香港資源控股
HONG KONG RESOURCES HOLDINGS

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

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

(Stock Code: 2882)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2015

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 2015 (the "**Year**" or "**Year 2015**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2015

	Notes	2015 HK$'000	2014 HK$'000
Turnover	3	**1,370,905**	1,561,659
Cost of sales		**(969,188)**	(1,183,460)
Gross profit		**401,717**	378,199
Other income		**31,447**	45,285
Selling expenses		**(361,837)**	(368,511)
General and administrative expenses		**(139,024)**	(146,576)
Equity-settled share-based payments		**(617)**	(2,606)
Impairment loss on trade receivables recognised		**(4,836)**	(12,243)
Other operating expenses		**(19,942)**	(34,925)
Loss from operations		**(93,092)**	(141,377)
Change in fair value of derivatives embedded in convertible bonds and share option		**23,749**	7,225
Impairment loss on goodwill recognised		**(9,995)**	–
Impairment loss on intangible assets recognised		**(4,539)**	(3,120)
Impairment loss on amount due from a joint venture recognised		**(3,559)**	–
Finance costs	4	**(51,787)**	(61,693)
Share of results of associates		**–**	(1,302)
Share of results of joint ventures		**(25)**	(26)
Loss before taxation	5	**(139,248)**	(200,293)
Taxation	6	**(20,721)**	8,284
Loss for the year		**(159,969)**	(192,009)
Other comprehensive income (expense):			
Item that will not be reclassified to profit or loss:			
Exchange difference arising on translation		**10,370**	(3,432)
Total comprehensive expense for the year		**(149,599)**	(195,441)
Loss for the year attributable to:			
Owners of the Company		**(93,862)**	(184,126)
Non-controlling interests		**(66,107)**	(7,883)
		(159,969)	(192,009)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(86,921)**	(187,558)
Non-controlling interests		**(62,678)**	(7,883)
		(149,599)	(195,441)
Loss per ordinary share	8		
Basic		**(HK$0.029)**	(HK$0.059)
Diluted		**(HK$0.030)**	(HK$0.059)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	**2015**	2014
		HK$'000	*HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**59,731**	63,845
Deposits for acquisition of property, plant and equipment		**–**	263
Deposits paid	*9*	**17,010**	12,779
Goodwill		**–**	9,995
Intangible assets		**169,433**	174,718
Interests in joint ventures		**3,488**	3,513
Investments	*10*	**33,704**	–
Deferred tax assets		**16,769**	31,807
		300,135	296,920
Current assets			
Inventories		**843,720**	822,842
Trade and other receivables and deposits paid	*9*	**189,771**	195,720
Loans to related parties		**1,424**	123,177
Amount due from a joint venture		**–**	1,963
Financial assets at fair value through profit or loss	*11*	**–**	10,949
Derivative financial instruments	*12(b)*	**2,309**	–
Tax recoverable		**–**	372
Pledged bank deposits		**418,412**	431,716
Bank balances and cash		**261,961**	357,952
		1,717,597	1,944,691
Current liabilities			
Trade and other payables, accruals and deposits received	*13*	**267,307**	258,549
Amounts due to joint ventures		**3,642**	3,628
Financial liabilities at fair value through profit or loss	*11*	**1,491**	–
Obligations under finance leases		**180**	148
Bank and other borrowings		**657,178**	510,162
Gold loans	*14*	**256,124**	494,329
Loan from a non-controlling shareholder of a subsidiary		**20,000**	–
Tax liabilities		**4,832**	3,209
		1,210,754	1,270,025

	Notes	**2015** **HK$'000**	2014 HK$'000
Net current assets		**506,843**	674,666
Total assets less current liabilities		**806,978**	971,586
Non-current liabilities			
Convertible bonds	*12(a)*	**64,574**	56,470
Derivative financial instruments	*12(b)*	**42,660**	66,409
Obligations under finance leases		–	242
Bank and other borrowings		**20,000**	20,000
Loan from a non-controlling shareholder of a subsidiary		**100,000**	100,000
Deferred tax liabilities		**42,016**	42,213
		269,250	285,334
NET ASSETS		**537,728**	686,252
CAPITAL AND RESERVES			
Share capital	*15*	**31,905**	31,885
Reserves		**337,894**	423,760
Equity attributable to owners of the Company		**369,799**	455,645
Non-controlling interests		**167,929**	230,607
TOTAL EQUITY		**537,728**	686,252

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") 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.

2. APPLICATION OF NEW AND REVISED HKFRSS

Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs and an Interpretation issued by the HKICPA for the first time in the current year:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int 21	Levies

The application of the amendments to HKFRSs and an Interpretation 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 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 2012-2014 Cycle[1]
HKFRS 9	Financial Instruments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
HKFRS 14	Regulatory Deferral Accounts[3]
HKFRS 15	Revenue from Contracts with Customers[4]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
4 Effective for annual periods beginning on or after 1 January 2017

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value 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.

- 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.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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:

	2015	2014
	HK$'000	*HK$'000*
Sales of goods	**1,256,725**	1,450,047
Franchise income	**9,008**	14,787
Licence income	**90,597**	93,683
Television programmes and content production income	**14,575**	3,142
	1,370,905	1,561,659

(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 2015

	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	**892,615**	**463,698**	**1,356,313**	**14,592**	**1,370,905**
RESULT					
Segment results	**26,193**	**(25,754)**	**439**	**(21,325)**	**(20,886)**
Other income					**31,447**
Unallocated staff related expenses					**(38,344)**
Other unallocated corporate expenses					**(23,699)**
Advertising, promotion and business development expenses					**(40,093)**
Equity-settled share-based payments					**(617)**
Change in fair value of derivatives embedded in convertible bonds and share option					**23,749**
Impairment loss on goodwill recognised					**(9,995)**
Impairment loss on intangible assets recognised					**(4.539)**
Impairment loss on other receivables recognised					**(637)**
Impairment loss on amount due from a joint venture recognised					**(3,559)**
Write-off of deposits for acquisition of property, plant and equipment					**(263)**
Finance costs					**(51,787)**
Share of results of joint ventures					**(25)**
Loss before taxation					**(139,248)**
Taxation					**(20,721)**
Loss for the year					**(159,969)**

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 intangible assets recognised					(3,120)
Impairment loss on other receivables recognised					(2,084)
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)

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 and share option, impairment loss on goodwill recognised, impairment loss on intangible assets recognised, impairment loss on other receivables recognised, impairment loss on amount due from a joint venture recognised, 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 2015

	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	**777,181**	**298,558**	**1,075,739**	**4,842**	**1,080,581**
Intangible assets					**169,433**
Interests in joint ventures					**3,488**
Investments					**33,704**
Deferred tax assets					**16,769**
Loans to related parties					**1,424**
Pledged bank deposits					**418,412**
Bank balances and cash					**261,961**
Other corporate assets					**31,960**
Consolidated assets					**2,017,732**
LIABILITIES					
Segment liabilities	**164,128**	**88,136**	**252,264**	**6,382**	**258,646**
Amounts due to joint ventures					**3,642**
Financial liabilities at fair value through profit and loss					**1,491**
Obligations under finance leases					**180**
Bank and other borrowings					**677,178**
Gold loans					**256,124**
Loan from a non-controlling shareholder of a subsidiary					**120,000**
Tax liabilities					**4,832**
Convertible bonds					**64,574**
Derivative financial instruments					**42,660**
Deferred tax liabilities					**42,016**
Other corporate liabilities					**8,661**
Consolidated liabilities					**1,480,004**

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
Loans to related parties					123,177
Amount due from a joint venture					1,963
Financial assets at fair value through profit and 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
Obligations under finance leases					390
Bank and other borrowings					530,162
Gold loans					494,329
Loan from a non-controlling shareholder of a subsidiary					100,000
Tax liabilities					3,209
Convertible bonds					56,470
Derivative financial instruments					66,409
Deferred tax liabilities					42,213
Other corporate liabilities					16,861
Consolidated liabilities					1,555,359

Note: Others represent other operating segments that are not reportable, which include online marketing, e-commerce and television and 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 goodwill, intangible assets, interests in joint ventures, investments, deferred tax assets, loans to related parties, 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, obligations under finance leases, bank and other borrowings, gold loans, loan from a non-controlling shareholder of a subsidiary, tax liabilities, convertible bonds, derivative financial instruments, deferred tax liabilities and other corporate liabilities.

Other entity-wide segment information

For the year ended 30 June 2015

	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	–	–	**777**	–	**777**
Additions of property, plant and equipment	**18,642**	**8,754**	**235**	**712**	**28,343**
Depreciation of property, plant and equipment	**16,966**	**4,292**	**846**	**2,320**	**24,424**
Loss on disposal of property, plant and equipment	**5,242**	**1,236**	–	–	**6,478**

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

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 deposits paid, goodwill, intangible assets, and interests in joint ventures, investments and deferred tax assets) is presented based on geographical location of the assets.

For the year ended 30 June 2015

	Non-current assets	**Revenue from external customers**
	HK$'000	***HK$'000***
Mainland China	**37,606**	**892,615**
Hong Kong & Macau	**22,125**	**478,290**
	59,731	**1,370,905**

For the year ended 30 June 2014

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

4. FINANCE COSTS

	2015 ***HK$'000***	2014 *HK$'000*
Interests on:		
Bank and other borrowings	**19,527**	24,994
Gold loans	**20,173**	17,848
Obligations under finance leases	**12**	20
Loan from a non-controlling shareholder of a subsidiary	**262**	–
Effective interest on convertible bonds *(note 12(a))*	**11,813**	18,816
Other finance costs	**–**	15
	51,787	61,693

5. LOSS BEFORE TAXATION

	2015 ***HK$'000***	2014 *HK$'000*
Loss before taxation has been arrived at after charging (crediting):		
Advertising, promotion and business development expenses	**40,093**	35,643
Allowance of inventories (included in cost of sales)	**4,418**	12,106
Amortisation of intangible assets	**777**	473
Auditor's remuneration	**2,005**	2,030
Change in fair value of gold loans	**(45,655)**	25,560
Change in fair value of financial assets/liabilities at fair value through profit or loss	**15,114**	(24,363)
Cost of inventories recognised as an expense	**995,311**	1,170,157
Depreciation of property, plant and equipment	**24,424**	23,821
Exchange (gain) loss, net	**(1,580)**	535
Impairment loss on other receivables recognised (included in other operating expenses)	**637**	2,084
Loss on disposal of property, plant and equipment	**6,478**	3,805
Staff cost, including directors' emoluments:		
– Wages, salaries and other benefits costs	**183,999**	197,340
– Retirement benefit costs	**16,513**	16,162
– Equity-settled share-based payments	**617**	2,606
	201,129	216,108
Write-off of deposits for acquisition of property, plant and equipment	**263**	5,894

6. TAXATION

	2015	2014
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**–**	591
PRC Enterprise Income Tax	**5,878**	11,980
	5,878	12,571
Under(over)provision in prior years:		
Hong Kong Profits Tax	**2**	(29)
PRC Enterprise Income Tax	**–**	6,656
	2	6,627
	5,880	19,198
Deferred taxation	**14,841**	(27,482)
	20,721	(8,284)

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for both years. No provision for taxation in Hong Kong has been made in current year as the Group does not have any assessable income in Hong Kong.

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. Certain subsidiaries established in Chongqing, a municipality in Western China, were engaged in a specific state-encouraged industry as defined under the new "Catalogue of Encouraged Industries in the Western Region" (effective from 1 October 2014) pursuant to《財政部、海關總署、國家稅務總局關於深入實施西部大開發戰略有關稅收政策問題的通知》(Caishui [2011] No. 58) issued in 2011 and were subject to a preferential tax rate of 15% when the annual revenue from the encouraged business exceeded 70% of the total revenue in a fiscal year for these relevant subsidiaries.

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 years ended 30 June 2015 and 30 June 2014 to the holders of ordinary shares of the Company.

8. LOSS PER ORDINARY SHARE

	2015 *HK$'000*	2014 *HK$'000*
Loss:		
Loss for the year attributable to owners of the Company for the purpose of basic loss per ordinary share	**(93,862)**	(184,126)
Effect of dilutive potential ordinary share		
– Interest on CB 2019 *(defined in note 12(a))*	**5,568**	–
– Change in fair value in derivatives embedded in CB 2019	**(17,866)**	–
Loss for the year attributable to owners of the Company for the purposes of diluted loss per ordinary share	**(106,160)**	(184,126)

	2015 *'000*	2014 *'000*
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic loss per ordinary share *(note)*	**3,188,782**	3,126,572
Effect of dilutive potential ordinary shares:		
CB2019	**317,111**	–
Weighted average number of ordinary shares for the purpose of diluted loss per ordinary share	**3,505,893**	3,126,572

Note:

The computation of diluted loss per ordinary share did not assume the exercise of share options and bonus warrants (2014: certain share options and bonus warrants) because their exercise price is higher than the average share price, and the conversion of the of CGS CB 2018 (as defined in note 12(a)) and certain outstanding bonus warrants (2014: CB2019, CGS CB 2018, and certain outstanding share options and bonus warrants) since their conversion would result in a decrease in loss per ordinary share.

9. TRADE AND OTHER RECEIVABLES AND DEPOSITS PAID

	2015	2014
	HK$'000	*HK$'000*
Deposits paid under non-current assets represent:		
Rental and utility deposits	**17,010**	12,779
Trade and other receivables and deposits paid under current assets comprise:		
Trade receivables	**114,171**	125,096
Less: allowance for doubtful debts	**(16,369)**	(39,243)
	97,802	85,853
Other receivables and deposits paid *(note)*	**91,969**	109,867
	189,771	195,720

Note: Included in other receivables is a loan receivable of HK$7,754,000 (2014: nil) from an independent third party which is unsecured, interest-free and repayable within one year from the end of the reporting period.

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 2015 is trade receivable from a fellow subsidiary of a non-controlling shareholder of a subsidiary of HK$939,000 (2014: nil). Included in trade receivables as at 30 June 2014 was trade receivables from a joint venture amounting to HK$4,454,000.

Included in other receivables and deposits paid as at 30 June 2015 is commission fee receivable from an available-for-sale investments with a common director as the Company of HK$1,424,000 (2014: nil).

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.

	2015	2014
	HK$'000	*HK$'000*
0 – 30 days	**77,593**	67,253
31 – 60 days	**8,405**	7,532
61 – 90 days	**4,565**	2,480
Over 90 days	**7,239**	8,588
	97,802	85,853

Included in the Group's trade receivables balance are debtors with aggregate amount of HK$30,967,000 (2014: HK$18,832,000) 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:

	2015	2014
	HK$'000	*HK$'000*
1 – 30 days	**14,861**	7,716
31 – 60 days	**5,951**	2,528
61 – 90 days	**3,178**	2,785
Over 90 days	**6,977**	5,803
	30,967	18,832

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

	2015	2014
	HK$'000	*HK$'000*
At beginning of the year	**39,243**	27,000
Impairment loss recognised	**4,836**	12,243
Written off as uncollectible	**(27,710)**	–
At end of the year	**16,369**	39,243

Included in the allowance for doubtful debts as at 30 June 2014 were individually impaired trade receivables from an independent customer of HK$27,710,000, which the Group took legal action against this customer and made full impairment loss of HK$27,710,000. Such receivables and allowance were fully written off in the current year. The remaining allowance of doubtful debts of HK$16,369,000 (2014: 11,533,000) 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. Based on past experiences, management of the Group is of the opinion that no further provision for impairment is necessary in respect of these balances as there is no significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

10. INVESTMENTS

	2015	2014
	HK$'000	*HK$'000*
Available-for-sale investments *(note a)*	**18,230**	–
Investment in a film *(note b)*	**15,474**	–
	33,704	–

Notes:

(a) The amount represents unlisted equity investments in two private limited liability companies incorporated in Hong Kong and Australia, that are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates was so significant that the directors of the Company are of the opinion that their fair values could not be measured reliably.

One of these investee companies is principally engaged in the research and development of a new liquid fuel made from methanol and other oxygenated species for use in large industrial compression ignition engines while the other one has the license rights on the new liquid fuel for use in HK, Taiwan and the PRC.

The management considered that the available-for-sale investments at the end of the reporting period are held for strategic purpose and are not to be disposed of in the foreseeable future.

(b) Based on the agreement entered into between a wholly owned subsidiary of the Company, and an independent third party, the Group will invest in a film with total investment amounting to RMB15,500,000 (equivalent to HK$19,340,000) and is entitled to a return of certain percentage of the profit to be derived from the release of the film worldwide in any media and in any format. Up to 30 June 2015, the production of the firm is not yet completed. According to the agreement, the production of the film is expected to be completed within 18 months from the agreement date. As at 30 June 2015, the Group has paid RMB13,950,000 (equivalent to HK$15,474,000).

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

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

	2015	2014
	HK$'000	*HK$'000*
Bullion forward contract *(note a)*	**(832)**	10,949
Gold bullion contracts through margin account *(note b)*	**(659)**	–
	(1,491)	10,949
Analysed for reporting purposes as:		
Current assets	**–**	10,949
Current liabilities	**(1,491)**	–
	(1,491)	10,949

Notes:

(a) The Group used bullion forward contract 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 contract is measured at fair value at the end of the reporting period. The fair value is determined based on the quoted market prices at the end of the reporting period. The total notional value of the outstanding bullion forward contract as at 30 June 2015 amounted to RMB91,310,000 (2014: United States dollars ("US$") 21,490,000) which has maturity period of 12 months (2014: 6 to 12 months) since date of inception.

(b) The amount as at 30 June 2015 represented the fair value of the open position of gold bullion contracts through margin account with an aggregated notional value of US$18,014,000 (2014: nil). 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.

12. 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 2015, CB 2019 with a carrying amount of HK$32,784,000 (2014: 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 convertible bonds with aggregate principal amount of US$5,000,000 will 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 2015, CGS CB 2018 with a carrying amount of HK$31,790,000 (2014: 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 and Dr. Hui Ho Ming, Herbert then directors of the Company, and 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. Subjecting 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 on 30 January 2013.

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.

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 2013	**CB 2019**	**CB 2018**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 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
Coupon interest accrued at 1 July 2014 and included in other payables	–	132	900	1,032
Interest charged during the year	–	5,568	6,245	11,813
Payment of coupon interest	–	(975)	(1,912)	(2,887)
Coupon interest accrued at 30 June 2015 and included in other payables	–	(869)	(985)	(1,854)
At 30 June 2015	–	32,784	31,790	64,574

During the years ended 30 June 2015 and 30 June 2014, the effective interest rates of CB 2013, CB 2019 and CGS CB 2018 were 18.11%, 19.47% and 18.02% per annum respectively.

(b) Derivative financial instruments

	2015	2014
	HK$'000	*HK$'000*
Under current assets:		
Share Option Acquired (i)	**2,309**	–
Under non-current liabilities:		
Derivatives embedded in convertible bonds (ii)	**40,820**	61,878
CGS Share Option (iii)	**1,840**	4,531
	42,660	66,409

(i) Share Option Acquired

On 16 February 2015, Talent Wonder Limited ("Talent Wonder"), a wholly owned subsidiary of the Company, and Dr. Wong, Kennedy Ying Ho ("Dr. Wong"), a director and the Chairman of the Company at the time, entered into an agreement pursuant to which Dr. Wong has sold, and Talent Wonder has purchased, an option for a consideration of HK$4,810,000 to subscribe for 25 new shares (representing 20% of the enlarged issued capital) of a private limited company incorporated in Hong Kong at a total exercise price of Australian dollars ("AUD") 4,000,000 (equivalent to HK$24,000,000).

During the year, the Group partly exercised the option to subscribe for 13 new shares of the company and the carrying amount of the exercised option is transferred to available-for-sale investments. The following are the movement in the share option acquired:

	HK$'000
At 1 July 2014 and 30 June 2014	–
Acquisition of share option	4,810
Exercise of share option	(2,501)
At 30 June 2015	2,309

Such option is measured at cost less impairment at the end of the reporting period as management of the Group believes that the fair value of such option cannot be measured reliably.

(ii) Derivatives embedded in convertible bonds

	Embedded derivatives		
	CB 2019	**CGS CB 2018**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 July 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
Change in fair value	(17,866)	(3,192)	(21,058)
At 30 June 2015	38,170	2,650	40,820

The fair values of the derivatives embedded in CB 2019 and CGS CB 2018 at respective dates of issue, 30 June 2014 and 30 June 2015, are based on valuation carried out on those dates by an independent professional valuer. The change in fair value of HK$21,058,000 (2014: HK$7,225,000) has been credited to profit or loss for the year ended 30 June 2015.

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

	At date of issue		At 30 June 2014		At 30 June 2015	
	CB 2019	CGS CB 2018	CB 2019 *(Note)*	CGS CB 2018	CB 2019	CGS CB 2018
Share price	HK$0.26	US$24,171.79	N/A	US$18,322.31	HK$0.21	US$15,794.99
Exercise price	HK$0.18	US$24,390.24	N/A	US$24,390.24	HK$0.18	US$24,390.24
Expected dividend yield	0.00%	2.72%	N/A	3.03%	0.00%	1.76%
Volatility	48.65%	37.02%	N/A	34.86%	47.03%	35.75%

Note: Since the date of issue for CB 2019 (which is 6 June 2014) is close to 30 June 2014, 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.

(iii) 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 shares of CGS, 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 2015, a total of 205 shares of CGS will be issued to Purchaser, representing approximately 6.15% (2014: 6.15%) of the existing issued share capital of CGS as at 30 June 2015, 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 30 June 2015 is HK$1,840,000 (2014: HK$4,531,000). The change in fair value of HK$2,691,000 (2014: nil) has been credited to profit or loss for the year ended 30 June 2015.

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

	At date of issue	At 30 June 2015
Share price	US$19,164.67	US$15,794.99
Exercise price	US$24,390.24	US$24,390.24
Expected dividend yield	3.02%	1.76%
Volatility	36.49%	35.75%

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 30 June 2014, 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.

13. TRADE AND OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	2015	2014
	HK$'000	*HK$'000*
Trade payables	**105,029**	82,979
Deposits received from customers *(note a)*	**24,588**	32,229
Franchisee guarantee deposits *(note b)*	**62,371**	63,221
Other payables, accruals and other deposits	**75,319**	80,120
	267,307	258,549

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 as at 30 June 2015 are trade payables to certain fellow subsidiaries of a non-controlling shareholder of a subsidiary amounting to HK$34,087,000 (2014: nil). Included in trade payables as at 30 June 2014 was trade payable from a joint venture amounting to HK$859,000.

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

	2015	2014
	HK$'000	*HK$'000*
0 – 30 days	**54,998**	68,265
31 – 60 days	**8,527**	8,306
61 – 90 days	**6,654**	1,493
Over 90 days	**34,850**	4,915
	105,029	82,979

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 2015, the gold loans are denominated in RMB (2014: RMB), interest bearing at a weighted average rate of 4.70% (2014: 4.94%) per annum with original maturity of twelve months, and secured by trade receivable of HK$80,459,000 (2014: inventories of HK$691,302,000 and trade receivables of HK$40,990,000).

The gain arising from change in fair value of gold loans of HK$45,655,000 (2014: loss of HK$25,560,000) has been recognised in the profit or loss for the year ended 30 June 2015. 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 2013, 30 June 2014 and 30 June 2015			
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 2013		2,954,099	29,541
Exercise of share options	*(a)*	17,300	173
Exercise of warrants	*(b)*	92	1
Issue of new shares by way of a placing	*(c)*	217,000	2,170
At 30 June 2014		3,188,491	31,885
Exercise of share options	*(a)*	2,000	20
Exercise of warrants	*(b)*	3	–
At 30 June 2015		3,190,494	31,905
Total:			
At 30 June 2014		3,188,491	31,885
At 30 June 2015		3,190,494	31,905

Notes:

(a) During the year ended 30 June 2015, the Company issued 2,000,000 (2014: 17,300,000) ordinary shares of HK$0.01 pursuant to the exercise of the share options issued by the Company.

(b) During the year ended 30 June 2015, the Company issued 3,200 (2014: 92,246) ordinary shares of HK$0.01 at the exercise price of HK$0.245 (2014: HK$0.245) per ordinary share pursuant to the exercise of the bonus warrants.

(c) 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

	2015	2014
	HK$'000	*HK$'000*
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements	**454**	2,147

17. CONTINGENT LIABILITIES

(a) As at 30 June 2014, the Group had an outstanding financial guarantee amounting to HK$3,000,000 issued to a bank in respect of a banking facility granted to a joint venture and it was released upon full settlement of the loan by the joint venture during the year. The directors of the Company considered that the fair value of this financial guarantee contract at their initial recognition is insignificant.

(b) During the financial years ended 30 June 2012 to 2015, the Hong Kong Inland Revenue Department (the "IRD") had issued tax enquiries to a non-wholly owned subsidiary of the Company on the offshore claim of its royalty income received/receivable from certain fellow subsidiaries outside Hong Kong for the years of assessment 2010/11 to 2013/14. The disputed assessable profits after losses set-off in respect of the years of assessment 2010/11, 2011/12 and 2012/13 amounted to HK$3.7 million, HK$31.4 million and HK$97.3 million, respectively, while the adjusted loss in dispute in respect of the year assessment 2013/14 is HK$8.1 million. The subsidiary is defending the offshore claim on its royalty income and the case is still under review by the IRD, accordingly, the directors of the Company considered that no provision of Hong Kong Profits Tax is to be made in the consolidated financial statements on the royalty income under dispute at the present stage.

18. PLEDGE OF ASSETS

As at 30 June 2015, the Group's bank deposits and trade receivables with carrying amounts of HK$418,412,000 and HK$80,459,000 respectively (2014: inventories, bank deposits and trade receivables with carry amounts of HK$691,302,000, HK$431,716,000 and HK$40,990,000 respectively) were pledged to banks as securities to obtain the banking facilities granted to subsidiaries of the Group.

In addition, as at 30 June 2014, the Group's inventories with a carrying amount of RMB4,000,000 (equivalent to HK$5,028,000) was pledged to an independent third party as securities for other borrowing of HK$3,771,000 to the Group.

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**").

According to the Hong Kong Tourism Board, during the first six months of 2015 visitor arrivals from mainland China increased 4.7% over the same period in last year. Yet the retail value index for jewellery, watches & clocks, and valuable gifts as surveyed by the government fell 3.8% during the same period. In addition, the anti-corruption drive and the tight money situation on the mainland, as well as the political disputes in Hong Kong, all took their toll on consumer sentiments. High-priced gift and luxury items became slow moving.

On 6 June 2014, the partnership between HKRH and Luk Fook 3D Management Company Limited (wholly-owned by Luk Fook Holdings (International) Limited ("Luk Fook Group"; stock code: 0590)) has opened a new chapter in 3D-GOLD's business development blueprint.

Various measures have taken place since the collaboration in (i) adjusting the sales network by focusing on profit making stores and closing down non-performing stores; (ii) improving the franchisee system to strengthen the retail operations; (iii) continuing costs control; and (iv) improving cash flow.

The Group recorded a turnover of approximately HK$1,371 million for the Year, representing a decrease of 12% as compared to the turnover of approximately HK$1,562 million Last Year. The loss for the year was approximately HK$160 million for the Year compared to the loss of approximately HK$192 million Last Year, representing a decrease of 17%. Included in the loss for the year are non-cash items of gains in fair value of gold loans of HK$46 million (2014: loss of HK$26 million), loss in fair value of financial assets/liabilities at fair value through profit or loss of HK$15 million (2014: gain of HK$24 million) and gain on fair value of derivatives financial instruments of HK$24 million (2014: gain of HK$7 million).

FINANCIAL REVIEW

China's economic growth slowed slightly with GDP growth of 7.0% in the first half of 2015, down from 7.4% in the second half of 2014. Domestic consumption showed a decline in contribution to China's economic growth, 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.

Sales from retailing and franchising of gold and jewellery products in Mainland China have continued to be the major source of income, which accounted for 65% of turnover. The turnover of the Group for the Year amounted to HK$1,371 million (2014: HK$ 1,562 million), a decrease of 12% from Last Year. Mainland China recorded turnover of HK$893 million, also a decrease of 32% from Last Year. As a result of the opening of 3 new stores and closure of 3 non-performing stores, Hong Kong and Macau recorded turnover of HK$464 million, an increase of 96% from Last Year. We have recorded a decline in overall same-store-growth of 15% (2014: decline of 46%), of which same store growth in Mainland China decline by 39% (2014: decline of 50%) and same store growth in Hong Kong and Macau increase by 114% (2014: a growth of 2%).

During the Year, the business model for our franchisee operation has changed from sales of goods to the receipt of license fees, i.e., franchisee made purchases with the authorised suppliers of the Group. This change has resulted in turnover from sales of goods to franchisees to decrease by HK$286 million, while receiving a license fee of HK$91 million. The license fee received is reflected directly to gross profit, this attributes to an increase in gross profit margin. Through working closely with our franchisees to improve their profitability, we expect improvements in the Group's financial results.

As a result of the closure of non-performing stores and the change in franchise system, the turnover has decreased by 12% and the gross profit increased by 5%, for the Year to HK$1,371 million and HK$402 million, respectively. Despite of the decrease in turnover, the implemented initiatives has resulted in positive impact to the Group, whereby, the gross profit margin has increased from 24% to 29% for the Year. Sales of our principal products, gold products and gem-set jewellery, consisted of 61% (2014: 64%) and 19% (2014: 19%), respectively of total turnover.

In line with the decrease in turnover, the Group's selling and distribution expenses have decreased to HK$362 million (2014: HK$369 million), but with the percentage of total turnover has increased from 24% to 26% this Year. Advertising and promotional expenses amounted to HK$40 million (2014: HK$36 million), representing a rate of 3% (2014: 2%) of the total revenue. Rental expenses amounted to HK$172 million (2014: HK$167 million), representing 13% (2014: 11%) 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. It is the Group's intention to discuss with the various landlord on the level of rentals in spite of the current economic environment.

The Group's general and administrative expenses have decreased by HK$8 million to HK$139 million (2014: HK$147 million). The Group has implemented cost control policy and reduced the general and administrative expenses.

The priority of the management for the Year continues to focus on improving operational performance. The proactive initiatives have resulted in a gradual improvement on the Group's financial results for the Year, where there is a reduction in loss for the Year to HK$160 million (2014: HK$192 million).

FINAL DIVIDENDS

The Board has resolved not to declare any final dividend in respect of the year ended 30 June 2015 to the holders of ordinary shares of the Company.

BUSINESS REVIEW

Overall turnover from the Hong Kong and Macau retail operations has reached HK$464 million (2014: HK$237 million) and HK$893 million (2014: HK$1,320 million) from the Mainland China operations. The decrease in total 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 2015, the Group has 6 points-of-sale in Hong Kong, 3 points-of-sale in Macau and 365 points-of-sale in Mainland China under the brandname "3D-GOLD". Of the points-of-sale in Mainland China, 83 are self-operated points-of-sale and 282 are licensee points-of-sale. During the Year, 70 new shops and counters have opened in Mainland China and 107 loss making stores were closed.

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, with some of the lease arrangements being committed to paying either minimum guaranteed amounts or monthly payments in the amounts equivalent to certain prescribed percentage of monthly sales as rental payments, whichever is the higher.

Our strategy in Mainland China is to continue to focus on the growth of licensee stores, with a target of 20% self-operated stores and 80% license stores in the long run. 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.

With a view to improve 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 regional franchisee system to strengthen the retail operations, (iii) continuing to develop and promote new series products, (iv) persistent costs control; and (v) 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. Newly launched products include:

– "Les fleurs" Collection;

– "Happy Women" Collection;

– "K • LOVE" K-gold Collection;

– "Happiness in Hand" Collection;

– Pure gold Goat Collection;

– "Flowers of Joy" Collection

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:

– Trophy sponsorship of the "International KamCha Competition 2014 (HK Style Milk Tea)" for the 4th consecutive year;

– Sponsored the jewellery show of "The Fourth World Youth Congress of Jiangmen • 2014 Hong Kong";

– Organised the "LOVE IT COOL 2015 New Product Launch" in Guangzhou of PRC for unveiling the latest collections of 3D-GOLD Jewellery;

– Being the title, scepter and crown sponsor of "Miss Chinese International Pageant for 2015" for the 5th consecutive year and a presentation ceremony has been held in the Tsimshatsui shop of Hong Kong;

– Being one of the co-sponsors of "Dr. Koo Glorious Concert in Hong Kong 2015"

Awards and Achievements

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

– "Green Office Awards Labeling Scheme (GOALS)" awarded by World Green Organization.

– Hong Kong Brand Development Council presented the "2014 Hong Kong Premier Service Brand" to 3D-GOLD Jewellery.

Corporate Gifts

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

OUTLOOK

The uncertainty in the global economy, economic slowdown in Mainland China and decline in the consumption of luxury goods as a result of the promotion of anti-corruption by the Chinese government, the Group remains prudent about our business growth in the coming year. Looking ahead, we are positive about the business outlook in the medium to long run, despite short term market volatilities. Mainland China will continue to be our major market. Although the economic growth in Mainland China is said to be lower than the targeted, it remains one of the fastest growing economies in the world and support the Group's optimistic business outlook in the medium to long run.

The management expects the next financial year to be a period of transition, with the aim of stabilizing our business performance. 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 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 2015, the Group had total cash and cash equivalents amounting to HK$680 million (30 June 2014: HK$790 million) whilst total net assets were HK$538 million (30 June 2014: HK$686 million). The Group's net gearing ratio as at 30 June 2015 was 81% (30 June 2014: 57%), being a ratio of total borrowing of HK$1,118 million (30 June 2014: HK$1,181 million) less pledged bank deposits and bank balances and cash of HK$680 million (30 June 2014: HK$790 million) to total equity of HK$538 million (30 June 2014: HK$686 million). After taking into account the gold inventories of HK$352 million (30 June 2014: HK$358 million), the Group's adjusted net gearing ratio as at 30 June 2015 was 16% (30 June 2014: 5%), being a ratio of total borrowing less pledged bank deposits, bank balances and cash and gold inventories to total equity. As at 30 June 2015, the Group has available unutilized revolving banking facilities of HK$494 million (30 June 2014: HK$166 million).

Capital Commitments and Contingent Liabilities

Capital commitments and contingent liabilities of the Group as at 30 June 2015 are set out in notes 16 and 17.

Pledged of Assets

Pledged of assets of the Group as at 30 June 2015 are set out in note 18.

Financial Risk and Exposure

Except for the financial derivatives set out in notes 11, 12, 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 2015.

Employees and Remuneration Policy

As at 30 June 2015, the Group had 1,567 employees (2014: 1,742). 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 the chairman of the Company 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 directors and independent non-executive directors. However, all non-executive directors and independent non-executive directors are subject to retirement by rotation at least every three years and re-election at the annual general meeting of the Company pursuant to the Company's bye-laws. As such, the Board considers that sufficient measures have been taken to ensure the Company's corporate governance practices are no less exacting than those in the CG Code

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 2015 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, Mr. Fan Chun Wah, Andrew, 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 2015 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
Mrs. Wong Chew Li Chin
Chairman

Hong Kong, 25 September 2015

As at the date of this announcement, the Board comprises Mrs. Wong Chew Li Chin and Ms. Wong Wing Yan, Ella as executive directors, Mr. Lam Kwok Hing, Wilfred, J.P. and Mr. Cheung Pak To, Patrick, BBS as non-executive directors and Mr. Fan, Anthony Ren Da, Mr. Wong Kam Wing and Mr. Fan Chun Wah, Andrew as independent non-executive directors.