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 2016

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 2016 (the "**Year**" or "**Year 2016**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2016

	Notes	2016 HK$'000	2015 HK$'000
Turnover	3	**1,155,787**	1,370,905
Cost of sales		**(828,352)**	(969,188)
Gross profit		**327,435**	401,717
Other income		**15,453**	31,447
Selling expenses		**(316,454)**	(361,837)
General and administrative expenses		**(109,103)**	(139,024)
Equity-settled share-based payments		–	(617)
Impairment loss on trade receivables reversed (recognised)		**1,121**	(4,836)
Other operating expenses		**(24,083)**	(19,942)
Loss from operations		**(105,631)**	(93,092)
Change in fair value of derivatives embedded in convertible bonds and share option		**36,724**	23,749
Impairment loss on goodwill recognised		–	(9,995)
Impairment loss on intangible assets recognised		**(1,377)**	(4,539)
Impairment loss on amount due from a joint venture recognised		**(5)**	(3,559)
Finance costs	4	**(41,805)**	(51,787)
Share of results of joint ventures		–	(25)
Loss before taxation	5	**(112,094)**	(139,248)
Taxation	6	**(8,764)**	(20,721)
Loss for the year		**(120,858)**	(159,969)
Other comprehensive (expense) income			
Item that will not be reclassified to profit or loss:			
Exchange difference arising on translation		**(53,816)**	10,370
Item that may be reclassified subsequently to profit or loss:			
Fair value gain on available-for-sale investment		**2,520**	–
		(51,296)	10,370
Total comprehensive expense for the year		**(172,154)**	(149,599)
Loss for the year attributable to:			
Owners of the Company		**(62,650)**	(93,862)
Non-controlling interests		**(58,208)**	(66,107)
		(120,858)	(159,969)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(96,297)**	(86,921)
Non-controlling interests		**(75,857)**	(62,678)
		(172,154)	(149,599)
Loss per ordinary share	8		
Basic		**(HK$0.018)**	(HK$0.029)
Diluted		**(HK$0.024)**	(HK$0.030)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	2016 HK$'000	2015 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**55,205**	59,731
Deposits paid	9	**8,225**	17,010
Intangible assets		**168,066**	169,433
Interests in joint ventures		–	3,488
Interest in an associate		**27,903**	–
Investments	10	**60,528**	33,704
Deferred tax assets		**18,289**	16,769
		338,216	300,135
Current assets			
Investments	10	**5,726**	–
Inventories		**790,579**	843,720
Trade and other receivables and deposits paid	9	**154,335**	189,771
Loan to a related party		–	1,424
Amount due from an associate		**50**	–
Derivative financial instruments	11	–	2,309
Pledged bank deposits		**347,749**	418,412
Bank balances and cash		**94,079**	261,961
		1,392,518	1,717,597
Current liabilities			
Trade and other payables, accruals and deposits received	12	**236,405**	267,307
Amounts due to joint ventures		–	3,642
Financial liabilities at fair value through profit or loss	13	–	1,491
Obligations under finance leases		–	180
Bank and other borrowings		**627,000**	657,178
Gold loans	14	**185,765**	256,124
Loan from a non-controlling shareholder of a subsidiary		**20,000**	20,000
Tax liabilities		**11,133**	4,832
		1,080,303	1,210,754

	Notes	2016 HK$'000	2015 HK$'000
Net current assets		**312,215**	506,843
Total assets less current liabilities		**650,431**	806,978
Non-current liabilities			
Convertible bonds	*11*	**74,359**	64,574
Derivative financial instruments	*11*	**5,936**	42,660
Bank and other borrowings		**23,000**	20,000
Loan from a non-controlling shareholder of a subsidiary		**100,000**	100,000
Deferred tax liabilities		**42,016**	42,016
		245,311	269,250
NET ASSETS		**405,120**	537,728
CAPITAL AND RESERVES			
Share capital	*15*	**35,224**	31,905
Reserves		**277,824**	337,894
Equity attributable to owners of the Company		**313,048**	369,799
Non-controlling interests		**92,072**	167,929
TOTAL EQUITY		**405,120**	537,728

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.

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 HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of Hong Kong Accounting Standards ("HKAS") 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

2. APPLICATION OF NEW AND REVISED HKFRSS

Application of new and revised HKFRSs

There are no new and revised HKFRSs issued by HKICPA effective for the first time in the current year.

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]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
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[3]
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 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[2]
HKFRS 16	Leases[4]

Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 7	Disclosure Initiative[5]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[5]
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 annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after 1 January 2019
[5] 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.

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees. However, the standard does not significantly change the accounting of lessors.

Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of many of the Group's lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments. The directors of the Company anticipate that the application of HKFRS 16 in the future will have an impact on the Group's consolidated financial statements; however, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

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:

	2016	2015
	HK$'000	*HK$'000*
Sales of goods	**1,082,800**	1,256,725
Franchise income	**4,309**	9,008
Licence income	**67,888**	90,597
Television programmes and content production income	**571**	14,575
Net return from performance events	**219**	–
	1,155,787	1,370,905

(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 2016

	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	**756,298**	**398,558**	**1,154,856**	**931**	**1,155,787**
RESULT					
Segment results	**26,638**	**(48,702)**	**(22,064)**	**(16,469)**	**(38,533)**
Other income					**15,453**
Unallocated staff related expenses					**(33,152)**
Other unallocated corporate expenses					**(24,792)**
Advertising, promotion and business development expenses					**(24,607)**
Change in fair value of derivatives embedded in convertible bonds and share option					**36,724**
Impairment loss on intangible assets recognised					**(1,377)**
Impairment loss on amount due from a joint venture recognised					**(5)**
Finance costs					**(41,805)**
Loss before taxation					**(112,094)**
Taxation					**(8,764)**
Loss for the year					**(120,858)**

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)

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 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 2016

	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	**705,799**	**268,022**	**973,821**	**26,701**	**1,000,522**
Intangible assets					**168,066**
Interest in an associate					**27,903**
Available-for-sale investments					**41,188**
Deferred tax assets					**18,289**
Amount due from an associate					**50**
Pledged bank deposits					**347,749**
Bank balances and cash					**94,079**
Other corporate assets					**32,888**
Consolidated assets					**1,730,734**
LIABILITIES					
Segment liabilities	**162,004**	**57,410**	**219,414**	**4,820**	**224,234**
Bank and other borrowings					**650,000**
Gold loans					**185,765**
Loan from a non-controlling shareholder of a subsidiary					**120,000**
Tax liabilities					**11,133**
Convertible bonds					**74,359**
Derivative financial instruments					**5,936**
Deferred tax liabilities					**42,016**
Other corporate liabilities					**12,171**
Consolidated liabilities					**1,325,614**

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	20,316	1,096,055
Intangible assets					169,433
Interests in joint ventures					3,488
Available-for-sale investments					18,230
Deferred tax assets					16,769
Loan to a related party					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 or 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

Note: Others represent other operating segments that are not reportable, which include online marketing, e-commerce, entertainment business including film investments, management and production of concerts and concerts investments, entertainment events 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 intangible assets, interests in joint ventures, interest in an associate, available-for-sale investments, deferred tax assets, loan to a related party, amount due from an associate, 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 2016

	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	–	–	135	–	135
Additions of intangible assets	–	–	145	–	145
Additions of property, plant and equipment	19,032	8,085	218	767	28,102
Depreciation of property, plant and equipment	12,220	5,409	402	1,879	19,910
Impairment loss on intangible assets recognised	–	–	1,377	–	1,377
Impairment loss on trade receivables reversed	(1,121)	–	(1,121)	–	(1,121)
Loss on disposal of property, plant and equipment	6,448	284	648	675	8,055

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 intangible assets	–	–	31	–	31
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
Impairment loss on intangible assets recognised	–	–	4,539	–	4,539
Impairment loss on trade receivables recognised	4,836	–	4,836	–	4,836
Loss on disposal of property, plant and equipment	5,242	1,236	–	–	6,478

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, intangible assets, interests in joint ventures, interest in an associate, investments and deferred tax assets) is presented based on geographical location of the assets.

For the year ended 30 June 2016

	Non-current assets	**Revenue from external customers**
	HK$'000	***HK$'000***
Mainland China	**31,973**	**756,298**
Hong Kong and Macau	**23,232**	**399,489**
	55,205	**1,155,787**

For the year ended 30 June 2015

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

4. FINANCE COSTS

	2016 ***HK$'000***	2015 *HK$'000*
Interests on:		
Bank and other borrowings	**19,386**	19,527
Gold loans	**8,580**	20,173
Obligations under finance leases	**4**	12
Loan from a non-controlling shareholder of a subsidiary	**400**	262
Effective interest on convertible bonds *(note 11)*	**13,435**	11,813
	41,805	51,787

5. LOSS BEFORE TAXATION

	2016 ***HK$'000***	2015 *HK$'000*
Loss before taxation has been arrived at after charging (crediting):		
Advertising, promotion and business development expenses	**24,607**	40,093
Amortisation of intangible assets	**135**	777
Auditor's remuneration	**2,072**	2,005
Change in fair value of gold loans	**19,281**	(45,655)
Change in fair value of financial liabilities at fair value through profit or loss	**2,416**	15,114
Cost of inventories recognised as an expense	**808,847**	995,311
Depreciation of property, plant and equipment	**19,910**	24,424
Exchange loss (gain), net	**4,739**	(1,580)
Impairment loss on other receivables recognised (included in other operating expenses)	**–**	637
Loss on disposal of property, plant and equipment	**8,055**	6,478
Staff cost, including directors' emoluments:		
– Wages, salaries and other benefits costs	**160,496**	183,999
– Retirement benefit costs	**14,994**	16,513
– Equity-settled share-based payments	**–**	617
	175,490	201,129
(Write-back of) allowance of inventories (included in cost of sales)	**(2,192)**	4,418
Write-off of deposits for acquisition of property, plant and equipment	**–**	263

6. TAXATION

	2016	2015
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax	**2,504**	5,878
Under(over) provision in prior years:		
Hong Kong Profits Tax	**9,457**	2
PRC Enterprise Income Tax	**(1,677)**	–
	7,780	2
	10,284	5,880
Deferred taxation	**(1,520)**	14,841
	8,764	20,721

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 the both years as the Group incurred tax losses in Hong Kong.

Pursuant to the Enterprise Income Tax Law and Implementation Rules of the People's Republic of China ("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.

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 (the "Subsidiary") on the offshore claim of its royalty income received/receivable from certain non-Hong Kong fellow subsidiaries. The years of assessment affected are from 2010/11 to 2014/15.

Subsequent to end of the reporting period, against the background and following subsequent negotiations with the IRD, the Subsidiary has reached a compromise settlement with the IRD for the tax dispute for the years of assessment from 2010/2011 to 2014/2015 and the additional tax provision of HK$9.5 million has been recognised in the consolidated financial statements.

7. DIVIDENDS

The Board has resolved not to recommend a final dividend in respect of the years ended 30 June 2016 and 30 June 2015 to the holders of ordinary shares of the Company.

8. LOSS PER ORDINARY SHARE

	2016	2015
	HK$'000	*HK$'000*
Loss:		
Loss for the year attributable to owners of the Company for the purposes of basic loss per ordinary share	**(62,650)**	(93,862)
Effect of dilutive potential ordinary share		
– Interest on CB 2019 *(as defined in note 11)*	**6,381**	5,568
– Change in fair value in derivatives embedded in CB 2019	**(32,245)**	(17,866)
Loss for the year attributable to owners of the Company for the purposes of diluted loss per ordinary share	**(88,514)**	(106,160)

	2016	2015
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic loss per ordinary share *(Note)*	**3,397,516**	3,188,782
Effect of dilutive potential ordinary shares:		
CB2019	**317,111**	317,111
Weighted average number of ordinary shares for the purposes of diluted loss per ordinary share	**3,714,627**	3,505,893

Note:

The computation of diluted loss per ordinary share did not assume the exercise of share options and bonus warrants because their exercise price is higher than the average share price, and the conversion of CGS CB 2018 (as defined in note 11) since their conversion would result in a decrease in loss per ordinary share.

9. TRADE AND OTHER RECEIVABLES AND DEPOSITS PAID

	2016	2015
	HK$'000	*HK$'000*
Deposits paid under non-current assets represent:		
Rental and utility deposits	**8,225**	17,010
Trade and other receivables and deposits paid under current assets comprise:		
Trade receivables	**93,867**	114,171
Less: allowance for doubtful debts	**(14,877)**	(16,369)
	78,990	97,802
Other receivables and deposits paid *(Note)*	**75,345**	91,969
	154,335	189,771

Note: Included in other receivables is a loan receivable of HK$7,780,000 (2015: HK$7,754,000) 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 2016 is trade receivable from a fellow subsidiary of a non-controlling shareholder of a subsidiary of HK$404,000 (2015: HK$939,000).

Included in other receivables and deposits paid as at 30 June 2016 is consultancy fee receivable from an associate of HK$1,350,000 (2015: an available-for-sale investment with a common director of the Company of HK$1,424,000).

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.

	2016	2015
	HK$'000	*HK$'000*
0 – 30 days	**62,095**	77,593
31 – 60 days	**4,925**	8,405
61 – 90 days	**3,118**	4,565
Over 90 days	**8,852**	7,239
	78,990	97,802

Included in the Group's trade receivables balance are debtors with aggregate amount of HK$17,833,000 (2015: HK$30,967,000) 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:

	2016	2015
	HK$'000	*HK$'000*
1 – 30 days	**5,862**	14,861
31 – 60 days	**3,123**	5,951
61 – 90 days	**2,529**	3,178
Over 90 days	**6,319**	6,977
Total	**17,833**	30,967

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

	2016	2015
	HK$'000	*HK$'000*
At beginning of the year	**16,369**	39,243
Impairment loss (reversed) recognised	**(1,121)**	4,836
Written off as uncollectible	**–**	(27,710)
Exchange realignment	**(371)**	–
At end of the year	**14,877**	16,369

The allowance for doubtful debts of HK$14,877,000 (2015: HK$16,369,000) 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 experience, 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

	Notes	**2016**	2015
		HK$'000	*HK$'000*
Non-current:			
Available-for-sale investments:			
– private entities	*(a)*	**3,388**	18,230
– equity investment listed in Hong Kong	*(b)*	**37,800**	–
Investment in a film	*(c)*	**19,340**	15,474
		60,528	33,704
Current:			
Investments in entertainment events		**5,726**	–
		66,254	33,704

Notes:

(a) The amount as at 30 June 2015 represented equity investments in two private limited liability companies incorporated in Hong Kong and Australia respectively 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 while the other one has the license rights on the new liquid fuel for use in Hong Kong, Macau, Taiwan and other parts of China.

During the year, the Group exercised an option to subscribe for additional 12 new shares of the private limited liability company incorporated in Hong Kong (the "Investee Company"). Upon the completion of the exercise of option, the Group's interest in the Investee Company increased from 15.9% to 24.0% and it has become an associate of the Group since then. Accordingly, total investment cost of the Investee Company amounting to HK$27,903,000 is reclassified from available-for-sale investments to interest in an associate.

(b) The listed investment is stated at its fair value, determined by reference to bid prices quoted in an active market. The management considered that the investment at the end of the reporting period is held for strategic purpose and is not to be disposed of in the foreseeable future.

(c) Based on the agreement entered into between a wholly owned subsidiary of the Company and an independent third party, the Group invested 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. The film is released in the PRC and Hong Kong in August 2016. As at 30 June 2016, the Group has paid RMB15,500,000 (equivalent to HK$19,340,000) (30 June 2015: RMB13,950,000 (equivalent to HK$15,474,000)).

11. 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”), a subsidiary of the Company, on 6 June 2014, the Company entered into a subscription agreement with an independent third party (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 2016, CB 2019 with a carrying amount of HK$37,465,000 (2015: HK$32,784,000) (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 2016, CGS CB 2018 with a carrying amount of HK$36,894,000 (2015: HK$31,790,000) (principal amount of US$5,000,000) remains outstanding.

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

	Liability component		
	CB 2019	**CGS CB 2018**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 July 2014	28,928	27,542	56,470
Coupon interest accrued at 1 July 2015 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 2016 and included in other payables	(869)	(985)	(1,854)
At 30 June 2015	32,784	31,790	64,574
Coupon interest accrued at 1 July 2015 and included in other payables	869	985	1,854
Interest charged during the year	6,381	7,054	13,435
Payment of coupon interest	(1,712)	(1,950)	(3,662)
Coupon interest accrued at 30 June 2016 and included in other payables	(857)	(985)	(1,842)
At 30 June 2016	37,465	36,894	74,359

During the years ended 30 June 2016 and 30 June 2015, the effective interest rates of CB 2019 and CGS CB 2018 were 19.47% and 18.02% per annum respectively.

(b) Derivative financial instruments

	2016	2015
	HK$'000	*HK$'000*
Under current assets:		
Share option asset (i)	–	2,309
Under non-current liabilities:		
Derivatives embedded in convertible bonds (ii)	**5,930**	40,820
CGS Share Option (iii)	**6**	1,840
	5,936	42,660

(i) Share option asset

The amount as at 30 June 2015 represented an option to subscribe for 12 new shares (representing 9% of the enlarged issued capital) of the Investee Company at a total exercise price of Australian dollars 1,920,000 (equivalent to HK$11,520,000).

During the year ended 30 June 2016, the Group exercised the option to subscribe for additional 12 new shares of that Investee Company and the carrying amount of the exercised option is transferred to interest in an associate.

The following are the movement in the share option asset:

	HK$'000
At 1 July 2015	–
Acquisition of share option	4,810
Exercise of share option	(2,501)
At 30 June 2016	2,309
Exercise of share option	(2,309)
At 30 June 2016	–

Such share option was measured at cost less impairment at the end of the reporting period as management of the Group believed that the fair value of such share option could not 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 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
Change in fair value	(32,245)	(2,645)	(34,890)
At 30 June 2016	5,925	5	5,930

The fair values of the derivatives embedded in CB 2019 and CGS CB 2018 at 30 June 2015 and 30 June 2016 are based on valuation carried out on those dates by an independent professional valuer. The change in fair value of HK$34,890,000 (2015: HK$21,058,000) has been credited to profit or loss for the year ended 30 June 2016.

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 2016		At 30 June 2015	
	CB 2019	**CGS CB 2018**	CB 2019	CGS CB 2018
Share price	**HK$0.10**	**US$7,110.82**	HK$0.21	US$15,794.99
Exercise price	**HK$0.18**	**US$24,390.24**	HK$0.18	US$24,390.24
Expected dividend yield	**0.00%**	**1.91%**	0.00%	1.76%
Volatility	**40.79%**	**36.08%**	47.03%	35.75%

(iii) CGS Share Option

In connection with the disposal of 50% of the Group's interest in CGS 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 2016, a total of 205 shares of CGS will be issued to Purchaser, representing approximately 6.15% (2015: 6.15%) of the existing issued share capital of CGS as at 30 June 2016, 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 2016 amounting to HK$6,000 (2015: HK$1,840,000) is based on valuation carried out on those dates by an independent valuer. The change in fair value of HK$1,834,000 (2015: HK$2,691,000) has been credited to profit or loss for the year ended 30 June 2016.

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 **30 June 2016**	At 30 June 2015
Share price	**US$7,110.82**	US$15,794.99
Exercise price	**US$24,390.24**	US$24,390.24
Expected dividend yield	**1.91%**	1.76%
Volatility	**36.08%**	35.75%

12. TRADE AND OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	2016 *HK$'000*	2015 *HK$'000*
Trade payables	**90,935**	105,029
Deposits received from customers *(Note a)*	**17,919**	24,588
Franchisee guarantee deposits *(Note b)*	**54,292**	62,371
Other payables, accruals and other deposits	**73,259**	75,319
	236,405	267,307

Notes:

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

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

The credit period on purchases of goods ranges from 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Included in trade payables as at 30 June 2016 are trade payables to certain fellow subsidiaries of a non-controlling shareholder of a subsidiary amounting to HK$54,073,000 (2015: HK$34,087,000).

Included in franchisee guarantee deposits and other payables, accruals and other deposits as at 30 June 2016 are deposits received from and other payables to certain fellow subsidiaries of a non-controlling shareholder of a subsidiary amounting to HK$1,441,000 (2015: nil) and HK$942,000 (2015: nil) respectively.

Included in other payables, accruals and other deposits are service fee payable to a company in which a director of a subsidiary has beneficial interest amounting to HK$2,083,000 (2015: nil).

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

	2016	2015
	HK$'000	*HK$'000*
0 – 30 days	**31,850**	54,998
31 – 60 days	**11,643**	8,527
61 – 90 days	**4,530**	6,654
Over 90 days	**42,912**	34,850
	90,935	105,029

13. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities at fair value through profit or loss comprise:

	2016	2015
	HK$'000	*HK$'000*
Bullion forward contract *(Note a)*	**–**	832
Gold bullion contracts through margin account *(Note b)*	**–**	659
	–	1,491

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 was measured at fair value at the end of the reporting period. The fair value was 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 which had a maturity period of 12 months since date of inception. Such contract was matured during the year.

(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 United States dollars ("US$") US$18,014,000. 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. Such contract was matured during the year.

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 2016, the gold loan from a fellow subsidiary of a non-controlling shareholder of a subsidiary amounting to RMB106,970,000 (equivalent to HK$126,055,000) (2015: nil) is unsecured, interest bearing at a fixed rate of 4.5% per annum and repayable on demand. The remaining HK$59,710,000 (2015: HK$256,124,000) are gold loan from outsiders which are denominated in RMB (2015: RMB), interest bearing at a weighted average rate of 3.50% (2015: 4.70%) per annum with original maturity of twelve months, and secured by pledged bank deposits of HK$5,892,000 (2015: trade receivable of HK$80,459,000).

The loss arising from change in fair value of gold loans of HK$19,281,000 (2015: gain of HK$45,655,000) has been recognised in the profit or loss for the year ended 30 June 2016. 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

	Number of shares *'000*	Amount *HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 July 2014 and 30 June 2015	4,000,000	40,000
Increase on 4 November 2015	2,000,000	20,000
At 30 June 2016	6,000,000	60,000
Preference shares of HK$0.01 each		
At 1 July 2014, 30 June 2015 and 30 June 2016	3,000,000	30,000
Total:		
At 1 July 2014 and 30 June 2015	7,000,000	70,000
At 30 June 2016	9,000,000	90,000
Ordinary shares issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 July 2014	3,188,491	31,885
Exercise of share options *(Note (a))*	2,000	20
Exercise of warrants *(Note (b))*	3	–
At 30 June 2015	3,190,494	31,905
Issue of shares *(Note (c))*	331,900	3,319
At 30 June 2016	3,522,394	35,224
Total:		
At 30 June 2016	3,522,394	35,224
At 30 June 2015	3,190,494	31,905

Notes:

(a) During the year ended 30 June 2015, the Company issued 2,000,000 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 ordinary shares of HK$0.01 at an exercise price of HK$0.245 per ordinary share pursuant to the exercise of the bonus warrants.

(c) On 11 November 2015, the Company issued 300,000,000 ordinary shares by way of placing at a price of HK$0.123 per share.

On 30 December 2015, the Company issued 31,899,993 ordinary shares to a non-controlling shareholder of a subsidiary for a consideration of HK$0.123 per share.

These new shares rank pari passu with the existing shares in all aspects.

16. CAPITAL COMMITMENTS

	2016	2015
	HK$'000	*HK$'000*
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements	**815**	454

17. PLEDGE OF ASSETS

As at 30 June 2016, the Group's bank deposits with carrying amounts of HK$347,749,000 (2015: the Group's bank deposits and trade receivables with carrying amounts of HK$418,412,000 and HK$80,459,000 respectively) were pledged to banks as securities to obtain the banking facilities granted to subsidiaries of 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 2016 visitor arrivals from Mainland China decreased 10% 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 21% 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.

The Group recorded a turnover of approximately HK$1,156 million for the Year, representing a decrease of 16% as compared to the turnover of approximately HK$1,371 million Last Year. The loss for the year was approximately HK$121 million for the Year compared to the loss of approximately HK$160 million Last Year, representing a decrease of 24%. Included in the loss for the year are non-cash items of loss in fair value of gold loans of HK$19 million (2015: gain of HK$46 million), loss in fair value of financial liabilities at fair value through profit or loss of HK$2 million (2015: HK$15 million) and gain on fair value of derivatives financial instruments of HK$37 million (2015: HK$24 million).

FINANCIAL REVIEW

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$1,156 million (2015: HK$ 1,371 million), a decrease of 16% from Last Year. Mainland China recorded turnover of HK$756 million, a decrease of 15% from Last Year. As a result of the opening of 1 new store and closure of 1 non-performing store, Hong Kong and Macau recorded turnover of HK$399 million, a decrease of 14% from Last Year. We have recorded a decline in overall same-store-growth of 15% (2015: decline of 15%), of which same store growth in Mainland China decline by 17% (2015: decline of 39%) and same store growth in Hong Kong and Macau decline by 14% (2015: a growth of 114%).

During the Year, the turnover derived from the franchise operation of HK$1,146 million (2015: HK$1,548 million), which is a result of the sales of goods to franchisee of HK$1,131 million (2015: HK$1,510 million) and receipt of license fees of HK$68 million (2015: HK$91 million). The license fee received is reflected directly to gross profit. Through working closely with our franchisees to improve their profitability, we expect improvements in the Group's financial results.

As a result of the above, the turnover has decreased by 16% and the gross profit decreased by 18%, for the Year to HK$1,156 million and HK$327 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 remained steadily at 28% for the Year (2015: 29%). Sales of our principal products, gold products and gem-set jewellery, consisted of 63% (2015: 61%) and 20% (2015: 19%), respectively of total turnover.

In line with the decrease in turnover, the Group's selling and distribution expenses have decreased to HK$316 million (2015: HK$362 million), but with the percentage of total turnover has increased from 26% to 27% this Year. Advertising and promotional expenses amounted to HK$25 million (2015: HK$40 million), representing a rate of 2% (2015: 3%) of the total revenue. Rental expenses amounted to HK$141 million (2015: HK$163 million), representing 12% (2015: 13%) of total revenue. The rental reduction 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$30 million to HK$109 million (2015: HK$139 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$121 million (2015: HK$160 million).

FINAL DIVIDENDS

The Board has resolved not to declare any final dividend in respect of the year ended 30 June 2016 to the holders of ordinary shares of the Company.

BUSINESS REVIEW

Retail operation

Overall turnover from the Hong Kong and Macau retail operations has reached HK$399 million (2015: HK$464 million) and HK$756 million (2015: HK$893 million) from the Mainland China operations. The decrease in total turnover for the Year was mainly due to the general downturn in the economy which has impacted on the consumer sentiment, as compared to Last Year.

As at 30 June 2016, the Group has 6 points-of-sale in Hong Kong, 3 points-of-sale in Macau and 355 points-of-sale in Mainland China under the brandname "3D-GOLD". Of the points-of-sale in Mainland China, 82 are self-operated points-of-sale and 273 are licensee points-of-sale. During the Year, 50 new shops and counters have opened in Mainland China and 60 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. Management are discussing with the various landlords to have the effective rentals maintained at a reasonable level.

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:

– "Peter Rabbit" Collection;

– "Love Lane" Collection;

– "Cool Love" Collection;

– "Winding Love" Collection;

– "Summer Melody" Collection;

– "Les fleurs" Diamond and Pearl Collection;

– Pure Gold Monkey 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:

- Being the title sponsor of the HK Gala Premiere of "To The Fore";

- Specially designed the "Winding Love" Collection for placement in the movie, "To The Fore";

- Trophy sponsorship of the "International KamCha Competition 2015 (HK Style Milk Tea)" for the 5th consecutive year;

- Being the co-sponsor of "Kelly let's celebrate! World tour" concert;

- Being the title sponsor of "Janice Yan Concert in Hong Kong";

- Being the title, scepter and crown sponsor of "Miss Chinese International Pageant for 2016" for the 6th consecutive year and a presentation ceremony has been held in the Tsimshatsui shop of Hong Kong

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. The awards include "Green Office Awards Labelling Scheme (GOALS)" awarded by World Green Organization and "Hong Kong Awards for Environmental Excellence" awarded by Environmental Campaign Committee.

Entertainment Business

Leveraging on the resources and capabilities, the Group is exploring new business opportunities to generate additional revenue from entertainment business. The Group has continued to participate in entertainment events, television programs and content production, while the management has extended the entertainment business by increasing participation in investment and promotion of movies and entertainment events. During the Year, the Group has invested in the following entertainment events:

- "#TWINS #LOL #LIVE IN HK" Concert;

- "Janice Yan Concert in Hong Kong";

- " Lang Lang Live In HK" Concert.;

- “Priscilla-ism” Concert;
- Stage play of “詹瑞文《新男人之虎》笑完武士”;
- Stage play of “牡丹亭驚夢”;
- “Lowell Lo Beyond Imagination Concert Live 2016”;
- “Song Joong Ki Asia Tour Fanmeeting in Hong Kong 2016”;
- “#TWINS#LOL#WORLD TOUR #GUANGZHOU” Concert, and
- Movie of “Call of Heros”

E-Commerce

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

Clean Energy

The Group continues to invest in Gane Energy & Resources (China) Limited (“**Gane China**”), a company engaged in the research, development and commercialisation of a new liquid fuel made from methanol and other oxygenated species for use in large industrial compression ignition engines. The fuel is targeted initially for use in electricity generators and heavy industrial equipment and later for mobile applications such as heavy mining trucks, trains and ships. The use of the fuel and the treatment of the engine exhaust are intended to result in exhausts which have concentrations of specific pollutants (such as sulphur dioxide, nitrogen oxides and particulate matter), that are lower than those of diesel, without the need for capital intensive exhaust treatments.

Gane China has carried out testing of the new fuel during the Year and further testing will be conducted. It is expected that the new fuel will be generally well received in the PRC market due to its environmental friendly features. With the Group’s strong business network in PRC, it is expected the Group can help initiate the new fuel in the PRC market, which will help develop the business of Gane China and in turn, benefit the Group.

At the date of the report, the Group has direct interest of 24% in the clean energy investments.

OUTLOOK

Given 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 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.

The Group has been exploring new business opportunities to generate additional revenue from entertainment business and increase in participation in entertainment events. In addition, the Group will also continue its investments in clean energy business.

Ultimately, we look forward to achieve our goal, which will result in growth and value to our investors and other stakeholders.

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 2016, the Group had total cash and cash equivalents amounting to HK$442 million (30 June 2015: HK$680 million) whilst total net assets were HK$405 million (30 June 2015: HK$538 million). The Group's net gearing ratio as at 30 June 2016 was 145% (30 June 2015: 81%), being a ratio of total borrowing of HK$1,030 million (30 June 2015: HK$1,118 million) less pledged bank deposits and bank balances and cash of HK$442 million (30 June 2015: HK$680 million) to total equity of HK$405 million (30 June 2015: HK$538 million). After taking into account the gold inventories of HK$323 million (30 June 2015: HK$352 million), the Group's adjusted net gearing ratio as at 30 June 2016 was 65% (30 June 2015: 16%), being a ratio of total borrowing less pledged bank deposits, bank balances and cash and gold inventories to total equity. As at 30 June 2016, the Group has available unutilized revolving banking facilities of HK$138 million (30 June 2015: HK$494 million).

Capital Commitments

Capital commitments of the Group as at 30 June 2016 are set out in note 16.

Pledged of Assets and contingencies

Pledged of assets of the Group as at 30 June 2016 are set out in note 17. The Group did not have any material contingent liabilities as at 30 June 2016.

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 2016.

Employees and Remuneration Policy

As at 30 June 2016, the Group had 1,604 employees (2015: 1,567). 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 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 2016 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 2016 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, 15 September 2016

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.