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 2014

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 2014 (the "**Year**" or "**Year 2014**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2014

	Notes	**2014** **HK$'000**	2013 *HK$'000*
Turnover	*3*	**1,561,659**	2,886,550
Cost of sales		**(1,183,460)**	(2,278,645)
Gross profit		**378,199**	607,905
Other income		**45,285**	22,475
Selling expenses		**(368,511)**	(464,090)
General and administrative expenses		**(146,576)**	(136,436)
Equity-settled share-based payments		**(2,606)**	(4,335)
Impairment loss on trade receivables recognised		**(12,243)**	(27,000)
Other operating expenses		**(34,925)**	(22,046)
Loss from operations		**(141,377)**	(23,527)
Change in fair value of derivatives embedded in convertible bonds		**7,225**	428
Impairment loss on goodwill recognised		**–**	(3,449)
Impairment loss on intangible assets recognised		**(3,120)**	–
Impairment loss on amount due from a joint venture recognised		**–**	(4,286)
Loss on remeasurement of previously held interest in an associate		**–**	(3,877)
Finance costs	*4*	**(61,693)**	(64,154)
Share of results of associates		**(1,302)**	(3,043)
Share of results of joint ventures		**(26)**	(5,146)
Loss before taxation	*5*	**(200,293)**	(107,054)
Taxation	*6*	**8,284**	(8,748)
Loss for the year		**(192,009)**	(115,802)
Other comprehensive (expense) income:			
Item that will not be reclassified to profit or loss:			
Exchange difference arising on translation		**(3,432)**	15,248
Total comprehensive expense for the year		**(195,441)**	(100,554)
Loss for the year attributable to:			
Owners of the Company		**(184,126)**	(115,802)
Non-controlling interests		**(7,883)**	–
		(192,009)	(115,802)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(187,558)**	(100,554)
Non-controlling interests		**(7,883)**	–
		(195,441)	(100,554)
Loss per ordinary share	*8*		
Basic and diluted		**(HK$0.059)**	(HK$0.046)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	**2014** **_HK$'000_**	2013 *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**63,845**	72,570
Deposits for acquisition of property, plant and equipment		**263**	3,368
Other receivables and deposits paid	*9*	**12,779**	16,887
Loan to related parties	*10*	**–**	98,746
Settlement options in relation to the loan to related parties	*10*	**–**	26,211
Goodwill		**9,995**	–
Intangible assets		**174,718**	171,186
Interest in an associate		**–**	6,217
Interests in joint ventures		**3,513**	3,539
Deferred tax assets		**31,807**	–
		296,920	398,724
Current assets			
Inventories		**822,842**	874,618
Trade and other receivables and deposits paid	*9*	**195,720**	280,736
Loan to related parties	*10*	**123,177**	–
Amount due from a joint venture		**1,963**	1,442
Financial assets at fair value through profit or loss	*11*	**10,949**	–
Tax recoverable		**372**	10,610
Pledged bank deposits		**431,716**	302,171
Bank balances and cash		**357,952**	122,639
		1,944,691	1,592,216
Current liabilities			
Trade and other payables, accruals and deposits received	*12*	**258,549**	296,373
Amounts due to joint ventures		**3,628**	3,592
Financial liabilities at fair value through profit or loss	*11*	**–**	49,923
Convertible bonds	*13(a)*	**–**	223,910
Obligations under finance leases		**148**	232
Bank and other borrowings		**510,162**	585,329
Gold loans	*14*	**494,329**	129,059
Tax liabilities		**3,209**	8,293
		1,270,025	1,296,711

	Notes	**2014**	2013
		HK$'000	*HK$'000*
Net current assets		**674,666**	295,505
Total assets less current liabilities		**971,586**	694,229
Non-current liabilities			
Convertible bonds	*13(a)*	**56,470**	–
Derivative financial instruments	*13(b)*	**66,409**	–
Obligations under finance leases		**242**	389
Bank and other borrowings		**20,000**	18,768
Loan from a non-controlling shareholder of a subsidiary		**100,000**	–
Deferred tax liabilities		**42,213**	37,888
		285,334	57,045
NET ASSETS		**686,252**	637,184
CAPITAL AND RESERVES			
Share capital	*15*	**31,885**	29,541
Reserves		**423,760**	611,089
Equity attributable to owners of the Company		**455,645**	640,630
Non-controlling interests		**230,607**	(3,446)
TOTAL EQUITY		**686,252**	637,184

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

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 ("HKICPA"). 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 and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of Hong Kong Financial Reporting Standards ("HKFRS") 2, leasing transactions that are within the scope of Hong Kong Accounting Standards ("HKAS") 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

2. APPLICATION OF NEW AND REVISED HKFRSS

Application of new and revised HKFRSs

The Group has applied the following new and revised HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact 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.

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

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 "Consolidated Financial Statements", HKFRS 11 "Joint Arrangements", HKFRS 12 "Disclosure of Interests in Other Entities", HKAS 27 (as revised in 2011) "Separate Financial Statements" and HKAS 28 (as revised in 2011) "Investments in Associates and Joint Ventures", together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK(SIC) Int-12 "Consolidation – Special Purpose Entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The application of HKFRS 10 did not have significant impact on amounts reported in the consolidated financial statements.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures", and the guidance contained in a related interpretation, HK(SIC)-Int13 "Joint ventures – Non-Monetary Contributions by Venturers", has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements-joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 contemplated three types of joint arrangements-joint ventures, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a joint venture).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable Standards.

The directors of the Company reviewed and assessed the classification of the Group's interests in joint arrangements in accordance with the requirements of HKFRS 11. The directors concluded that the Group's interests in joint arrangements, which were classified as jointly controlled entities under HKAS 31 and were accounted for using the equity method, should be classified as joint ventures under HKFRS 11 and continued to be accounted for using the equity method. The application of HKFRS 11 did not have significant impact on amounts reported in the consolidated financial statements.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply 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 for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2013 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

New and revised HKFRSs in issue 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 2010-2012 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKFRS 27	Investment Entities[4]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
HKFRS 15	Revenue from Contracts with Customers[6]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 27	Equity Method in Seperate Financial Statement[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[4]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[4]
HK(IFRIC)-Int 21	Levies[4]

1 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
2 Effective for annual periods beginning on or after 1 July 2014
3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised
4 Effective for annual periods beginning on or after 1 January 2014
5 Effective for annual periods beginning on or after 1 January 2016
6 Effective for annual periods beginning on or after 1 January 2017

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are 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 reporting 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.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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 of financial liabilities attributable to changes in the financial liabilities' 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 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.

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:

	2014	2013
	HK$'000	*HK$'000*
Sales of goods	**1,450,047**	2,827,120
Franchise income	**14,787**	19,508
Licence income	**93,683**	39,922
Television programmes and content production income	**3,142**	–
	1,561,659	2,886,550

(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; and

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

Major products of the Group include gold products and jewellery products.

Information regarding the above segments is reported below.

Segment revenues and results

For the year ended 30 June 2014

	Reportable segments				
	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	**1,320,162**	**237,111**	**1,557,273**	**4,386**	**1,561,659**
RESULT					
Segment results	**(29,409)**	**(31,000)**	**(60,409)**	**(13,775)**	**(74,184)**
Other income					**45,285**
Unallocated staff related expenses					**(41,303)**
Other unallocated corporate expenses					**(24,948)**
Advertising, promotion and business development expenses					**(35,643)**
Equity-settled share-based payments					**(2,606)**
Change in fair value of derivatives embedded in convertible bonds					**7,225**
Impairment loss on other receivables recognised					**(2,084)**
Impairment loss on intangible assets recognised					**(3,120)**
Write-off of deposits for acquisition of property, plant and equipment					**(5,894)**
Finance costs					**(61,693)**
Share of results of associates					**(1,302)**
Share of results of joint ventures					**(26)**
Loss before taxation					**(200,293)**
Taxation					**8,284**
Loss for the year					**(192,009)**

For the year ended 30 June 2013

	Reportable segments				
	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 recognized					(3,449)
Impairment loss on other receivables recognised					(1,415)
Impairment loss on amount due from a joint venture 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 joint ventures					(5,146)
Loss before taxation					(107,054)
Taxation					(8,748)
Loss for the year					(115,802)

Segment profit (loss) represents the profit (loss) of 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 joint venture recognised, impairment loss on intangible assets recognised, loss on remeasurement of previously held interest in an associate, write-off of deposits for acquisition of property, plant and equipment, finance costs, share of results of associates and joint ventures, 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 2014

	Reportable segments				
	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	865,436	179,937	1,045,373	26,908	1,072,281
Goodwill					9,995
Intangible assets					174,718
Interests in joint ventures					3,513
Deferred tax assets					31,807
Loan to related parties					123,177
Amount due from a joint venture					1,963
Financial assets at fair value through profit or loss					10,949
Tax recoverable					372
Pledged bank deposits					431,716
Bank balances and cash					357,952
Other corporate assets					23,168
Consolidated assets					2,241,611
LIABILITIES					
Segment liabilities	162,607	71,909	234,516	7,172	241,688
Amounts due to joint ventures					3,628
Convertible bonds					56,470
Derivative financial instruments					66,409
Obligations under finance leases					390
Bank and other borrowings					530,162
Gold loans					494,329
Tax liabilities					3,209
Loan from a non-controlling shareholder of a subsidiary					100,000
Deferred tax liabilities					42,213
Other corporate liabilities					16,861
Consolidated liabilities					1,555,359

As at 30 June 2013

	Reportable segments				
	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
Settlement options in relation to the loan to related parties					26,211
Intangible assets					171,186
Interest in an associate					6,217
Interests in joint ventures					3,539
Amount due from a joint venture					1,442
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
Amounts due to joint ventures					3,592
Financial liabilities at fair value through profit or loss					49,923
Convertible bonds					223,910
Obligations under finance leases					621
Bank and other borrowings					604,097
Gold loans					129,059
Tax liabilities					8,293
Deferred tax liabilities					37,888
Other corporate liabilities					27,994
Consolidated liabilities					1,353,756

Note: Others represent other operating segments that are not reportable, which include wholesale of diamonds in the PRC, online marketing, e-commerce and television programmes and content production.

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, settlement options in relation to the loan to related parties, goodwill, intangible assets, interest in an associate, interests in joint ventures, deferred tax assets, amount due from a joint venture, financial assets at fair value through profit or loss, tax recoverable, pledged bank deposits, bank balances and cash, and other corporate assets; and

- all liabilities are allocated to reportable segments other than amounts due to joint ventures, financial liabilities at fair value through profit or loss, convertible bonds, derivative financial instruments, obligations under finance leases, bank and other borrowings, gold loans, tax liabilities, loan from a non-controlling shareholder of a subsidiary, deferred tax liabilities and other corporate liabilities.

Other entity-wide segment information

For the year ended 30 June 2014

	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 loss or segment assets:					
Amortisation of intangible assets	–	–	473	–	473
Additions of property, plant and equipment	8,762	8,624	217	385	17,988
Depreciation of property, plant and equipment	17,671	3,266	530	2,354	23,821
Loss on disposal of property, plant and equipment	3,805	–	–	–	3,805

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:					
Additions of property, plant and equipment	13,239	1,685	168	9,206	24,298
Depreciation of property, plant and equipment	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

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 receivables and deposits paid, loan to related parties, settlement options in relation to the loan to related parties, goodwill, intangible assets, interest in an associate, interests in joint ventures and deferred tax assets) is presented based on geographical location of the assets.

For the year ended 30 June 2014

	Non-current assets	**Revenue from external customers**
	HK$'000	***HK$'000***
Mainland China	**42,597**	**1,320,162**
Hong Kong & Macau	**21,511**	**241,497**
	64,108	**1,561,659**

For the year ended 30 June 2013

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

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

4. FINANCE COSTS

	2014 ***HK$'000***	2013 *HK$'000*
Interests on:		
Bank and other borrowings wholly repayable within 5 years	**24,994**	24,561
Gold loans	**17,848**	9,156
Obligations under finance leases	**20**	42
Effective interest on convertible bonds *(note 13(a))*	**18,816**	30,179
Other finance costs	**15**	216
	61,693	64,154

5. LOSS BEFORE TAXATION

	2014 ***HK$'000***	2013 *HK$'000*
Loss before taxation has been arrived at after charging (crediting):		
Advertising, promotion and business development expenses	**35,643**	48,243
Allowance of inventories (included in cost of sales)	**12,106**	–
Amortisation of intangible assets	**473**	–
Auditor's remuneration	**2,030**	2,030
Change in fair value of gold loans	**25,560**	(40,733)
Change in fair value of financial assets/liabilities at fair value through profit or loss	**(24,363)**	45,539
Cost of inventories recognised as an expense	**1,170,157**	2,273,839
Depreciation of property, plant and equipment	**23,821**	23,699
Exchange loss (gain), net	**535**	(8,976)
Impairment loss on other receivables recognised (included in other operating expenses)	**2,084**	1,415
Loss on disposal of property, plant and equipment	**3,805**	5,056
Staff cost, including directors' emoluments:		
– Wages and salaries	**197,340**	202,643
– Retirement benefit costs	**16,162**	18,582
– Equity-settled share-based payments	**2,606**	4,335
	216,108	225,560
Write-off of deposits for acquisition of property, plant and equipment	**5,894**	–

6. TAXATION

	2014	2013
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**591**	2,658
PRC Enterprise Income Tax	**11,980**	9,265
	12,571	11,923
(Over)underprovision in prior years		
Hong Kong Profits Tax	**(29)**	–
PRC Enterprise Income Tax	**6,656**	–
	6,627	–
	19,198	11,923
Deferred taxation	**(27,482)**	(3,175)
	(8,284)	8,748

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for both years.

Pursuant to the Enterprise Income Tax Law and Implementation Rules of the PRC, subsidiaries of the Company established in the PRC are subject to an income tax rate of 25% for both years.

No provision for the Macau Complementary Tax has been made as the Group has no assessable profits in Macau for both years.

7. DIVIDENDS

The Board has resolved not to recommend a final dividend in respect of the year ended 30 June 2014 and 30 June 2013 to the holders of ordinary shares of the Company.

8. LOSS PER ORDINARY SHARE

	2014	2013
	HK$'000	*HK$'000*
Loss:		
Loss for the year attributable to owners of the Company	**(184,126)**	(115,802)
Dividends on preference shares	**–**	(2)
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per ordinary share	**(184,126)**	(115,804)

	2014	2013
	’000	’000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per ordinary share	**3,126,572**	2,494,647

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 2014 and 30 June 2013 had been adjusted for the effect of bonus element in connection with rights issue as set out in note 15.

The computation of diluted loss per ordinary share for the year ended 30 June 2014 and 30 June 2013 did not assume the exercise of certain share options and bonus warrant because their exercise price is higher than the average share price, and the conversion of the Group’s outstanding convertible bonds, certain share options and bonus warrant since their conversion would result in a decrease in loss per ordinary share.

9. TRADE AND OTHER RECEIVABLES AND DEPOSITS PAID

	2014	2013
	HK$’000	*HK$’000*
Other receivables and deposits paid under non-current assets comprise:		
Rental and utility deposits	**12,779**	4,775
Other receivable from a joint venture	**–**	10,000
Interest receivables from related parties	**–**	2,112
	12,779	16,887
Trade and other receivables and deposits paid under current assets comprise:		
Trade receivables	**125,096**	220,407
Less: allowance for doubtful debts	**(39,243)**	(27,000)
	85,853	193,407
Other receivables and deposits paid	**109,867**	87,329
	195,720	280,736

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 as at 30 June 2014 is trade receivable from a joint venture amounting to HK$4,454,000 (2013: HK$4,485,000).

Included in other receivables under current assets as at 30 June 2013 was other receivable from an associate amounting to HK$10,347,000.

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.

	2014	2013
	HK$'000	*HK$'000*
0 – 30 days	**67,253**	176,494
31 – 60 days	**7,532**	6,602
61 – 90 days	**2,480**	978
Over 90 days	**8,588**	9,333
	85,853	193,407

Included in the Group's trade receivables balance are debtors with aggregate amount of HK$18,832,000 (2013: HK$16,464,000) which are past due as at the end of the reporting period for which the Group has not provided for impairment loss.

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

	2014	2013
	HK$'000	*HK$'000*
1 – 30 days	**7,716**	–
31 – 60 days	**2,528**	6,163
61 – 90 days	**2,785**	968
Over 90 days	**5,803**	9,333
	18,832	16,464

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

	2014	2013
	HK$'000	*HK$'000*
At beginning of the year	**27,000**	–
Impairment loss recognised	**12,243**	27,000
At end of the year	**39,243**	27,000

Included in the allowance for doubtful debts are individually impaired trade receivables from an independent customer of HK$27,710,000 (2013: HK$27,000,000), which the Group took legal action against this customer and made full impairment loss of HK$27,710,000 (2013: HK$27,000,000) based on the court finding on 22 September 2013. The remaining allowance of doubtful debts of HK$11,533,000 (2013: nil) mainly relate to customers which are under liquidation or in severe financial difficulties. It was assessed that the amounts are unlikely to be recovered. 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 end of the reporting period. As at 30 June 2014, other than the concentration of credit risk in respect of trade receivables from a joint venture of HK$4,454,000 (2013: trade receivables from a joint venture of HK$4,485,000, other receivables from a joint venture of HK$10,000,000 and other receivables from an associate of HK$10,347,000), 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/SETTLEMENT OPTIONS IN RELATION TO THE LOAN TO RELATED PARTIES

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

In March 2014, the Group, Mr. Wen Jialong and Shenzhen Fuyuan Family Services Company Limited entered into an agreement to settle the loan together with the interest thereon and to release the pledge of the equity interest in the Shenzhen Chuan Hu Industrial Company Limited. Pursuant to the agreement, the loan will be settled within one year after the end of the reporting period. Accordingly, the loan to related parties is classified as current assets as at 30 June 2014.

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

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

	2014 ***HK$'000***	2013 *HK$'000*
Gold bullion contracts through margin account *(note a)*	**–**	(148)
Bullion forward contracts *(note b)*	**10,949**	(49,775)
	10,949	(49,923)
Analysed for reporting purposes as:		
Current assets	**10,949**	–
Current liabilities	**–**	(49,923)
	10,949	(49,923)

Notes:

(a) The amount as at 30 June 2013 represented the fair value of the open position of gold bullion contracts through margin account with an aggregated notional value of US$2,147,000. The contracts contained 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 was determined based on the quoted market price at the end of the reporting period.

(b) 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 2014 amounted to United States dollars ("US$") 21,490,000 (2013: US$23,117,000) which have maturity period up to 6 to 12 months (2013: 6 to 12 months) since date of inception.

12. TRADE AND OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	2014	2013
	HK$'000	*HK$'000*
Trade payables	**82,979**	72,752
Deposits received from customers *(note a)*	**32,229**	46,359
Franchisee guarantee deposits *(note b)*	**63,221**	58,494
Other payables, accruals and other deposits	**80,120**	118,768
	258,549	296,373

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".

Included in trade payables at 30 June 2014 is trade payables from a joint venture amounting to HK$859,000 (2013: HK$1,612,000).

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

	2014	2013
	HK$'000	*HK$'000*
0 – 30 days	**68,265**	42,480
31 – 60 days	**8,306**	7,987
61 – 90 days	**1,493**	4,976
Over 90 days	**4,915**	17,309
	82,979	72,752

13. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS

(a) Convertible bonds

Convertible bonds due 2019 ("CB 2019")

In connection with the disposal of 50% of the Group's interest in China Gold Silver Group Company Limited ("CGS"), on 6 June 2014, the Company entered into a subscription agreement with the Purchaser for the issue of CB 2019 with aggregate principal amount of HK$57,080,000. CB 2019 bears interest at the rate of 3% per annum payable annually in arrears on 31 December and the convertible bonds mature on the date falling on the fifth anniversary from the date of issue of such convertible bond.

The conversion can be made at anytime commencing on the date falling the second anniversary of the issue date and expiring on the date which is 3 days preceding the maturity date, at a conversion price of HK$0.18 per ordinary shares, subject to anti-dilutive adjustments.

Upon issue of CB 2019, an amount of HK$28,666,000 and HK$56,036,000 were recognised as liability and derivative embedded in CB 2019 at initial recognition, respectively.

As at 30 June 2014, CB 2019 with a carrying amount of HK$28,928,000 (principal amount of HK$57,080,000) remains outstanding.

CGS Convertible bonds due 2018 ("CGS CB 2018")

As announced by the Company on 26 August 2013, CGS and the Company entered into the subscription agreement ("Original Agreement") with an independent third party (the "Subscriber") in respect of the issue of CGS CB 2018 in the aggregate principal amount of US$5,000,000, convertible into shares of CGS.

As announced by the Company on 13 January 2014, CGS, the Subscriber, an another independent third party (the "New Subscriber") and the Company entered into the Novation and Supplemental Agreement for the purpose of assigning and transferring the interests and rights in respect of the Subscriber under the Original Agreement to the New Subscriber and to amend, vary and modify the Original Agreement. The issue of the convertible bonds with aggregate principal amount of US$5,000,000, due four years from the issue date (or as extended once by one year by mutual agreement of the parties thereto). CGS CB 2018 bears interest at the rate of 5% per annum payable annually on the last business day of each calendar year. The conversion can be made on the maturity date, on the date of flotation of CGS, or at such earlier date as the bondholder and CGS shall agree, at a conversion price of US$24,390.24 per ordinary share of CGS, subject to anti-dilutive adjustments.

Upon issue of CGS CB 2018, an amount of HK$25,773,000 and HK$12,986,000 were recognised as liability and derivative embedded in CGS CB 2018 at initial recognition, respectively.

At 30 June 2014, CGS CB 2018 with a carrying amount of HK$27,542,000 (principal amount of US$5,000,000) remains outstanding.

Convertible bonds due 2013 ("CB 2013")

On 3 August 2010, the Company entered into a subscription agreement with third parties for the issue of CB 2013 with aggregate principal amount of HK$216,000,000. CB 2013 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 rights issue as disclosed in note 15(a).

As at 30 June 2013, CB 2013 with a carrying amount of HK$223,910,000 (principal amount of HK$216,000,000) remained outstanding.

During the year ended 30 June 2014, the Company redeemed the CB 2013 at HK$237,600,000, representing 110% of the outstanding principal amount on maturity date of 14 September 2013 in accordance with the term of the relevant subscription agreement for the issue of CB 2013.

Convertible bonds due 2012 (“CB 2012”)

On 23 July 2010, the Company entered into a subscription agreement with independent third parties for the issue of convertible bonds with aggregate principal amount of HK$138,000,000. CB 2012 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 ended 30 June 2013, 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.

The movement of the liability components of the convertible bonds for the current and prior years are set out as below:

	Liability component				
				CGS	
	CB 2012	CB 2013	CB 2019	CB 2018	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 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
Issue of convertible bonds	–	–	28,666	25,773	54,439
Coupon interest accrued at 1 July 2013 and included in other payables	–	3,225	–	–	3,225
Interest charged during the year	–	15,909	395	2,512	18,816
Repayment of principal	–	(211,200)	–	–	(211,200)
Converted to other borrowings	–	(27,005)	–	–	(27,005)
Payment of coupon interest	–	(4,839)	–	–	(4,839)
Coupon interest accrued at 30 June 2014 and included in other payables	–	–	(132)	(900)	(1,032)
Exchange realignment	–	–	(1)	157	156
At 30 June 2014	–	–	28,928	27,542	56,470

	2014	2013
	HK$'000	*HK$'000*
Analysed for reporting purposes as:		
Current liabilities	**–**	223,910
Non-current liabilities	**56,470**	–
	56,470	223,910

During the year ended 30 June 2014 and 30 June 2013, the effective interest rates of CB 2012, CB 2013, CB 2019 and CGS CB 2018 were 10.74%, 18.11%, 19.47% and 18.02% per annum respectively.

(b) Derivative financial instruments

	2014	2013
	HK$'000	*HK$'000*
Derivatives embedded in convertible bonds (i)	**61,878**	–
CGS Share Option (ii)	**4,531**	–
	66,409	–

(i) Derivatives embedded in convertible bonds

		Embedded derivatives		
			CGS	
	CB 2013	**CB 2019**	**CB 2018**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2012	428	–	–	428
Change in fair value	(428)	–	–	(428)
At 30 June 2013	–	–	–	–
Embedded derivatives at date of issue of convertible bonds	–	56,036	12,986	69,022
Change in fair value	–	–	(7,225)	(7,225)
Exchange realignment	–	–	81	81
At 30 June 2014	–	56,036	5,842	61,878

The fair values of the derivatives embedded in CB 2013 at 30 June 2013, and the fair values of the derivatives embedded in CB 2019 and CGS CB 2018 at respective date of issue and 30 June 2014 are based on valuation carried out on those dates by an independent professional valuer. The change in fair value of HK$7,225,000 (2013: HK$428,000) has been credited to profit or loss for the year ended 30 June 2014.

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 2013	At date of issue		At 30 June 2014	
	CB 2013	**CB 2019**	**CGS CB 2018**	**CB 2019** *(Note)*	**CGS CB 2018**
Share price	HK$0.18	HK$0.26	US$24,171.79	N/A	US$18,322.31
Exercise price	HK$1.37	HK$0.18	US$24,390.24	N/A	US$24,390.24
Expected dividend yield	0.00%	0.00%	2.72%	N/A	3.03%
Volatility	43.51%	48.65%	37.02%	N/A	34.86%

Note: Since the date of issue for CB 2019 (which is 6 June 2014) is close to the year end date, the directors of the Company consider that the fair value of the derivatives embedded in CB 2019 at the date of issue approximate its fair value at 30 June 2014.

(ii) CGS Share Option

Pursuant to CGS Agreement, on 6 June 2014, CGS issued its share option ("CGS Share Option") to the purchaser at a cash consideration of US$1. Upon full exercise of the CGS Share Option, the purchaser shall be entitled to subscribe for such number of new CGS shares, free from all encumbrances and ranking pari passu with other CGS shares then existing, that may result from dividing US$5,000,000 by the CGS Share Option exercise price, i.e. US$24,390.24 per share subject to anti-dilutive adjustments. The CGS Share Option shall remain valid and in force during the period between the date of issue of the CGS Share Option and 3 months (or such longer period as CGS and the purchaser may agree) after (i) 15 January 2018, or (ii) the date as extended once by one year by mutual agreement of CGS and the purchaser (both days inclusive). Such share option was vest immediately upon its issuance. The CGS Share Option shall be exercisable in full (and not in part) upon any of the following events occurring:

(a) the earlier of the following date or period:

(i) during the 10 business day immediately before 15 January 2018, or the date as extended once by one year by mutual agreement of CGS and the Purchaser;

(ii) on the flotation date; or

(iii) such other date or period as may be mutually agreed by CGS and the Purchaser in writing;

provided always that such exercise right of the Purchaser shall be subject to the conversion by the holder of the CGS CB 2018 in accordance with the terms and conditions thereof; or

(b) automatically and immediately upon the bondholder of CGS CB 2018 exercising its right to convert any of the outstanding principal of CGS CB 2018 in accordance with the conditions of CGS CB 2018.

Assuming exercise of the CGS Share Option in full as at 30 June 2014, a total of 205 shares of CGS will be issued to purchaser, representing approximately 6.15% of the existing issued share capital of CGS as at 30 June 2014, and approximately 5.48% of the issued share capital of CGS as enlarged by the issue of share capital upon the conversion of CGS CB 2018 and the CGS Share Option.

The fair value of the CGS Share Option at date of issue and at 30 June 2014 is HK$4,531,000.

The fair value of the CGS Share Option issued is calculated using trinomial option pricing model. The key inputs into the model at the date of issue are as follows:

Share price	US$19,164.67
Exercise price	US$24,390.24
Expected dividend yield	3.02%
Volatility	36.49%

The fair value of the CGS Share Option at its issue date is based on valuation carried out on those dates by an independent valuer. Since the date of issue (which is 6 June 2014) is close to the year end date, the directors of the Company consider that the fair value of CGS Share Option at the date of issue approximates its fair value at 30 June 2014.

14. GOLD LOANS

Gold loans are borrowed to reduce the impact 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 2014 and 30 June 2013, the gold loans are denominated in RMB, interest bearing at a weighted average rate of 4.94% (2013: 5.13%) per annum with original maturity of twelve months, and secured by inventories with a carrying amount of HK$691,302,000 (2013: HK$439,588,000) and trade receivables of HK$40,990,000 (2013: nil).

The loss arising from change in fair value of gold loans of HK$25,560,000 (2013: gain of HK$40,733,000) has been recognised in the profit or loss for the year ended 30 June 2014. 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 the reporting period.

15. SHARE CAPITAL

	Notes	Number of shares '000	Amount HK$'000
Authorised:			
At 1 July 2012, 30 June 2013 and 30 June 2014			
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 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
Exercise of share options	*(d)*	17,300	173
Exercise of warrants	*(a)*	92	1
Issue of new shares by way of a placing	*(e)*	217,000	2,170
At 30 June 2014		3,188,491	31,885
Preference shares issued and fully paid:			
Preference shares of HK$0.01 each			
At 1 July 2012		404	4
Conversion of preference shares	*(c)*	(404)	(4)
At 30 June 2013 and 30 June 2014		–	–
Total:			
At 1 July 2013		2,954,099	29,541
At 30 June 2014		3,188,491	31,885

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

Each preference share conferred 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 ranked in priority to the ordinary shareholders as to a return of the nominal amount paid up on the preference shares and thereafter ranked pari passu with the ordinary shares on liquidation.

There was no undeclared cumulative preferential share dividend at 30 June 2013.

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 the 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 2014, the Company issued 92,246 (2013: 1,231) ordinary shares of HK$0.01 at the exercise price of HK$0.245 (2013: HK$0.245) per ordinary 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.

(d) During the year ended 30 June 2014, the Company issued 17,300,000 (2013: nil) ordinary shares of HK$0.01 pursuant to the exercise of the share options issued by the Company.

(e) The Company issued 217,000,000 ordinary shares in September 2013 by way of a placing at a placing price of HK$0.18 per placing share.

16. CAPITAL COMMITMENTS

	2014	2013
	HK$'000	*HK$'000*
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements	**2,147**	5,375

17. CONTINGENT LIABILITIES

As at 30 June 2014, the Group had an outstanding financial guarantee amounting to HK$3,000,000 (2013: HK$3,000,000) issued to a bank in respect of a banking facility granted to a joint venture. The directors of the Company considered that the fair value of this financial guarantee contract at their initial recognition is insignificant.

18. PLEDGE OF ASSETS

As 30 June 2014, the Group's inventories, bank deposits and trade receivables with carrying amounts of HK$691,302,000, HK$431,716,000 and HK$40,990,000 respectively (2013: inventories, bank deposits, trade receivables and other receivables with carrying amounts of HK$439,588,000, HK$302,171,000, HK$29,970,000 and HK$28,067,000 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$5,028,000) (2013: HK$5,024,000) was pledged to an independent third party as securities for other borrowing of HK$3,771,000 (2013: HK$3,768,000) to the Group

19. CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES

Control over CGS

The Company disposed of its 50% equity interest in China Gold Silver Group Company Limited ("CGS") to an independent third party (the "Purchaser") on 6 June 2014. Upon completion of the disposal, the Company holds a 50% equity interest in CGS, and CGS is continued to be accounted for as a subsidiary of the Company.

In assessing whether the Group has control over CGS, the directors of the Company consider whether the Group has the practical ability to direct the relevant activities of CGS and its subsidiaries unilaterally. In making their judgment, the directors take into account the facts that (i) the power of the board of directors of CGS and its subsidiaries including but not limited to the approval of annual budget, business plan, capital expenditure and appointment of the chief financial officer and (ii) the Company has the right to nominate the chairman of the board of directors of CGS and its subsidiaries and the chairman is entitled to a second or casting vote in case of an equality of votes at board meetings. The directors concluded that casting vote of the chairman is substantive, which provides the Company the power over the relevant activities which are directed by voting rights of the board of directors of CGS and its subsidiaries. As such, the Company has sufficient dominant voting interest to direct the relevant activities of CGS and its subsidiaries and therefore directors of the Company are of the view that the Group has control over CGS and its subsidiaries.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

On 6 June 2014, the Company disposed of its 50% equity interests in CGS to Luk Fook 3D Management Company Limited (wholly-owned by Luk Fook Holdings (International) Limited ("**Luk Fook Group**"; stock code: 0590), which has opened a new chapter in 3D-GOLD's development. Both partners have collaborated in initiating the business development blueprint and look forward to achieving mutually beneficial results with Luk Fook Group.

The Group recorded a turnover of approximately HK$1,562 million for the Year, representing an decrease of 46% as compared to the turnover of approximately HK$2,887 million last Year. The loss attributable to equity holders of the Company was approximately HK$184 million for the Year compared to the loss of approximately HK$116 million last year, representing an increase of 59%.

FINANCIAL REVIEW

China's economic growth slowed slightly with GDP growth of 7.4% in the first half of 2014, down from 7.75% in the second half of 2013. Domestic consumption showed a decline in contribution to China's economic growth. Various warning signs are pointing to a slowing economy across the Mainland China, which in turn impacted the retail market and mass luxury sector. The Group continues to operate in an increasing challenging macro-economic and retail environment, with focus on improving profitability.

Following the various measures taken place since the first quarter of 2013, the management has continued to focus in improving the operation of the Group, principally focusing on: (i) adjusting the sales network by focusing on profit making stores and closing down non-performing stores, (ii) improving the trademark licensing system to strengthen the retail operations, (iii) continuing costs control; and (iv) improving cash flow.

As a result of the closure of non-performing stores and the change in the trade licensing, the turnover and gross profit has decreased by 46% and 38%, respectively, for the Year to HK$1,562 million and HK$378 million, respectively.

During the Year, the business model for licensing operation has changed from sales of goods to the receipt of license fees, i.e., licensees made purchases with the authorised suppliers of the Group. This change has resulted in turnover from sales of goods to licensees to decrease by HK$1,571 million, while receiving a license fee of HK$94 million. License fee received shall be reflected directly to gross profit.

Despite of the decreases in turnover of self operated stores and change in the licensing model, the implemented initiatives has resulted in positive impact to the Group, whereby, the gross profit margin has increased from 21.0% to 24.2% for the Year. With working closely with our licensees to improve their profitability, we expect improvements in the Group's financial results.

Sales from retailing and licensing of gold and jewellery products in Mainland China have continued to be the major source of income, which accounted for over 80% of turnover. The turnover of the Group for the Year amounted to HK$1,562 million (2013: HK$2,887 million), a decrease of 46% from Last Year. Mainland China recorded turnover of HK$1,320 million, also a decrease of 50% from Last Year, while Hong Kong and Macau recorded turnover of HK$237 million, also an increase of 4% from Last Year. We have recorded a decline in overall same-store-growth of 46% (2013: decline of 32%), of which same store growth in Mainland China decline by 50% (2013: decline of 32%) and same store growth in Hong Kong and Macau growth by 2% (2013: a decline of 25%).

In line with the decrease in turnover, the Group's selling and distribution expenses have decreased to HK$369 million (2013: HK$464 million), but with the percentage of total turnover increase from 16% to 24% this Year. Advertising and promotional expenses amounted to HK$36 million (2013: HK$48million), maintaining at a stable rate of 2% (2013: 2%) of the total revenue. Rental expenses amounted to HK$158 million (2013: HK$221 million), representing 10% (2013: 8%) of total revenue. The increase in rental as a percentage was mainly due to the opening of new POS and the decrease in turnover. However, the rental increment was generally in line with the market trend, yet the percentage to turnover remained at a relatively low level.

The Group's general and administrative expenses have increased by HK$10 million (2013: HK$136 million). The Group has implement cost control policy, yet the reduction is off-set by the inflation experienced in the Mainland China.

For the Year 2014 and up to the report date, the Company has successfully raised HK$96 million to support the initiatives and rationalize the Company's capital structure. In addition, the CB2013 was fully repaid during the Year. As at 30 June 2014, the net gearing ratio was reduced from 84% to 57%. The Group shall be focus in achieving a capital structure with lower financing costs.

The priority of the management for the Year continues 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 financial results for the Year, where the financial performance of the Group for the Year still faced pressure and recorded a loss for the year of HK$192 million (2013: HK$116 million). Included in the results, the Group has also made non-recurring provisions and impairments amounted to HK$35 million, majority of which are non-cash items, including HK$12 million of impairment on inventories, HK$14 million of impairment on trade and other receivables, HK$6 million of written off of deposit for acquisition of property, plant and equipment and HK$3 million of impairment on intangible assets.

In light of the current operation, the retail value of the 3D-GOLD brand, that is sales made by all 3D-GOLD stores, including self operated and licensed stores, amounted to HK$3,800 million for the Year, a decrease of 19% from last year. In addition to above, various measures were undertaken and discussed in the "Business Review" section, whereby via working closely with our licensees, through time, the brand value will be reflected in the Group's financial results.

FINAL DIVIDENDS

The Board has resolved not to declare any final dividend in respect of the year ended 30 June 2014 to the holders of ordinary shares of the Company.

BUSINESS REVIEW

Overall turnover from the Hong Kong and Macau retail operations has reached HK$237 million (2013: HK$229 million) and HK$1,320 million (2013: HK$2,649 million) from the Mainland China operations. The decrease in turnover for the Year was mainly due to the closure of non-performing stores and change in business model for licensees, as compared to the Last Year.

As at 30 June 2014, the Group has 5 points-of-sale in Hong Kong, 4 points-of-sale in Macau and 402 points-of-sale in Mainland China under the brandname "3D-GOLD". Of the points-of-sale in Mainland China, 105 are self-operated points-of-sale and 297 are licensee points-of-sale. During the Year, 59 new shops and counters have opened in Mainland China and 63 loss making stores were closed.

To entice its major target of mid-level customers, particularly young and trendy females who love stylish jewellery products, the new branded stores are presented in sophisticated elegance perfectly matching the concept "Pursuing excellence and embracing happiness". Subsequent to the year end date, 3 new 3D-GOLD branded stores in Macau, Mongkok and Sheung Shui in Hong Kong have already been opened, and the Group is still exploring opportunities for new shops in other districts. The unique personality of 3D-GOLD will be realised through reinforcing our trendy brand image, launching premium products and promotion with glamorous and popular celebrities.

Over 80% of our self-operated points-of-sale 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.

Our strategy in Mainland China is to continue to focus on the growth of licensee stores, with a target of 30% self-operated stores and 70% license stores in the long run. The plan for 3D-GOLD is to accelerate the expansion in second-and third-tier cities, targeting to grow the total number of our branded shops in the country at 15% per year. Our model gives us the option to leverage on the capital, local knowledge and premises of our licensees: 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.

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, (ii) introducing a new licensee system to strengthen the retail operations, (iii) continuous promoting and launching of new products, (iv) launching an Enterprise Resources Planning System, (v) continuing costs control; and (vi) improving cash flow.

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. Our growth plans will be continuously adjusted, based on the financial returns, marketing benefits and strategic advantages. Prospectively, the Mainland China market will remain the key growth driver in the future.

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:

– Pure Gold Collection for the Year of Horse

– 3D-GOLD x OPCFHK "Treasurable Love" Collection

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:

– "Greeting" won the Merit of the Open Group from the JMA International Jewelry Design Competition 2013

– "Butterfly Effect" won the Award-winning Work of the Open Group (Inspiration of Love) from the Chuk Kam Jewellery Design Competition 2014

– "@" won the Award-winning Work of the Open Group (Traditions and Technology) from the Chuk Kam Jewellery Design Competition 2014

In addition to promoting diamond jewellery, more K-gold jewellery will also be launched as it has a high level of creativity incorporating novel elements in design and craftsmanship. In the future, 3D-GOLD Jewellery will increase the proportion of K-gold jewellery products in every store to address the needs of the target market.

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:

– Product launch of "3D-GOLD x Dorian Ho" Wedding Collection in Shenzhen, PRC;

– Product launch of "3D-GOLD x Alice Wild" Collection in Beijing, PRC;

– Trophy sponsorship of the "International KamCha Competition 2013 (HK Style Milk Tea)"

– Title sponsor of “Vivian Lai’s ALL FOR LOVE Charity Concert 2013”

– Prize sponsorship of the “McDonald’s Monopoly 2013” and jewellery sponsor of Mr Eric Tsang, Ms Tavia Yeung and Ms Linda Chung at the event;

– Being one of the exhibitors of the Shanghai International Jewellery Fair 2014;

– Being one of the exhibitors of the Guangzhou, China Wedding Expo 2014 Summer Fair (Guangzhou Wedding Expo);

– Title, scepter and crown sponsorship of “Miss Chinese International Pageant 2014”;

– Title sponsorship of “Ronald Ng’s Imagine Nation 56X Live 2014”;

– Grand prize sponsorship of “Coca-Cola x FIFA World Cup” Promotion

Awards and Achievements

The 3D-GOLD brand has also received high recognition from authorities and institutions in 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.

– “Top 10 Most Influence Brand in China (Jewellery Industry)” and “Special Award of the Chinese Brand of the Year 2013” by the World Brand Laboratory

– Ranking 2nd in the jewellery category of the “China’s 500 Most Valuable Brands” with brand value amounting to RMB14.32 billion.

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 in Greater China and other regions.

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

On top of boosting the branding position, the development of the sales network is also critical. The Group planned to launch three to five new stores in Hong Kong and Macau this year. As for Mainland China, expansion plan is targeted to the second-and third-tier cities, aiming to grow the total number of our branded shops in the country at 15% per year. Besides, we will strive to diversify our other sales channels, including online sales platform, and develop corporate gift business.

The rapid development of the network in Mainland China, Hong Kong and Macau can generate continuous momentum for the future business growth of 3D-GOLD Jewellery, thus realising better returns for shareholders and investors of HKRH.

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 has maintained through 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 it strengthen our value to the investors. The Group's effort to create value for investors will continue.

OTHERS

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 2014, the Group had total cash and cash equivalents amounting to HK$790 million (30 June 2013: HK$425 million) whilst net assets were HK$686 million (30 June 2013: HK$637 million). The Group's net gearing ratio as at 30 June 2014 was 57% (30 June 2013: 84%), being a ratio of total borrowing of HK$1,181 million (30 June 2013: HK$958 million) less pledged bank deposits and bank balances and cash of HK$790 million (30 June 2013: HK$425million) to total equity of HK$686 million (30 June 2013: HK$637 million). After taking into account the gold inventories of HK$358 million (30 June 2013: HK$394 million), the Group's adjusted net gearing ratio as at 30 June 2014 was 5% (30 June 2013: 22%), being a ratio of total borrowing less pledged bank deposits, bank balances and cash and gold inventories to total equity. As at 30 June 2014, the Group has available unutilized revolving banking facilities of HK$166 million (30 June 2013: HK$9 million).

Capital Commitments and Contingent Liabilities

Capital commitments and contingent liabilities of the Group as at 30 June 2014 are set out in notes 16 and 17.

Pledged of Assets

Pledged of assets of the Group as at 30 June 2014 are set out in note 18.

Financial Risk and Exposure

Except for the financial derivatives set out in notes 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 2014.

Employees and Remuneration Policy

As at 30 June 2014, the Group had 1,742 employees (2013: 2,170). 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 Code 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.

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 2014 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 and Mr. Wong Kam Wing.

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 2014 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 2014

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 and Mr. Fan, Anthony Ren Da, Ms. Estella Yi Kum Ng and Mr. Wong Kam Wing as independent non-executive directors.