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 2013

FINANCIAL AND OPERATIONAL HIGHLIGHTS

- Turnover for the Year 2013 of HK$2,886.5 million, represents a decrease of 25%, year over year, was partly due to store rationalisation, mainly on the closing down of non performing stores aged 2 to 3 years, that were non-profit making.
- Gross profit margin improved from 19% to 21%.
- Loss from operation for the Year 2013 of HK$23.5 million, included an impairment loss of trade receivables of HK$27.0 million.
- Earnings before interests, taxation, depreciation and impairment losses recognised for the Year 2013 was HK$19.4 million; loss attributable to shareholders for the Year 2013 was HK$115.8 million.
- Operational cash flow improved from store rationalisation, with a net cash inflow from operating activities of HK$110.0 million and capital structure strengthened during the Year 2013 and up to report date with HK$191.5 million raised from capital issue.
- Reduction in net Gearing ratio from 105% to 84%. And increase in net asset value from HK$587 million to HK$637 million, and net asset value per ordinary share as at 30 June 2013 is HK$0.22.
- Total retail value generated by all 3D-GOLD stores for the Year 2013, including self operated and franchise stores, amounted to HK$4,690 million, an increase of 13% from last year.

- For Year 2013, VIP members accumulated to almost 250,000 members (a 29% increase from prior years), generated 54% of the total retail value, of which 28% are repeated sales. Average spending per VIP member for Year 2013 is 3.7 times of the Group's average ticket per sales.

- Continuous efforts are put into improving the financial health of our franchisee via handling of their inventories aged over 24 months. Through time, the brand value will be reflected in the Group's financial results.

OUTLOOK

- The Group will continue to implement its strategic plan and initiatives undertaken in 2013, which have helped to consolidate the Group's 2013 financial position.

- Initiatives undertaken during the Year 2013 are expected to improve the Group's financial performance and cashflow in the near future.

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 2013 (the "**Year**" or "**Year 2013**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2013

	Notes	**2013**	2012
		HK$'000	*HK$'000*
Turnover	*3*	**2,886,550**	3,840,630
Cost of sales		**(2,278,645)**	(3,122,233)
Gross profit		**607,905**	718,397
Other income		**22,475**	13,755
Selling expenses		**(464,090)**	(509,356)
General and administrative expenses		**(136,436)**	(150,165)
Equity-settled share-based payments		**(4,335)**	(2,222)
Impairment loss on trade receivables recognised		**(27,000)**	–
Other operating expenses		**(22,046)**	(16,711)
(Loss) profit from operations		**(23,527)**	53,698
Change in fair value of derivatives embedded in convertible bonds		**428**	1,142
Impairment loss on goodwill recognised		**(3,449)**	–
Impairment loss on amount due from a jointly controlled entity recognised		**(4,286)**	–
Loss on remeasurement of previously held interest in an associate		**(3,877)**	–
Finance costs	*4*	**(64,154)**	(67,621)
Share of results of associates		**(3,043)**	(2,931)
Share of results of jointly controlled entities		**(5,146)**	(3,020)
Loss before taxation	*5*	**(107,054)**	(18,732)
Taxation	*6*	**(8,748)**	(10,539)
Loss for the year		**(115,802)**	(29,271)
Other comprehensive income:			
Item that will not be reclassified subsequently to profit or loss:			
Exchange difference arising on translation		**15,248**	8,041
Total comprehensive expense for the year		**(100,554)**	(21,230)
Loss for the year attributable to:			
Owners of the Company		**(115,802)**	(29,271)
Non-controlling interests		**–**	–
		(115,802)	(29,271)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(100,554)**	(21,230)
Non-controlling interests		**–**	–
		(100,554)	(21,230)
			(Restated)
Loss per ordinary share	*8*		
Basic and diluted		**(HK$0.046)**	(HK$0.013)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**72,570**	76,723
Deposits for acquisition of property, plant and equipment		**3,368**	8,410
Other receivable and deposits paid	*9*	**16,887**	8,516
Loan to related parties	*10*	**98,746**	–
Settlement options in relation to the loan to related parties	*10*	**26,211**	–
Intangible assets		**171,186**	171,186
Interests in associates		**6,217**	9,260
Interests in jointly controlled entities		**3,539**	3,752
		398,724	277,847
Current assets			
Inventories		**874,618**	972,429
Trade and other receivables and deposits paid	*9*	**280,736**	338,041
Amount due from a jointly controlled entity		**1,442**	17,438
Financial assets at fair value through profit or loss	*11*	**–**	2,065
Tax recoverable		**10,610**	8,742
Pledged bank deposits		**302,171**	60,182
Bank balances and cash		**122,639**	161,614
		1,592,216	1,560,511
Current liabilities			
Trade and other payables, accruals and deposits received	*12*	**296,373**	366,819
Amount due to a jointly controlled entity		**3,592**	–
Derivative financial instruments	*13(ii)*	**–**	428
Financial liabilities at fair value through profit or loss	*11*	**49,923**	–
Convertible bonds	*13(i)*	**223,910**	150,898
Obligations under finance leases		**232**	541
Bank and other borrowings		**585,329**	350,956
Gold loans	*14*	**129,059**	97,613
Tax liabilities		**8,293**	7,349
		1,296,711	974,604

	Notes	2013 HK$'000	2012 HK$'000
Net current assets		**295,505**	585,907
Total assets less current liabilities		**694,229**	863,754
Non-current liabilities			
Bank and other borrowings		**18,768**	30,000
Convertible bonds	*13(i)*	**–**	206,056
Obligations under finance leases		**389**	–
Deferred tax liabilities		**37,888**	41,063
		57,045	277,119
NET ASSETS		**637,184**	586,635
CAPITAL AND RESERVES			
Share capital	*15*	**29,541**	19,696
Reserves		**611,089**	566,939
Equity attributable to owners of the Company		**640,630**	586,635
Non-controlling interests		**(3,446)**	–
TOTAL EQUITY		**637,184**	586,635

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.

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

Application of amendments to HKFRSs

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA")

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

Except for described below, the application of the amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income" introduce new terminology for the statement of comprehensive income. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle[1]
Amendments to HKFRS 7	Disclosures – 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	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
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 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[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 HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[2]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]
HK(IFRIC) – Int 21	Levies[2]

[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

HKFRS 9 Financial Instruments

HKFRS 9 "Financial Instruments" issued in November 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in November 2011 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.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. However, the directors anticipate that the application of the standard may not have significant impact on amounts reported in the consolidated financial statements but may result in more extensive disclosures in the consolidated financial statements.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. HK(SIC) – Int 12 Consolidation – Special Purpose Entities will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK(SIC) – Int 13 Jointly Controlled Entities – Non-monetary Contributions by Venturers will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 July 2013, and considered these standards have no material impact to the Group except for HKFRS 12 which will result in more extensive disclosures.

Other than disclosed above, 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 is as follows:

	2013	2012
	HK$'000	*HK$'000*
Sales of goods	**2,827,120**	3,787,327
Franchise income	**59,430**	25,593
Royalty Income	**–**	27,710
	2,886,550	3,840,630

(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 2013

	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	**2,648,767**	**229,054**	**2,877,821**	**8,729**	**2,886,550**
RESULT					
Segment results	**104,267**	**6,247**	**110,514**	**(32,515)**	**77,999**
Other income					**22,475**
Unallocated staff related expenses					**(44,939)**
Other unallocated corporate expenses					**(25,069)**
Advertising, promotion and business development expenses					**(48,243)**
Equity-settled share-based payments					**(4,335)**
Change in fair value of derivatives embedded in convertible bonds					**428**
Impairment loss on goodwill recognised					**(3,449)**
Impairment loss on other receivables recognised					**(1,415)**
Impairment loss on amount due from a jointly controlled entity recognised					**(4,286)**
Loss on remeasurement of previously held interest in an associate					**(3,877)**
Finance costs					**(64,154)**
Share of results of associates					**(3,043)**
Share of results of jointly controlled entities					**(5,146)**
Loss before taxation					**(107,054)**
Taxation					**(8,748)**
Loss for the year					**(115,802)**

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)

Segment profit represents the profit earned by each segment without allocation of other income, central administration costs, advertising, promotion and business development expenses, corporate staff and directors' salaries, equity-settled share-based payments, change in fair value of derivatives embedded in convertible bonds, impairment loss on goodwill recognised, impairment loss on other receivables recognised, impairment loss on amount due from a jointly controlled entity recognised, loss on remeasurement of previously held interest in an associate, finance costs, share of results of associates and jointly controlled entities and taxation. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

As at 30 June 2013

	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	1,079,972	99,358	1,179,330	23,965	1,203,295
Loan to related parties					98,746
Intangible assets					171,186
Interests in associates					6,217
Interests in jointly controlled entities					3,539
Amount due from a jointly controlled entity					1,442
Settlement options in relation to the loan to related parties					26,211
Tax recoverable					10,610
Pledged bank deposits					302,171
Bank balances and cash					122,639
Other corporate assets					44,884
Consolidated assets					1,990,940
LIABILITIES					
Segment liabilities	211,160	56,530	267,690	689	268,379
Amount due to a jointly controlled entity					3,592
Bank and other borrowings					604,097
Gold loans					129,059
Financial liabilities at fair value through profit or loss					49,923
Convertible bonds					223,910
Obligations under finance leases					621
Tax liabilities					8,293
Deferred tax liabilities					37,888
Other corporate liabilities					27,994
Consolidated liabilities					1,353,756

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

(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 loan to related parties, intangible assets, interests in associates, interests in jointly controlled entities, amount due from a jointly controlled entity, settlement options in relation to the loan to related parties, 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 amount due to a jointly controlled entity, bank and other borrowings, gold loans, financial liabilities at fair value through profit or loss, 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 2013

	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	13,239	1,685	168	9,206	24,298
Depreciation	17,582	3,913	88	2,116	23,699
Loss on disposal of property, plant and equipment	3,235	1,264	120	437	5,056

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	–	140	21,144
Depreciation	15,472	3,690	84	1,419	20,665
Loss on disposal of property, plant and equipment	766	667	–	–	1,433

Geographical information

Information about the Group's revenue from external customers is presented based on the location of the operation. Information about the non-current assets of the Group (excluding other receivable and deposits paid, loan to related parties, settlement options in relation to the loans to related parties, 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 2013

	Non-current assets	**Revenue from external customers**
	HK$'000	***HK$'000***
Mainland China	**58,119**	2,657,173
Hong Kong & Macau	**17,819**	229,377
	75,938	2,886,550

For the year ended 30 June 2012

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

No single customer during both years contributed over 10% of the total revenue of the Group.

4. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
Interests on:		
Bank borrowings wholly repayable within 5 years	**24,561**	19,205
Gold loans	**9,156**	4,938
Obligations under finance leases	**42**	35
Other finance costs	**216**	1,272
Effective interest on convertible bonds *(note 13(i))*	**30,179**	42,171
	64,154	67,621

5. LOSS BEFORE TAXATION

	2013	2012
	HK$'000	*HK$'000*
Loss before taxation has been arrived at after charging (crediting):		
Advertising, promotion and business development expenses	**48,243**	63,911
Auditor's remuneration	**2,030**	1,880
Change in fair value of gold loans	**(40,733)**	(1,920)
Change in fair value of financial assets/liabilities at fair value through profit or loss	**45,539**	1,305
Cost of inventories recognised as an expense	**2,273,839**	3,122,848
Depreciation of property, plant and equipment	**23,699**	20,665
Impairment loss on other receivables recognised (included in other operating expenses)	**1,415**	–
Loss on disposal of property, plant and equipment	**5,056**	1,433
Staff cost, including directors' emoluments:		
– Wages and salaries	**202,643**	216,414
– Retirement benefit costs	**18,582**	16,180
– Equity-settled share-based payments	**4,335**	2,222

6. TAXATION

	2013	2012
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**2,658**	895
PRC Enterprise Income Tax	**9,265**	10,190
Macau Complimentary Tax	**–**	86
	11,923	11,171
Deferred taxation	**(3,175)**	(632)
	8,748	10,539

Hong Kong Profits Tax is calculated at 16.5% (2012: 16.5%) on the estimated assessable profits for the year.

Pursuant to the Enterprise Income Tax Law and Implementation Rules of the PRC, a subsidiary of the Company established in the PRC is subject to an income tax rate of 25% (2012: preferential income tax rate of 24% to 25%) for the year ended 30 June 2013. 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 addition, 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 Enterprise Income Tax at 7% provided that it is the "beneficial owner" of the payment as required under Guoshuihan [2009] No. 601.

No provision for the Macau Complementary Tax has been made as the Group has no assessable profit in Macau for the current year. The Macau Complementary Tax was calculated progressively at rates ranging from 9% to 12% of the estimated assessable profit for the prior year.

7. DIVIDENDS

	2013	2012
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
Ordinary shares		
Final dividend paid for the 15 months ended 30 June 2011 of HK0.20 cent per share	–	3,938
Preference shares		
Final dividend paid for the 15 months ended 30 June 2011 of HK0.875 cent per share	–	4
	–	3,942

The Board has resolved not to recommend a final dividend in respect of the year ended 30 June 2013 and 30 June 2012 to the holders of ordinary shares of the Company.

8. LOSS PER ORDINARY SHARE

	2013	2012
	HK$'000	*HK$'000*
Loss:		
Loss for the year attributable to owners of the Company	**(115,802)**	(29,271)
Dividends on preference shares	**(2)**	(3)
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per ordinary share	**(115,804)**	(29,274)

	2013	2012
	'000	*'000*
		(Restated)
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per ordinary share	**2,494,647**	2,290,794

Note:

The weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per ordinary share for the year ended 30 June 2013 and 30 June 2012 had been adjusted for the effect of bonus element in connection with rights issue as set out in note 15(a).

The computation of diluted loss per ordinary share for the year ended 30 June 2013 and 30 June 2012 did not assume the exercise of the share options because their exercise price is higher than the average share price and the conversion of the Company's outstanding convertible bonds and preference shares since their conversion would result in a decrease in loss per ordinary share.

In addition, the computation for the year ended 30 June 2013 did not assume the exercise of the bonus warrants because their exercise price is higher than the average share price.

9. TRADE AND OTHER RECEIVABLES AND DEPOSITS PAID

	2013	2012
	HK$'000	*HK$'000*
Non-current other receivable and deposits paid:		
Rental and utility deposits	**4,775**	8,516
Other receivable from a jointly controlled entity	**10,000**	–
Interest receivables from related parties	**2,112**	–
	16,887	8,516
Current trade and other receivables and deposits paid comprise:		
Trade receivables	**220,407**	275,259
Less: allowance for doubtful debts	**(27,000)**	–
	193,407	275,259
Other receivables and deposits paid	**87,329**	62,782
	280,736	338,041

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 2013 is trade receivable from a jointly controlled entity amounting to HK$4,485,000 (2012: HK$4,345,000). Included in trade receivables at 30 June 2012 were trade receivables from associates amounting to HK$13,937,000.

Included in current other receivables at 30 June 2013 is other receivable from an associate amounting to HK$10,347,000 (2012: HK$3,647,000).

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.

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.

	2013	2012
	HK$'000	*HK$'000*
0 – 30 days	**176,494**	225,271
31 – 60 days	**6,602**	27,858
61 – 90 days	**978**	2,496
Over 90 days	**9,333**	19,634
	193,407	275,259

Included in the Group's trade receivables balance are debtors with aggregate amount of HK$16,464,000 (2012: HK$49,881,000) 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:

	2013	2012
	HK$'000	*HK$'000*
31 – 60 days	**6,163**	27,858
61 – 90 days	**968**	2,486
Over 90 days	**9,333**	19,537
	16,464	49,881

Movement in the allowance for doubtful debts on trade receivables is as follows:

	2013	2012
	HK$'000	*HK$'000*
As at 1 July	**–**	–
Impairment loss recognised	**27,000**	–
As at 30 June	**27,000**	–

Included in the allowance for doubtful debts are individually impaired trade receivables from an independent customer of HK$27,000,000. During the year, the Group took legal action against this debtor and made full impairment loss of HK$27,000,000 based on the court finding on 22 September 2013. 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. As at 30 June 2013, other than the concentration of credit risk in respect of trade receivables from a jointly controlled entity of HK$4,485,000 and other receivables from a jointly controlled entity and an associate of HK$10,000,000 and HK$10,347,000 respectively (2012: trade receivables from an independent customer of HK$27,710,000, an associate of HK$13,937,000 and a jointly controlled entity of HK$4,345,000 and other receivable from an associate of HK$3,647,000), 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.

10. LOAN TO RELATED PARTIES

Details of the loan to related parties are set out in the Company's announcements dated 5 March 2013, 17 April 2013 and 29 May 2013.

11. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets/liabilities at fair value through profit or loss comprise:

	2013	2012
	HK$'000	*HK$'000*
Gold bullion contract through margin account *(note a)*	**(148)**	2,065
Bullion forward contracts (*note b)*	**(49,775)**	–
	(49,923)	2,065
Analysed for reporting purposes as:		
Current assets	**–**	2,065
Current liabilities	**(49,923)**	–
	(49,923)	2,065

Notes:

(a) The amount represents the fair value of the open position of gold bullion contracts through margin account with an aggregated notional value of United States dollar ("USD") 2,147,000 (30 June 2012: USD6,299,000). 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.

(b) During the current year, the Group used bullion forward contracts to reduce its exposure to fluctuations in the gold prices. The Group does not currently designate any hedging relationship on the bullion forward contracts for the purpose of hedge accounting.

The bullion forward contracts are measured at fair value at the end of the reporting period. The fair values are determined based on the quoted market prices at the end of the reporting period. The total notional value of the outstanding bullion forward contracts as at 30 June 2013 amounted to USD23,117,000 which have maturity period up to 6 to 12 months since date of inception.

12. TRADE AND OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	2013	2012
	HK$'000	*HK$'000*
Trade payables	**72,752**	74,892
Deposits received from customers *(note a)*	**46,359**	103,807
Franchisee guarantee deposits *(note b)*	**58,494**	49,198
Other payables, accruals and other deposits	**118,768**	138,922
	296,373	366,819

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.

	2013	2012
	HK$'000	*HK$'000*
0 – 30 days	**42,480**	53,154
31 – 60 days	**7,987**	9,537
61 – 90 days	**4,976**	2,477
Over 90 days	**17,309**	9,724
	72,752	74,892

13. 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.

During the year, the Company redeemed the CB 2012 at HK$151,800,000, representing 110% of the outstanding principal amount on maturity date of 2 August 2012 in accordance with the term of the relevant subscription agreement for the issue of CB 2012.

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. The conversion price was adjusted from the initial conversion price of HK$1.58 per ordinary share to HK$1.37 per ordinary share upon the completion of right issue as disclosed in note 15.

As at 30 June 2013, a total of 157,664,234 (2012: 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 redeemed the CB 2013 at 110% of the respective outstanding principal amount on maturity date of 16 September 2013.

At 30 June 2013, CB 2013 with a carrying amount of HK$223,910,000 (2012: HK$206,056,000) (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 year are set out as below:

	Liability component		
	CB 2012	**CB 2013**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 July 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**
Coupon interest accrued at 1 July 2012 and included in other payables	**2,836**	**3,225**	**6,061**
Interest charged during the year	**1,525**	**28,654**	**30,179**
Repayment of principal	**(151,800)**	**–**	**(151,800)**
Payment of coupon interest	**(3,459)**	**(10,800)**	**(14,259)**
Coupon interest accrued at 30 June 2013 and included in other payables	**–**	**(3,225)**	**(3,225)**
At 30 June 2013	**–**	**223,910**	**223,910**

	2013	2012
	HK$'000	*HK$'000*
Analysed for reporting purposes as:		
Current liabilities	**223,910**	150,898
Non-current liabilities	**–**	206,056
	223,910	356,954

During the year ended 30 June 2013 and 30 June 2012, 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 July 2011	23	1,547	1,570
Change in fair value	(23)	(1,119)	(1,142)
At 30 June 2012	**–**	**428**	**428**
Change in fair value	**–**	**(428)**	**(428)**
At 30 June 2013	–	–	–

The fair values of the derivatives embedded in CB 2012 at 30 June 2012 and the fair values of the derivatives embedded in CB 2013 at 30 June 2012 and at 30 June 2013 are based on valuation carried out on those dates by an independent valuer. The change in fair value of HK$428,000 (2012: HK$1,142,000) has been credited to profit or loss for the year ended 30 June 2013.

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 30 June 2012		**At 30 June 2013**	
	CB 2012	**CB 2013**	**CB 2012**	**CB 2013**
Share price	HK$0.42	HK$0.42	N/A	HK$0.18
Exercise price	HK$1.58	HK$1.58	N/A	HK$1.37
Expected dividend yield	0.48%	0.48%	N/A	0.00%
Volatility	66.81%	63.70%	N/A	43.51%

14. 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 2013 and 30 June 2012, the gold loans are denominated in RMB, interest bearing at a fixed rate of 5.13% (2012: 4.8%) per annum with original maturity of 12 months, and secured by inventories with a carrying amount of HK$439,588,000 (2012: HK$427,559,000).

The gain arising from change in fair value of gold loans of HK$40,733,000 (2012: HK$1,920,000) has been recognised in the profit or loss for the year ended 30 June 2013. 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.

15. SHARE CAPITAL

	Notes	Number of shares '000	Amount HK$'000
Authorised:			
At 1 July 2011, 30 June 2012 and 30 June 2013			
Ordinary shares of HK$0.01 each		4,000,000	40,000
Preference shares of HK$0.01 each		3,000,000	30,000
		7,000,000	70,000
Ordinary shares issued and fully paid:			
Ordinary shares of HK$0.01 each			
At 1 July 2011 and 30 June 2012		1,969,085	19,692
Issue of new shares under rights issue	(a)	787,635	7,876
Exercise of warrants	(a)	1	–
Issue of new shares by way of a placing	(b)	196,909	1,969
Issue upon conversion of preference shares	(c)	469	4
At 30 June 2013		2,954,099	29,541
Preference shares issued and fully paid:			
Preference shares of HK$0.01 each			
At 1 July 2011 and 30 June 2012		404	4
Conversion of preference shares	(c)	(404)	(4)
At 30 June 2013		–	–
Total:			
At 1 July 2012		1,969,489	19,696
At 30 June 2013		2,954,099	29,541

The preference share, with a paid-up value of HK$0.14 per share, shall entitle the holder thereof the right to convert one preference share into 1.16338 fully-paid ordinary share of the Company. The preference shares are not redeemable and do not bear any voting right.

Each preference share shall confer on its holder the right to be paid out of the profits of the Company available for dividend and resolved to be distributed pari passu with ordinary shares but otherwise in priority to any payment of dividend or any distribution in respect of any other class of shares, a fixed cumulative preferential dividend at the rate of 5% per annum on the paid-up value of the reference amount attributable to each preference share. The preference shares rank in priority to the ordinary shareholders as to a return of the nominal amount paid up on the preference shares and thereafter ranks pari passu with the ordinary shares on liquidation.

There is no undeclared cumulative preferential share dividend as at 30 June 2013 (2012: HK$3,000)

Notes:

(a) The Company issued 787,634,411 ordinary shares on 30 January 2013 by way of a rights issue on the basis of two rights shares for every five ordinary shares of the Company held on 8 January 2013 at the subscription price of HK$0.15 per rights share.The cash proceeds of the rights issue before share issue expenses of HK$2,843,000 are HK$118,145,000.

The rights issue also included the issue of bonus warrants on the basis of one bonus warrant for every four rights shares taken up under the rights issue. On the basis of 787,634,411 rights shares, the total number of bonus warrants issued was 196,908,602. Each of bonus warrants will entitle the holder(s) thereof to subscribe for one ordinary share of the Company at the exercise price of HK$0.245 per share (subject to adjustments), at any time between 31 January 2013 and 30 January 2018.

During the year ended 30 June 2013, the Company issued 1,231 ordinary shares of HK$0.01 at the exercise price of HK$0.245 per share pursuant to the exercise of the bonus warrants granted.

(b) The Company issued 196,908,603 ordinary shares in June 2013 by way of a placing at the placing price of HK$0.18 per placing share.

(c) As a result of the rights issue, the conversion multiple upon exercise of the conversion right attaching to the outstanding convertible preference shares was adjusted from 1 to 1.16338. During the year ended 30 June 2013, 403,374 preference shares of HK$0.01 each were converted into 469,277 ordinary shares of HK$0.01 each.

16. CAPITAL COMMITMENTS

	2013	2012
	HK$'000	*HK$'000*
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements	**5,375**	7,522
Commitment for further capital injection in an associate	**–**	32,400

17. CONTINGENT LIABILITIES

As at 30 June 2013, the Group had an outstanding financial guarantee amounting to HK$3,000,000 (2012: HK$3,000,000) issued to a bank in respect of a banking facility granted to a jointly controlled entity. The directors of the Company considered that fair value of this financial guarantee contract at their initial recognition is insignificant.

18. PLEDGE OF ASSETS

As at 30 June 2013 the Group's inventories, bank deposits, trade receivables and other receivables with a carrying amount of HK$439,588,000 (2012: HK$427,559,000), HK$302,171,000 (2012: HK$60,182,000), HK$184,609,000 (2012: nil) and HK$184,499,000 (2012: nil), respectively were pledged to banks as securities to obtain the banking facilities granted to subsidiaries of the Group.

In addition, the Group's inventories with a carrying amount of RMB4,000,000 (equivalent to HK$5,024,000) (2012: nil) was pledged to an independent third party as securities for other borrowing of HK$3,768,000 (2012: nil) to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

China's economic growth slowed slightly with GDP growth of 7.6% in the first half of 2013, down from 7.75% in the second half of 2012. Domestic consumption showed a decline in contribution to China's economic growth. Various warning signs are pointing to a slowing economy across Mainland China, which in turn affected the retail market and mass luxury sector. The Group continues to operate in an increasingly challenging macro-economic and retail environment, and to place the focus on improving profitability.

Despite the turnover decrease of 25% for Year 2013, the retail value of the 3D-GOLD brand, that is sales made by all 3D-GOLD stores, including self operated and franchise stores, amounted to HK$4,690 million for Year 2013, an increase of 13% from last year. Continuous efforts are put into improving the financial health of our franchisees, via handling of their inventories aged over 24 months, and various measures were undertaken as discussed in the "Business Review" section. Via working closely with our franchisees, through time, the brand value will be reflected in the Group's financial results.

For Year 2013, VIP members accumulated to almost 250,000 members (a 29% increase from prior years), generated 54% of the total retail value, of which 28% are repeated sales. Average spending per VIP member for Year 2013 is 3.7 times of the Group's average ticket per sales. The Group will continue its effort on strengthening the relationship with the VIP and further boost customer royalty to encourage repeat purchases.

In improving the profitability, the management has focused on the following areas with various measures: (i) to adjust the sales network by focusing on profit making stores and closing down non-performing stores that were mainly aged 3 years, (ii) Introducing new 3D-GOLD jewellery boutique store model, (iii) introducing a new regional franchisee system to strengthen the retail operations, (iv) continuous promoting and launching of new series products, (v) launching an Enterprise Resources Planning System, (vi) continuing costs control; and (vii) improving cash flow.

For the Year 2013 and up to the report date, the Company has successfully raised HK$191.5 million to support business initiatives and to rationalize the Company's capital structure. In addition, the CB2013 (as defined in note 13) has been fully repaid subsequent to the year end. As at 30 June 2013, the net gearing ratio was reduced from 105% to 84%. The Group will focus on achieving a capital structure with lower financing costs.

Loss from operation for the Year 2013 of HK$23.5 million, included an impairment loss of trade receivables of HK$27.0 million. The priority of management for Year 2013 was to focus on improving operational performance. The proactive initiatives in the first quarter of 2013 have not yet resulted in positive on the Group's 2013 financial results, where the financial performance of the Group for the Year still faced pressure and recorded a loss for the year of HK$115.8 million (2012: HK$29.2 million). Included in the results, the Group has also made non-recurring provisions and impairments amounted to HK$38.6 million, the majority of which are non-cash items, non-cash impairment on goodwill arising from acquisition of additional interests of an associated company, impairment loss on trade receivables recognised and amount due from a jointly controlled entity and provision and impairment for 33 store closures.

Through implementation of the above initiatives, and working closely with our franchisees to improve their profitability, we expect improvements in the Group's financial results.

FINAL DIVIDEND

The Board has resolved not to recommend a final dividend in respect of the year ended 30 June 2013 to the holders of ordinary shares of the Company.

FINANCIAL REVIEW

The Group is principally engaged in the 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 nature of the jewellery business is particularly sensitive to changes in economic conditions and consumer confidence. Due to the sluggish global economy, the economic growth in the Mainland China and the retail market have experienced a downturn.

Revenue by Market

	Y.E. 2013	Y.E. 2012	Y-o-Y Change
	HK$'000	*HK$'000*	*%*
Mainland China	2,657,173	3,501,378	-24%
Hong Kong and Macau	229,377	339,252	-32%
	2,886,550	3,840,630	-25%

With over 90% of the turnover of the Group generated from Mainland China, the turnover of the Group for the Year amounted to HK$2,887 million (2012: HK$3,841 million), a decrease of 25% from last year. Mainland China recorded turnover of HK$2,657 million, also a decrease of 24% from last year, while Hong Kong and Macau recorded turnover of HK$229 million, also a decrease of 32% from last year. In line with the economy, we have recorded a decline in overall same-store-growth of 32% (last year: growth of 6%), of which same store growth in Mainland China decline by 32% (last year: growth of 8%) and same store growth in Hong Kong and Macau decline by 25% (last year: a growth of 6%).

The decline recorded in same store growth was a result of economic downturn and relative high base for comparison from last year.

Revenue by Business

Number of Stores and Counters

	Y.E. 2013	Y.E. 2012	Y-o-Y Change %
Mainland China			
– Self Operated POS	125	144	-19
– Franchise POS	281	244	37
Hong Kong and Macau	10	10	–

For channel management, the Group has been focusing on profitability in its channel expansion for our self operated points-of-sale ("**POS**"). Profitable and efficient stores were retained while non-profitable ones were closed to ensure improvement of overall store quality and channel profitability.

As at 30 June 2013, the Group had 7 points-of-sale in Hong Kong, 3 points of sale in Macau and 406 points-of-sale in the Mainland China under the brand name "3D-GOLD". Of the points-of-sale in the Mainland China, 125 were self operated points-of-sale and 281 were franchise points-of-sale.

Mainland China

Self Operated POS

During the Year, 15 new shops and counters were opened in Hong Kong, Macau and Mainland China, while 34 shops and counters were closed. Of the 34 shops and counters closed during the Year, 33 were self operated POS in Mainland China.

The stores closed during the year 2013 were mainly opened in 2010 and 2011. 34 stores were closed during the Year, despite their contributed turnover of HK$83 million for the Year before closure and HK$267 million for the year 2012, because they were unprofitable. The capital investment for each store was limited, yet, with the closure of those unprofitable stores during the Year, has made available operating cashflow of HK$110 million to the Group.

Franchise POS

With respect to the franchise stores and counters, 70 new shops and counters were opened, while 33 shops and counters were closed. The net changes in the number of franchise POS were in line with our expansion plan for Mainland China.

Many of the franchisee has inventories which are aged over 24 months and the Group is continuing its effort in assisting our franchisee to improve on their financial health, especially on the gem-set jewellery. Through time, as those inventories once handled, the Group's financial results are also expects to improve.

Revenue by Products

Sales of our principal products, gold and platinum products and gem-set jewellery, consisted of approximately 76% (last year: 78%) and 22% (last year: 21%), in the total turnover. The gross profit decreased 15% to HK$608 million (last year: HK$718 million) while the gross profit margin increased from 19% to 21%. The increase in gross profit margin was a result of the effective gold hedging policy and the launch of new series products in gem-set jewellery. The hedging position of gold, and the adjustment in our product portfolio to focuses on gem-set jewellery have reduced 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 decreased to HK$464 million (2012: HK$509 million), but as a percentage of total turnover has increased from 13% to 16% this Year. Advertising and promotional expenses amounted to HK$48 million (2012: HK$64 million), staying at a stable rate of 17% (2012: 17%) of total revenue. Rental expenses amounted to HK$221 million (2012: HK$244 million), representing 7.6% (2012: 6.4%) of total revenue. The increase in rental as a percentage was mainly due to the opening of new store and the decrease in turnover. The rental increment was generally in line with the market trend, while as a percentage of turnover has remained at a relatively low level.

The Group's administrative expenses have decreased to HK$136 million (2012: HK$150 million). The percentage of administrative expenses to total turnover has been stable at approximately 4%. The Group has adopted effective cost control policy and reduced the general and administrative expenses.

In addition, the convertible bond 2013, with yield effective interest of 12.02% p.a., reached maturity subsequent to the balance sheet date. The amount was fully settled. The Group has been focusing in achieving a capital structure with lower financing costs; and interest expense for the year has declined by 5% to HK$64.1 million.

The Group will continue to focus on capturing the expanding market in Mainland China. Together with the various initiatives undertaken, management expects the results of the Group to improve.

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 2013, the Group had total cash and cash equivalents amounting to HK$425 million (2012: HK$222 million) and total net assets of HK$637 million (2012: HK$587 million). The Group's net gearing ratio as at 30 June 2013 was 84% (2012: 105%), being a ratio of total borrowing of HK$958 million (2012: HK$836 million) less pledged bank deposits and bank balances and cash of HK$425 million (2012: HK$222 million) to total equity of HK$637 million (2012: HK$587 million). After taking into account the gold inventories of HK$394 million (2012: HK$474 million), the Group's adjusted net gearing ratio as at 30 June 2013 was 22% (2012: 24%), being a ratio of total borrowing less pledged bank deposits, bank balances and cash and gold inventories to total equity. As at 30 June 2013, the Group had available unutilized revolving banking facilities of HK$9 million (2012: HK$30 million).

After the balance sheet date and up to the date of this announcement, the Group had new banking facilities of RMB300 million granted by a bank in the Mainland China, of which RMB200 million was drawn down.

BUSINESS REVIEW

Retail Operation

As at 30 June 2013, the Group had 7 points-of-sale in Hong Kong, 3 points of sale in Macau and 406 points-of-sale in the Mainland China under the brand name "3D-GOLD". Of the points-of-sale in the Mainland China, 125 were self operated points-of-sale and 281 were franchise points-of-sale.

Since the first quarter of 2013, management has undertaken a number of initiatives, with progress in the following areas:

- **Rationalising sales network:** The Group has focused on profitability in its channel expansion via closing down more non-performing stores as well as opening high performing stores. As at 30 June 2013, the Group had 416 points of sales in Hong Kong, Macau, and Mainland China. Efforts are continued to rationalize the sales network to achieve a healthy store mix in line with our transforming business model.

- **Initiatives to strengthen retail operations:** The launch of the regional franchise system is expected to expand our network while simultaneously mitigating risk. The untapped markets can be accessed with low-risk use of resources in times of uncertainty while enhancing the Group's competitiveness in the market. These initiatives will allow us to work closely with our regional franchisees to improve their operational performance; over time, improvements will be reflected in the Group's financial results.

- **Continuous promotion and launch of new series products:** With the growing demand for stylish and contemporary designed jewellery in Mainland China, our new products and products featured in our on-going marketing programmes, include, Happy Women, Flowers of Joy, Eternal Love and Alice Wild Series, which have recorded higher sell out rates than average. The variety of jewellery has enabled the Group to win customers from different age groups. The new series products are mainly jewellery in nature, which generate better profit margin than gold.

- **Branding and marketing drive:** In July 2013, 3D-GOLD was ranked 156 by The World Brand Lab in "China's 500 Most Valuable Brands", receiving this award for the 4th consecutive year, ranking second among jewellery brands, with a brand value of RMB12.3 billion. Despite the turnover decrease for Year 2013, the retail value of the 3D-GOLD brand, i.e., the sales made by all of 3D-GOLD stores, including the self operated and franchise stores, amounted to HK$4,690 million for Year 2013, an increase of 13% from last year. Via working closely with our franchisees, over time, we expect the brand value to be fully reflected in the Group's financial results.

- **Launching the Enterprise Resources Planning (“ERP”) System:** The new ERP system is scheduled to start its trial run by first quarter of 2014. This system will provide improved ordering guidelines and stocking arrangements for ourselves and franchisees. The information platform will provide updates of bestselling and slow moving models based on nationwide sales data. With this new ERP system, market opportunities and market demand can be better captured, to contribute to the overall performance of the franchisee and of the Group.

- **Cost controls:** The Group has managed to effectively control and reduce the general and administrative expenses by 9% for year 2013. Management will continue to strengthen our cost control policy, as part of the overall initiative in improving the overall financial performance.

- **Introducing new 3D-GOLD jewellery boutique store:** 3D-GOLD jewellery boutique store model has been introduced to broaden our sales channels and customer base. The boutique store is smaller in size than the traditional store, with focus on higher margin jewellery and fixed priced products to minimise the effect of gold price fluctuations. One of a kind in the market introduced by 3D-GOLD, the boutique model is expected to attract a new group of franchisees.

- **Organisation reform and human resources:** The Group has continued to advance the development of the core business. Emphasis has been placed on human capital optimization in support of the initiatives, including improvement in the quality of internal and external talent pools, to strengthening the core competitiveness of the Group.

Products and design

The Group has continued to advance its product designs and innovations. Through continuous enhancement in product quality, the Group is committed to offering product series which are able to meet with our customers’ preferences.

During the Year, the Group has enlarged its product portfolio to capture different market segments. With these series of new products:

- 3D-Gold x Alice Wild

- Flowers of Joy

- Happy Women

Our product offerings were conceived by our design team. Our design team works closely with our sales management team to ensure that the products design direction is aligned with the market trends. The team’s expertise is expected to assist the Group in positioning the “3D-GOLD” brand as a brand which creates trendy, attractive and stylish products.

The team has received recognition from the jewellery industries in various competitions, which include the following:

- “The Year of 2012” won the Best Craftsmanship Award from the Buyers’ Favorite Jewelry Design Competition 2012;

- “The Year of 2012” won the Champion of Bangle & Bracelet Category Award from the Buyers’ Favorite Jewelry Design Competition 2012;

- “Half Flame • Half Water” won the First Runner Up of Earrings Category Award from the Buyers’ Favorite Jewelry Design Competition 2012;

- “Countless Ties” won the First Runner Up of Computer Aided Design Category Award from the Buyers’ Favorite Jewelry Design Competition 2012;

- “Soaring Dragon” won the Best of Show Award at the 13th Hong Kong Jewellery Design Competition;

- “Soaring Dragon” was awarded the Annual Jewellery Design Award by “BAZAAR Jewelry”.

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 and to present a corporate image of superior quality.

The Group’s marketing programme includes joint promotions, sponsorships and exhibitions as follows:

- Title sponsorship of the “3D-GOLD Super Basketball Invitation Championship”;

- Prize sponsorship of the “International KamCha Competition 2012 (HK Style Milk Tea)”;

- Prize sponsorship of the “McDonald’s Monopoly 2012” and jewellery sponsor of Mr. Eric Tsang, Ms. Kate Tsui and Ms. Tavia Yeung at the event;

- Participating in the “Glamour Jewellery Trade Fair 2012” in Shenzhen;

- Title, scepter and crown sponsorship of “Miss Chinese International Pageant 2013”;

- Sponsorship of the mini concert of Ms. Kelly Chen, ”MOOV LIVE KELLY 2013”.

Awards and Achievements

The 3D-GOLD brand has also received high recognition from authorities and institutions in Hong Kong and Mainland China, reaffirming the efforts of the Group in promoting service excellence, industry best practices and in meeting the stringent standards and criteria set forth by the relevant authorities and institutions.

Hong Kong

- "Hong Kong Top Brand Ten Year Achievement Award" at the "Hong Kong Top Brand Awards".

China

- "Special Award of the Chinese Brand of the Year 2012" by the World Brand Laboratory;

- Ranking in 2nd "China's 500 Most Valuable Brands" with brand value amounting to RMB12.3 billion

E-Commerce and Corporate Gifts

To further broaden the sales channel, the Group has launched an e-commerce platform "Zun1" (www.zun1.com) and social network platform (www.54qn.cn) to capture the high ground in the fast emerging cyber market in Greater China and other regions. The Group has continued its investment in this e-commerce platform, and expects it can generate return and synergy in the future years.

Inspired by the promising market potential and increasing popularity of unique corporate gifts in China, the Group has expanded into the corporate gift market, while continuing on the strategic plan for our retail operation.

OUTLOOK

Looking ahead, we are positive about the business outlook in the medium to long run, despite short term market volatilities. 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; while continuing to promote our brand to secure even higher recognition and trust, as well as spread our good reputation for product design, quality, value and authenticity.

The management expects the next financial year to be a period of transition, with the aim of stabilizing our business performance. With the Group's focus on the operational improvement in the past year, the management will continue to move forward in implementing the various initiatives, foremost of which is returning the Group to profitability.

The strategic direction we are taking is to restore the long term sustainable growth and profitability of the Group. The market volatilities may result in, however, uncertainty on our short term performance. We will continue to enhance the process controls, improve our brand positioning, assist our franchisees to improve profitability, introduce products with higher gross profit margins, and maintain effective cost controls.

Ultimately, we look forward to achieving our goal, which will result in growth and value to our investors and other stakeholders. We expect the operating cash flow to improve, along with our franchisee profitability.

INVESTOR RELATIONS

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 has maintained open and effective communication, to enable investors and the investment community to understand our management philosophy and long-term development plans.

Throughout the Year, the Group has arranged one-on-one meetings and visits for fund managers. The Group welcomes and treasures investors' comments as they strengthen our value to the investors. The Group's effort to create value for investors will continue.

OTHERS

Capital Commitments and Contingent Liabilities

Capital commitments and contingent liabilities of the Group as at 30 June 2013 are set out in notes 16 and 17.

Pledge of Assets

Pledge of assets of the Group as at 30 June 2013 is set out in note 18.

Financial Risk and Exposure

Except for the financial derivatives set out in notes 10, 11, 13 and 14, the Group did not have any outstanding material foreign exchange contracts, interest or currency swaps, or other financial derivatives as at 30 June 2013.

Employees and Remuneration Policy

As at 30 June 2013, the Group had 2,170 employees (2012: 2,516). 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 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's code on corporate governance practices was adopted with reference to the code provisions on Corporate Governance Practices and Corporate Governance Report (the "**CG Code**") 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 throughout the Year, except for the following deviations:

CG Code A.2.1 stipulates 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 stipulates 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 director and independent non-executive directors. However, all non-executive director 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

CG Code E.1.3 stipulates that the issuer should arrange for the notice to shareholders to be sent for annual general meeting at least 20 clear business days before the meeting. The Company, in accordance with the requirements of its bye-laws and Section 114 of the Companies Ordinance, gave 21 clear days (or 16 clear business days) notice to the shareholders of the Company before the convening of the annual general meeting held on 7 November 2012. The Company will ensure its compliance with CG Code in the future.

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 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 2013 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 2013 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, 30 September 2013

As at the date of this announcement, the Board comprises Dr. Wong, Kennedy Ying Ho, BBS, J.P., Mr. Lam Kwok Hing, Wilfred, J.P,. Ms. Wong Wing Yan, Ella and Mr. Cheung Pak To, Patrick, BBS 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.