	**23**	**1,547**	**1,570**
Change in fair value	**(23)**	**(1,119)**	**(1,142)**
At 30 June 2012	**–**	**428**	**428**

The fair values of the derivatives embedded in CB 2012 and CB 2013 at the dates of issue, at 30 June 2011 and at 30 June 2012 are based on valuation carried out on those dates by an independent valuer. The change in fair value of HK$1,142,000 (15 months ended 30 June 2011: HK$26,006,000) has been credited to profit or loss for the year ended 30 June 2012.

The inputs used in the binomial option pricing model adopted by the independent professional valuer in determining the fair values at the respective dates were as follows:

	At date of issue		**At 30 June 2011**		**At 30 June 2012**	
	CB2012	**CB2013**	**CB2012**	**CB2013**	**CB2012**	**CB2013**
Share price	HK$1.28	HK$1.26	HK$0.57	HK$0.57	HK$0.42	HK$0.42
Exercise price	HK$1.58	HK$1.58	HK$1.58	HK$1.58	HK$1.58	HK$1.58
Expected dividend yield	0.81%	0.83%	1.83%	1.83%	0.48%	0.48%
Volatility	58.61%	58.23%	42.41%	51.30%	66.81%	63.70%

12. GOLD LOANS

Gold loans are borrowed to reduce the impact on of fluctuations in gold prices on gold inventories, and were designated as financial liabilities at fair value through profit or loss.

As at 30 June 2012 and 30 June 2011, the gold loans are denominated in Renminbi, interest bearing at fixed rate of 4.8% (2011:4.5%) per annum with original maturity of 12 months, and secured by inventories with a carrying amount of HK$427,559,000 (2011: HK$240,269,000).

The gain arising from change in fair value of gold loans of HK$1,920,000 (15 months ended 30 June 2011: loss of HK$7,610,000) has been recognized in the profit or loss for the year ended 30 June 2012. Fair values of the gold loans have been determined by reference to the quoted bid prices of gold on the Shanghai Gold Exchange at the end of reporting period.

13. CAPITAL COMMITMENTS

	30 June 2012 *HK$'000*	30 June 2011 *HK$'000*
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements	**7,522**	6
Commitment for further capital injection in an associate	**32,400**	32,400

14. CONTINGENT LIABILITIES

As at 30 June 2012, the Group had an outstanding financial guarantee amounting to HK$3,000,000 (2011: HK$3,000,000) issued to a bank in respect of a banking facility granted to a jointly controlled entity, which was an associate in prior period. The directors of the Company considered that the fair value of this financial guarantee contract at their initial recognition is insignificant.

15. PLEDGE OF ASSETS

As at 30 June 2012, the Group's inventories and bank deposits with a carrying amount of HK$427,559,000 (2011: HK$240,269,000) and HK$60,182,000 (2011: HK$36,040,000) respectively were pledged to banks as securities to obtain the banking facilities granted to subsidiaries of the Group.

16. COMPARATIVE FIGURES

Certain comparative figures has been reclassified to conform to the current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is principally engaged in retailing and franchising operations for selling gold and jewellery products in Hong Kong, Macau and other regions ("**Mainland China**") in the People's Republic of China (the "**PRC**").

The Group's growth momentum continues from that of 2010. For the Current Year, the Group has recorded a turnover of HK$3,841 million, representing an increase of 19% as compared to the turnover of HK$3,223 million for the 15 months ended 30 June 2011 (the "**Last Period**"). The profit from operations of HK$54 million for the Current Year decreased 50% as compared to HK$107 million for the Last Period. The Current Year has recorded a loss attributable to shareholders of HK$29 million, as compared to a profit of HK$38 million for the Last Period.

Sales from retailing and franchising of gold and jewelery products in Mainland China have continued to be the major source of income. The turnover from Mainland China of HK$3,501 million, has grown 25% from that of the Last Period, while that from Hong Kong and Macau has recorded HK$339 million, a decrease of 21% from that of the Last Period. Mainland China has continued to be the major source of revenue for our Group, accounting for over 90% of the Group's turnover. We achieved overall same-store-growth of 6.0% (Last Period: 13.9%), of which same-store-growth in Mainland China was 8.0% (Last Period: 11.6%) and same-store-growth in Hong Kong and Macau was 5.6% (Last Period: 50.2%).

Sales of our principal products, gold products and gem-set jewellery, consisted of 69.7% (Last Period: 67.4%) and 15.5% (Last Period: 19.3%), respectively of the total turnover. The gross profit decreased 3.5% to HK$718 million (Last Period: HK$744 million) while the gross profit margin decreased from 23.1% to 18.7%.

The decrease in the Group's overall gross profit margin mainly reflects of unusually volatile in the international gold prices during the Current Year, which have reduced our gross profit margin on gold bullion, still the main line business of the Group. A more conservative approach is to be adopted for hedging the Group's future gold positions. As at 30 June 2012, 30% of the gold inventory position was hedged, but will steadily increase in the 2012/13 financial year. The Group will also increase the proportion of revenue from gem-set jewellery sales, which will yield a higher margin than the sales of gold jewellery. Hedging the Group's position of gold, and changing our product portfolio to emphasis gem-sets will reduce the impact of fluctuations in international gold prices on the gross profit margin of the Group.

In line with the turnover growth, the Group's selling and distribution expenses have increased to HK$509 million (Last Period: HK$467), but with the percentage of total turnover decreased from 14% Last Period to 13%. Further, the Group's administrative expenses have decreased to HK$150 million (Last Period: HK$158 million). The percentage of administrative expenses to total turnover decreased from 5% to 4%, however. This is mainly due to the cost control policy adopted and the efficiency gained from economies of scale.

The Group has a solid infrastructure with the 3D-GOLD's operations headquarters in Shenzhen and regional offices in other key cities in China. During the Current Year, the Group has raised operating efficiency and effectiveness by reorganizing the pre-existing seven regional offices to five. In addition, the previous three operating offices in Hong Kong have been merged into a new Hunghom office, with reduced rental expenses.

The Group's convertible bond 2012, which yielded effective interest of 10.74% p.a., matured and was repaid in August 2012. The Group has since achieved a capital structure with lower financing costs, through support from commercial banks, among other sources.

The Group will continue to focus its resources on capturing the expanding market in Mainland China. Together, with effective cost control measures as stated above, management expects the result of the Group to improve.

FINAL DIVIDEND

The Board has resolved not to recommend a final dividend in respect of the year ended 30 June 2012 to the holders of both ordinary shares and preference shares of the Company.

BUSINESS REVIEW AND PROSPECTS

Operation

The Group's five-year strategic plan has stayed on track, particularly in line with the expansion plan for Mainland China. Overall turnover from the Hong Kong & Macau retail operations has reached HK$339 million (Last Period: HK$430 million) and HK$3,501 million (Last Period: HK$2,793 million) from the Mainland China operations.

During the Current Year, 80 new shops and counters have opened in Hong Kong, Macau and Mainland China. As at 30 June 2012, the Group has 8 points-of-sale in Hong Kong, 2 points-of-sale in Macau and 393 points-of-sale in the Mainland China under the brandname "3D-GOLD", plus 2 points-of-sale in Hong Kong and 10 points-of-sale in Mainland China under the brandname "La Milky Way". Of the points-of-sale in the Mainland China, 159 are self-operated points-of-sale and 244 are franchise points-of-sale.

Over 90% of our self-operated points-of-sales are located at department stores in Mainland China at prime shopping districts and are subject to turnover rent. The Hong Kong and Macau operations are, on the other hand, subject to fixed rentals. In particular, our rental expenses have raisen to HK$253 million for the Current Year. (Last Period: HK$227 million), due to an increased number of self-operated points-of-sale, our rental as a percentage of total turnover has decreased from 7.0% of Last Period to 6.6% in the Current Year, however.

Our strategy in Mainland China is to focus on the growth of franchisee stores, with a target of 30% self-operated stores and 70% franchise stores in the long run. Our model gives us the option to leverage on the capital, local knowledge and premises of our franchisees: a flexible and fast roll-out strategy that requires minimal capital outlay from the Group. Our model enables the management to make critical decisions at times of market changes with minimal adverse impact on the Group.

The opening, renewal and closing of our points-of-sales in Hong Kong, Macau, and Mainland China will be reviewed continually to ensure consistence with our overall business plan and strategies.

The Group has tapped into the fast developing cities in various parts of Mainland China. Our growth plans will be continuously adjusted, based on financial returns, marketing benefits and strategic advantages. Prospectively, the Mainland China market will remain the key growth driver in the future. In accordance with the report "Gold Demand Trends Second Quarter 2012" released by the World Gold Council, China's demand of gold continues to grow. Together, the increase in demand for luxury products and growth in per capita disposal income will continue to drive the growth of the Group's retail business.

The Group has a solid infrastructure with the 3D-GOLD's operations headquarters in Shenzhen and regional offices in key cities in Mainland China. During the Current Year, the Group has raised the efficiency and effectiveness of our infra-structure by reorganizing the seven pre-existing regional offices to five, which are situated at Beijing, Guangzhou, Jinan, Shanghai and Wuhan. The Group is confident of its strategy of expanding the retail network and business in Mainland China.

Products

During the Current Year, the Group has enlarged its product portfolio to cover different market segments. New launched jewellery products include:

– Crisscut x 3D-Gold;

– 3D-GOLD x Dorian Ho wedding collection;

– "Eternal Love" 18K gold diamond pendant, charity product of Ocean Park Conservation Fund, HK;

– "Precious Love" pendant collection by Mr. Sun Nan;

– "Love Journey" wedding band collection;

– "Happiness in Hand" wedding band collection;

– Series of "Lucky Gold Dragon" ornament;

– "Les fleurs" collection;

– "Only Gold" collection, 3D-GOLD x World Gold Council.

Watch

The Group has further diversified its product portfolio into watches via the acquisition of two Swiss watch brands "Soret" and "Lardet". As at 30 June 2012, the Group is the authrosied dealer of the following watch brands: ALFEX, Memorigin, Soret and Lardet.

Marketing and Promotion

The Group strongly believes in the value of a strong brand. A strong jewellery brand means trust-worthiness, quality and design; trust facilitates the buying decision. The Group continues to promote the "3D-GOLD" brand through a comprehensive marketing programme to present a corporate image of superior quality.

The Group's marketing programme includes joint promotion, sponsorship and exhibition, as follows:

– appointing Mr. Eric Tsang as the worldwide spokesman for 3D-GOLD's corporate gifts;

- Retaining 3D-GOLD's spokeswoman Ms. Kelly Chen as the spokeswoman of 3D-GOLD for the 8th year;
- Retaining Ms. Christine Kuo, Ms. Oceane Zhu and Ms. Kayi Cheung as the ambassadors of 3D-GOLD for the 3rd year;
- Title sponsoring a local basketball match for the 2nd consecutive year: "3D-GOLD Cup Super League 2011";
- Sponsoring the "Golden KamCha Cup" award to the champions of the "International KamCha Competition 2011 (HK Style Milk Tea)";
- Sponsoring and participating in the "Hong Kong Airlines Flying Machine Competition 2011" to celebrate the 100th anniversary of aviation development in Hong Kong;
- Title sponsoring the movie, "The Woman Knight of Mirror Lake-Qiu Jin";
- Sponsoring and participating in the 7th Caring For Children Foundation Limited Tug-of-War Charity Tournament;
- Inviting the "Supreme Star", Mr. Eric Tsang, to attend the opening event of the 50th shop in Shandong Province;
- Sponsoring the crown for "Miss Chinese Cosmos Pageant 2011" organized by Phoenix Satellite TV;
- Forming strategic relationship with the Bank of Beijing to develop the high-end consumer gifts market;
- Being the diamond sponsor of the World Tour Concert of Mr. Sun Nan, a top singer in China, in Beijing and Guangzhou;
- Sponsoring Mr. Alan Tam's Beijing concert at which the "Lucky Gold Dragon" ornament was presented to him;
- Sponsoring an international sport event: "The 6th Cheerleading World Championships 2011";
- Sponsoring the "46th Creative Advertising Video Award" for the 2nd consecutive year;
- Being the title sponsor of the musical drama, "The Liaisons";
- Being the title, scepter and crown sponsor of "Miss Chinese International Pageant 2012";
- Presenting the masterpiece, "Soaring Dragon", which had won the "Best of Show" award at the 13th Hong Kong Jewellery Design Competition;

- Cooperating with the “Gold Label” of Goldlion to develop the high-end accessories market;

- Organising successful Investment Promotion Fairs in Shenzhen, Hangzhou and Xi’an;

- Being the product sponsor of the 2012 Chinese New Year movie, “All’s Well, End’s Well”;

- Being the title sponsor of the “Sam Hui Live in Concert 2012” and organising an exclusive concert costume exhibition;

- Supporting a two-year charity conservation project, “National Treasures • We Conserve”, of the Ocean Park Conservation Foundation, Hong Kong;

- Organizing a media preview of the latest “3D-GOLD x Dorian Ho wedding collection”;

- Inviting the ambassador of 3D-GOLD Jewellery, Ms. Christine Kuo, to attend the kick-off ceremony of the 2012 China Tour of “Happy Women Collection” in Wuhan;

- Sponsoring the ”Jonathan Wong Rising 2012”, the 1st concert of Mr. Jonathan Wong in Hong Kong.

Awards and Achievements

The Group has achieved a number of industry awards as recognition of its efforts in promoting service excellence, industry best practices and contributions to the jewellery retail sector.

Hong Kong

- Hong Kong Brand Development Council presented the “Hong Kong Premier Brand” and “Hong Kong Top Service Brand” to 3D-GOLD Jewellery;

- “Caring Company Scheme” awarded to the Company by The Hong Kong Council of Social Service for the 2nd year;

- “The 7th Prime Award for Brand Excellence” awarded to 3D-GOLD Jewellery by MetroBOX for the 3rd year.

China

- 3D-GOLD ranked 167th in the “China’s 500 Most Valuable Brands 2012”, with a brand value of Renminbi 9.3 billion.

Design

Our products are the brainchildren of our design team. The design team works closely with our sales management team to ensure that the product designs are well aligned with market trends. Our design experts have assisted the Group in positioning the "3D-GOLD" brand that creates trendy, attractive and stylish products.

The design team has received recognition from the jewellery industries in various contests:

– "Soaring Dragon" won the "Best of Show" award at the 13th Hong Kong Jewellery Design Competition;

– "Love Path" was shortlisted in the "Open Group – Love" of the Chuk Kam Jewellery Design Competition 2012.

E-Commerce and Corporate Gifts

To further broaden the sales channel, the Group has launched an e-commerce platform "Zun1" (www.zun1.com) to capture the high ground in the fast emerging cyber market for consumer goods in Greater China and other regions. This initiatives should generate positive returns to the Group in the future.

Discerning the promising market potential and increasing popularity of corporate gifts in China, the Group has expanded into the corporate gift market, while fulfilling on the strategic plan for our main-line retail operation.

Investor Relation

The Group values its relationships with investors. Committed to maintaining close ties to professionals from the asset management community, the Group has heightened the transparency of its operations, and openness of its corporate communications, to enable investors and the investment community to understand our management philosophy and development plans. The Board maintains an on-going dialogue with shareholders and in particular, uses annual general meetings or other general meetings to communicate with them and encourage their participation.

Throughout the year, the Group has arranged one-on-one meetings and visits for fund managers. The Group welcomes and treasures investors' comments for continually strengthening our operations and market value. Create shareholder value has always been the Group's principle.

Prospects

Raising personal income among Mainland Chinese and still low consumption of jewellery imply room for growth. According to the National Bureau of Statistics, the total retail sales of gold and silver jewellery in PRC for the first six months of 2012 increased by 16.6% compared with the same period in 2011. Growth in the PRC economy has continued to stimulate domestic consumption. Rising spending power, coupled with the trust in gold as a store of value, has resulted in Mainland consumers' increasing purchases of gold products. With over 90% of the turnover from Mainland China, the Group remains confident of the growth of the gold and jewellery retail market for the years ahead and will continue to enlarge its retail network in Mainland China.

Upto the date of report, 3D-GOLD has approximately 60 new franchisee stores to be opened before the Chinese New Year 2013. These new franchise points-of-sale reaffairm our confidence in the growth opportunities in the jewellery for the Group.

Looking ahead, we remain confident that enlarging our portfolio to include higher gross profit products, collection offerings, and designer collections, gem-set jewellery and watches, refining our hedging policy, strengthening our cost control and optimizing capital structure, will together improve the results of the Group.

The Group will continue to develop closer relations with strategic investors and business associates or partners in the industry. Closer relations with these groups will enable the Group to leverage on resources and strengths of partners to garner larger shares in both the Hong Kong and Mainland China markets.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

The Group centralizes funding for all its operations through the corporate treasury based in Hong Kong. As at 30 June 2012, the Group had total cash and cash equivalents amounting to HK$222 million (30 June 2011: HK$261 million) whilst total net assets were HK$587 million (30 June 2011: HK$610 million). The Group's net gearing ratio as at 30 June 2012 was 105% (30 June 2011: 80%), being a ratio of total borrowing of HK$836 million (30 June 2011: HK$748 million) less pledged bank deposits and bank balances and cash of HK$222 million (30 June 2011: HK$261 million) to total equity of HK$587 million (30 June 2011: HK$610 million). After taking into account the gold inventories of HK$474 million (30 June 2011: HK$464 million), the Group's adjusted net gearing ratio as at 30 June 2012 was 24% (30 June 2011: 4%), being a ratio of total borrowing less pledged bank deposits, bank balances and cash and gold inventories to total equity. As at 30 June 2012, the Group has available unutilised revolving banking facilities of HK$30 million (30 June 2011: HK$5 million).

Capital Commitments and Contingent Liabilities

Capital commitments and contingent liabilities of the Group as at 30 June 2012 are set out in notes 13 and 14.

Pledge of Assets

Pledge of assets of the Group as at 30 June 2012 is set out in note 15.

Financial Risk and Exposure

Except for the financial derivatives set out in notes 9, 11 and 12, the Group did not have any outstanding material foreign exchange contracts, interest or currency swaps, or other financial derivatives as at 30 June 2012.

Employees and Remuneration Policy

As at 30 June 2012, the Group had 2,516 employees (30 June 2011: 2,153). The Group's remuneration policy is periodically reviewed by the Remuneration Committee and the Board. Remuneration is determined by reference to market conditions, company performance, and individual qualifications and performance.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

COMPLIANCE WITH THE CODE PROVISIONS ON CORPORATE GOVERNANCE CODE

The Company is committed to establishing and maintaining a high standard of corporate governance in every aspect of its conduct of business operations. The Company believes that by adopting and embracing a well-balanced set of corporate governance principles will ensure that the best interests of shareholders and other stakeholders, customers, suppliers and other business counter parties are served.

The Company's code on corporate governance practices was adopted with reference to the code provisions on Corporate Governance Practices (the "**CG Code**") and the revised code provisions on Corporate Governance Code and Corporate Governance Report (the "**Revised CG Code**" effective on 1 April 2012) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The Company principally complied with the CG Code and the Revised CG Code throughout the year ended 30 June 2012, except for the following deviations:

CG Code A.2.1 and Revised CG Code A.2.1 stipulate that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company does not at present have any office with the title "chief executive". The Board is of the view that currently vesting the roles of chairman and chief executive in Dr. Wong, Kennedy Ying Ho provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long term business strategies.

CG Code A.4.1 and Revised CG Code A.4.1 stipulate that the non-executive directors should be appointed for a specific term, subject to re-election. The Company has not fixed the term of appointment for non-executive directors and independent non-executive directors. However, all non-executive directors and independent non-executive directors are subject to retirement by rotation at least every three years and re-election at the annual general meeting of the Company pursuant to the Company's bye-laws. As such, the Board considers that sufficient measures have been taken to ensure the Company's corporate governance practices are no less exacting than those in the CG Code and the Revised CG Code.

The current corporate governance practices of the Company will be reviewed and updated in a timely manner in order to comply with the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules. All directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the Current Year.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters. The Group's consolidated financial statements for the year ended 30 June 2012 have been reviewed by the Audit Committee and audited by the Company's external auditor Deloitte Touche Tohmatsu.

As at the date of this announcement, the Audit Committee comprises three independent non-executive directors, namely, Ms. Estella Yi Kum Ng, Mr. Fan, Anthony Ren Da, Mr. Wong Kam Wing and a non-executive director, Dr. Hui Ho Ming, Herbert.

PUBLICATION OF ANNUAL RESULTS AND DESPATCH OF ANNUAL REPORT

This results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the Company (www.hkrh.hk). The annual report 2012 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and available on the above websites in due course.

By order of the Board of
Hong Kong Resources Holdings Company Limited
Dr. Wong, Kennedy Ying Ho, BBS, J.P.
Chairman

Hong Kong, 26 September 2012

As at the date of this announcement, the Board comprises Dr. Wong, Kennedy Ying Ho, BBS, J.P., Mr. Mung Kin Keung, Mr. Lam Kwok Hing, Wilfred, J.P. and Ms. Wong Wing Yan, Ella as executive directors, Dr. Hui Ho Ming, Herbert, J.P. as non-executive director and Mr. Fan, Anthony Ren Da, Ms. Estella Yi Kum Ng and Mr. Wong Kam Wing as independent non-executive directors.