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 2017

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 2017 (the "**Year**" or "**Year 2017**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2017

	Note	**2017** *HK$'000*	2016 *HK$'000*
Turnover	*3*	**1,118,550**	1,155,787
Cost of sales		**(760,209)**	(828,352)
Gross profit		**358,341**	327,435
Other income		**11,328**	15,453
Selling expenses		**(303,298)**	(316,454)
General and administrative expenses		**(116,595)**	(109,103)
Other expenses and other losses		**(28,278)**	(24,083)
Change in fair value of derivatives embedded in convertible bonds and share option		**1,637**	36,724
Impairment loss on trade receivables reversed		**–**	1,121
Impairment loss on investment in a film recognised		**(10,000)**	–
Impairment loss on investment in an associate recognised		**(24,081)**	–
Impairment loss on intangible assets recognised		**–**	(1,377)
Impairment loss on an available-for-sale investments recognised		**(14,308)**	–
Impairment loss on amount due from a joint venture recognised		**–**	(5)
Impairment loss on other receivables recognised		**(7,662)**	–
Finance costs	*4*	**(45,457)**	(41,805)
Share of result of an associate		**(1,202)**	–

	Note	2017 HK$'000	2016 HK$'000
Loss before taxation	5	**(179,575)**	(112,094)
Taxation	6	**(7,530)**	(8,764)
Loss for the year		**(187,105)**	(120,858)
Other comprehensive (expense) income			
Item that will not be reclassified to profit or loss:			
Exchange difference arising on translation		**(12,169)**	(53,816)
Items that may be reclassified subsequently to profit or loss:			
Fair value (loss) gain on available-for-sale investment		**(13,440)**	2,520
Investment revaluation reserve reclassified to profit or loss in relation to impairment loss on available-for-sale investment		**10,920**	–
		(2,520)	2,520
Other comprehensive expense for the year		**(14,689)**	(51,296)
Total comprehensive expense for the year		**(201,794)**	(172,154)
Loss for the year attributable to:			
Owners of the Company		**(143,703)**	(62,650)
Non-controlling interests		**(43,402)**	(58,208)
		(187,105)	(120,858)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(154,821)**	(96,297)
Non-controlling interests		**(46,973)**	(75,857)
		(201,794)	(172,154)
Loss per ordinary share	8		
Basic		**(HK$0.041)**	(HK$0.018)
diluted		**(HK$0.041)**	(HK$0.024)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	2017 HK$'000	2016 HK$'000
ASSETS AND LIABILITIES			
Non-current Assets			
Property, plant and equipment		**42,834**	55,205
Deposits paid	*9*	**5,722**	8,225
Intangible assets		**169,144**	168,066
Interest in a joint venture		**–**	–
Interest in an associate		**–**	27,903
Investments	*10*	**26,980**	60,528
Deferred tax assets		**17,884**	18,289
		262,564	338,216
Current Assets			
Investments		**–**	5,726
Inventories		**801,074**	790,579
Trade and other receivables and deposits paid	*9*	**124,291**	154,335
Amount due from an associate		**–**	50
Amount due from a joint venture		**8**	–
Pledged bank deposits		**578,301**	347,749
Bank balances and cash		**114,953**	94,079
		1,618,627	1,392,518
Current Liabilities			
Trade and other payables, accruals and deposits received	*12*	**233,069**	236,405
Bank and other borrowings		**1,089,505**	627,000
Gold loans	*13*	**84,823**	185,765
Loan from a non-controlling shareholder of a subsidiary		**43,190**	20,000
Loan from a shareholder		**2,000**	–
Tax liabilities		**1,656**	11,133
		1,454,243	1,080,303
Net Current Assets		**164,384**	312,215
Total Assets less Current Liabilities		**426,948**	650,431

	Notes	**2017** **HK$'000**	2016 HK$'000
Non-current Liabilities			
Convertible bonds	*11*	**43,064**	74,359
Derivative financial instruments	*11*	**4,299**	5,936
Bank and other borrowings		**20,000**	23,000
Loan from a non-controlling shareholder of a subsidiary		**100,000**	100,000
Deferred tax liabilities		**42,016**	42,016
		209,379	245,311
NET ASSETS		**217,569**	405,120
CAPITAL AND RESERVES			
Share capital	*14*	**35,224**	35,224
Reserves		**119,915**	277,824
Equity attributable to owners of the Company		**155,139**	313,048
Non-controlling interests		**62,430**	92,072
TOTAL EQUITY		**217,569**	405,120

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants

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

New and amendments to HKFRSs and Interpretations in issue but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[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]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[2]
HKFRS 16	Leases[4]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[4]
Amendments to HKAS 7	Disclosure Initiative[5]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[5]
Amendments to HKAS 40	Transfer of Investment Property[2]

1 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate
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

Amendment to *HKAS 7 Disclosure Initiative*

The amendments require an entity to provide disclosures that enables users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements.

Specifically, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. The amendments apply prospectively for annual periods beginning on or after 1 July 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

Based on the Group's financial instruments and risk management policies as at 30 June 2017, the directors of the Company anticipate that the application of amendments to HKAS 7 is not likely to have a material impact on the Group's financial performance and position. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. 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.

- 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.

Based on the Group's financial instruments and risk management policies as at 30 June 2017, the directors of the Company anticipate that the application of HKFRS 9 is not likely to have a material impact on the Group's financial performance and position. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 ***Revenue from Contracts with Customers***

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract(s)
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract(s)
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported as the timing of revenue recognition may be affected/and the amounts of revenue recognised are subject to variable consideration constraints, and more disclosures relating to revenue is required. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

New and amendments to HKFRSs and Interpretations in issue but not yet effective

HKFRS ***16 Leases***

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases 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, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into principal and an interest portion which will be presented as financing cash flows.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 June 2017, the Group has non-cancellable operating lease commitments of HK$58,306,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated able. However, it is not practicable to provide a reason estimate of the financial effect until the directors complete a detailed review.

For other new and amendments to HKFRSs and Interpretations, the directors do not expect a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements.

3. TURNOVER AND SEGMENT INFORMATION

(a) Turnover

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

	2017	2016
	HK$'000	*HK$'000*
Sales of goods	**1,049,222**	1,082,800
Franchise income	**2,207**	4,309
Licence income	**62,694**	67,888
Television programmes and content production income	**1,141**	571
Net return from performance events	**3,286**	219
	1,118,550	1,155,787

(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 2017

	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	775,093	338,806	1,113,899	4,651	1,118,550
RESULT					
Segment results	54,035	(26,084)	27,951	(30,283)	(2,332)
Other income					11,328
Unallocated corporate staff and directors' salaries					(32,577)
Other unallocated corporate expenses					(26,375)
Advertising, promotion and business development expenses					(28,488)
Change in fair value of derivatives embedded in convertible bonds and share option					1,637
Impairment loss on interest in an associate recognised					(24,081)
Impairment loss on available-for-sale investments recognised					(14,308)
Impairment loss on other receivables recognised					(7,662)
Loss on disposal of subsidiaries					(6,937)
Loss on early redemption of convertible bond					(3,121)
Finance costs					(45,457)
Share of result of an associate					(1,202)
Loss before taxation					(179,575)
Taxation					(7,530)
Loss for the year					(187,105)

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 corporate staff and directors' salaries					(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)

Segment profit (loss) represents the profit (loss) of each segment without allocation of other income, advertising, promotion and business development expenses, corporate staff and directors' salaries, change in fair value of derivatives embedded in convertible bonds and share option, impairment loss on available-for-sale investment recognised, impairment loss on intangible assets recognised, impairment loss on investment in a film recognised, impairment loss on interest in an associate recognised, impairment loss on other receivables recognised, impairment loss on amount due from a joint venture recognised, loss on disposal of subsidiaries, loss on early redemption of convertible bond, finance costs, share of result of an associate and taxation. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

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. As disclosed in the consolidated financial statements, these subsidiaries were disposed of during the year ended 30 June 2017 and accordingly there is no assets and liabilities presented as at 30 June 2017.

Segment assets and liabilities

As at 30 June 2017

	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	**694,367**	**261,803**	**956,170**	**–**	**956,170**
Intangible assets					**169,144**
Interest in an associate					**–**
Available-for-sale investments					**26,980**
Deferred tax assets					**17,884**
Pledged bank deposits					**578,301**
Bank balances and cash					**114,953**
Amount due from a joint venture					**8**
Other corporate assets					**17,751**
Consolidated assets					**1,881,191**
LIABILITIES					
Segment liabilities	**152,952**	**71,091**	**224,043**	**–**	**224,043**
Bank and other borrowings					**1,109,505**
Gold loans					**84,823**
Loan from a non-controlling shareholder of a subsidiary					**143,190**
Loan from a shareholder					**2,000**
Tax liabilities					**1,656**
Convertible bonds					**43,064**
Derivative financial instruments					**4,299**
Deferred tax liabilities					**42,016**
Other corporate liabilities					**9,026**
Consolidated liabilities					**1,663,622**

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
Loan from a shareholder					2,000
Tax liabilities					11,133
Convertible bonds					74,359
Derivative financial instruments					5,936
Deferred tax liabilities					42,016
Other corporate liabilities					10,171
Consolidated liabilities					1,325,614

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. As disclosed in the consolidated financial statements, these subsidiaries were disposed of during the year ended 30 June 2017 and accordingly there is no assets and liabilities presented as at 30 June 2017.

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

- all assets are allocated to reportable segments other than intangible assets, interest in an associate, available-for-sale investments, deferred tax assets, amount due from a joint venture, 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 bank and other borrowings, gold loans, loan from a non-controlling shareholder of a subsidiary, loan from a shareholder, 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 2017

	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 result or segment assets:					
Additions of intangible assets	–	–	1,078	–	1,078
Additions of property, plant and equipment	11,704	3,579	206	46	15,535
Depreciation of property, plant and equipment	11,852	5,670	324	1,808	19,654
Impairment loss on interest in an associate recognised	–	–	–	24,081	24,081
Loss on disposal of property, plant and equipment	662	669	388	39	1,758

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 result 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 on trade receivables reversed	(1,121)	–	–	–	(1,121)
Loss on disposal of property, plant and equipment	6,448	284	648	675	8,055

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

For the year ended 30 June 2017

	Non-current assets	**Revenue from external customers**
	HK$'000	***HK$'000***
Mainland China	**24,877**	**775,093**
Hong Kong and Macau	**17,957**	**343,457**
	42,834	**1,118,550**

For the year ended 30 June 2016

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

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

4. FINANCE COSTS

	2017 ***HK$'000***	2016 *HK$'000*
Interests on:		
Bank and other borrowings	**24,766**	19,386
Gold loans	**5,611**	8,580
Obligations under finance leases	**–**	4
Loan from a non-controlling shareholder of a subsidiary	**451**	400
Effective interest on convertible bonds *(note 11)*	**14,629**	13,435
	45,457	41,805

5. LOSS BEFORE TAXATION

	2017	2016
	HK$'000	*HK$'000*
Loss before taxation has been arrived at after charging (crediting):		
Amortisation of intangible assets	**–**	135
Auditor's remuneration	**2,539**	2,072
Change in fair value of gold loans (included in cost of sales)	**(3,325)**	19,281
Change in fair value of financial liabilities at fair value through profit or loss	**–**	2,416
Cost of inventories recognised as an expense	**751,884**	808,847
Depreciation of property, plant and equipment	**19,654**	19,910
Exchange loss, net	**3,754**	4,739
Loss on disposal of property, plant and equipment	**1,760**	8,055
Loss on disposal of subsidiaries	**6,937**	–
Loss on early redemption of convertible bonds *(note 11)*	**3,121**	–
Staff cost, including directors' emoluments:		
– Wages, salaries and other benefits costs	**171,576**	160,496
– Retirement benefit costs	**13,104**	14,994
	184,680	175,490
Allowance (reversal of allowance) of inventories (included in cost of sales)	**11,265**	(2,192)

6. TAXATION

	2017	2016
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax	**7,125**	2,504
Under(over) provision in prior years:		
Hong Kong Profits Tax	**–**	9,457
PRC Enterprise Income Tax	**–**	(1,677)
	–	7,780
	7,125	10,284
Deferred taxation	**405**	(1,520)
	7,530	8,764

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 for both years as the Group incurred tax losses 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 each subsidiary's total revenue in a fiscal year.

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. 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 was recognised in the consolidated financial statements for the year ended 30 June 2016.

7. DIVIDENDS

The Board has resolved not to recommend a final dividend in respect of the years ended 30 June 2017 and 30 June 2016 to the holders of ordinary shares of the Company.

8. LOSS PER ORDINARY SHARE

	2017	2016
	HK$'000	*HK$'000*
Loss:		
Loss for the year attributable to owners of the Company for the purpose of basic loss per ordinary share	**(143,703)**	(62,650)
Effect of dilutive potential ordinary share		
– Interest on CB 2019 (as defined in *note 11*)	**–**	6,381
– Change in fair value in derivatives embedded in CB 2019	**–**	(32,245)
Loss for the year attributable to owners of the Company for the purposes of diluted loss per ordinary share	**(143,703)**	(88,514)

	2017	2016
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic loss per ordinary share *(Note)*	**3,522,394**	3,397,516
Effect of dilutive potential ordinary shares:		
CB 2019	**–**	317,111
Weighted average number of ordinary shares for the purpose of diluted loss per ordinary share	**3,522,394**	3,714,627

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 CB 2019 and CGS 2018 (as defined in note 11) (2016: CGS CB 2018) since their conversion would result in a decrease in loss per ordinary share.

9. TRADE AND OTHER RECEIVABLES AND DEPOSITS PAID

	2017	2016
	HK$'000	*HK$'000*
Deposits paid under non-current assets represent:		
Rental and utility deposits	**5,722**	8,225
Trade and other receivables and deposits paid under current assets comprise:		
Trade receivables	**87,600**	93,867
Less: allowance for doubtful debts	**(11,533)**	(14,877)
	76,067	78,990
Other receivables and deposits paid	**48,224**	75,345
	124,291	154,335

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 was trade receivable from a fellow subsidiary of a non-controlling shareholder of a subsidiary of HK$404,000.

Included in other receivables and deposits paid as at 30 June 2017 is other receivables from a fellow subsidiary of a non-controlling shareholder of a subsidiary amounting to HK$566,000 (2016: nil). Included in other receivables and deposits paid as at 30 June 2016 were commission fee receivable from an associate of HK$1,350,000 and loan receivable of HK$7,780,000 from an independent third party which were unsecured, interest-free and repayable within one year from the end of the reporting period. During the year ended 30 June 2017, the commission fee receivable from an associate of HK$4,162,000 and the remaining balance receivable from the independent third party of HK$3,500,000 were fully impaired as the management assessed that the amounts were unlikely to be recovered.

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.

	2017	2016
	HK$'000	*HK$'000*
0-30 days	**55,732**	62,095
31-60 days	**6,340**	4,925
61-90 days	**3,067**	3,118
Over 90 days	**10,928**	8,852
	76,067	78,990

Included in the Group's trade receivables balance are debtors with aggregate amount of HK$20,335,000 (2016: HK$17,833,000) 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:

	2017	2016
	HK$'000	*HK$'000*
1-30 days	**4,284**	5,862
31-60 days	**4,503**	3,123
61-90 days	**3,276**	2,529
Over 90 days	**8,272**	6,319
Total	**20,335**	17,833

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

	2017	2016
	HK$'000	*HK$'000*
At beginning of the year	**14,877**	16,369
Impairment loss reversed	**–**	(1,121)
Amounts written off as uncollectable	**(3,344)**	–
Exchange realignment	**–**	(371)
At end of the year	**11,533**	14,877

The allowance of doubtful debts of HK$11,533,000 (2016: HK$14,877,000) 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 estimating the recoverability of trade receivables, it is the Group's policy to takes into consideration the aging analysis, subsequent settlements of the receivables, repayment history and credit worthiness of debtors.

10. INVESTMENTS

		2017	2016
	Notes	*HK$'000*	*HK$'000*
Non-current:			
Available-for-sale investments:			
– private entities	*(a)*	**2,620**	3,388
– equity investment listed in Hong Kong	*(b)*	**24,360**	37,800
Investment in a film	*(c)*	**–**	19,340
		26,980	60,528
Current:			
Investments in entertainment events		**–**	5,726
		26,980	66,254

Notes:

(a) The amount as at 30 June 2016 represented equity investments in a private limited liability company incorporated in Hong Kong that is 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. The investee company has the license rights on the new liquid fuel for use in Hong Kong, Macau, Taiwan and other parts of China. The balance was fully impaired during the year ended 30 June 2017 taking into consideration of the future operation of the investee.

During the year 30 June 2017, Gane China, a private entity previously classified as interest in an associate was reclassified as available-for-sale investments. It is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

(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. Impairment of HK$10,920,000 was provided as the management considered that the decrease in fair value is significant.

(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 was released in the PRC and Hong Kong in August 2016.

During the year ended 30 June 2017, management of the Company conducted an impairment review on the investment in the film and determined that such investment was impaired with reference to the present value of the estimated future cash flows from share of box office. Accordingly, impairment loss of HK$10,000,000 has been recognised. Such investment has been derecognised upon disposal of subsidiaries.

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 CGS 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 2017, CB 2019 with a carrying amount of HK$43,064,000 (2016: HK$37,465,000) (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.

On 31 May 2017 (the "Early Redemption Date"), the Group redeemed all of the CGS CB 2018 with principal amount of US$5,000,000 together with all interest accrued and outstanding up to the Early Redemption Date, and a redemption premium, for a cash consideration of US$5,950,000 (equivalent to HK$46,410,000), and resulted in a loss on early redemption of convertible bonds of HK$3,121,000 recognised in the profit or loss in the current year.

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 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
Coupon interest accrued at 1 July 2016 and included in other payables	869	985	1,854
Interest charged during the year	7,270	7,359	14,629
Payment of coupon interest	(1,717)	(1,949)	(3,666)
Coupon interest accrued at 30 June 2017 and included in other payables	(823)	–	(823)
Repayment of principal	–	(46,410)	(46,410)
Loss on early redemption of convertible bond	–	3,121	3,121
At 30 June 2017	43,064	–	43,064

The effective interest rates of CB 2019 and CGS CB 2018 were 19.47% and 18.02% per annum respectively.

(b) Derivative financial instruments

	2017	2016
	HK$'000	*HK$'000*
Under non-current liabilities:		
Derivatives embedded in convertible bonds *(i)*	**4,299**	5,930
CGS Share Option *(ii)*	**–**	6
	4,299	5,936

(i) Derivatives embedded in convertible bonds

	Embedded derivatives		
	CB 2019	**CGS CB 2018**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 July 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
Change in fair value	(1,626)	(5)	(1,631)
At 30 June 2017	4,299	–	4,299

The fair values of the embedded derivatives at 30 June 2016 and 30 June 2017 are based on valuation carried out on those dates by an independent professional valuer.

For the year ended 30 June 2017, the derivative embedded in convertible bonds lapsed upon the early redemption of the CGS CB 2018. The change in fair value of HK$1,631,000 (2016: HK$34,890,000) has been credited to profit or loss.

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 2017		At 30 June 2016	
	CB 2019	**CGS CB 2018**	CB 2019	CGS CB 2018
Share price	**HK$0.11**	**–**	HK$0.10	US$7,110.82
Exercise price	**HK$0.18**	**–**	HK$0.18	US$24,390.24
Expected dividend yield	**0.00%**	**–**	0.00%	1.91%
Volatility	**42.14%**	**–**	40.79%	36.08%
Risk free rate	**0.78%**	**–**	0.54%	0.51%

(ii) 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.

For the year ended 30 June 2017, the CGS Share Option lapsed upon the early redemption of the CGS CB 2018. The change in fair value of HK$6,000 has been credited to profit or loss for the year ended 30 June 2017.

For the year ended 30 June 2016, 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 Luk Fook, representing approximately 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 the Company 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 is HK$6,000. The change in fair value of HK$1,834,000 has been credited to profit or loss for the year ended 30 June 2016.

12. TRADE AND OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**91,533**	90,935
Deposits received from customers (Note (a))	**16,185**	17,919
Franchisee guarantee deposits (Note (b))	**47,912**	54,292
Other payables, accruals and other deposits	**77,439**	73,259
	233,069	236,405

Notes:

(a) Deposits received from customers represents 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 purchase of goods ranges from 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled with the credit timeframe.

Included in trade payables as at 30 June 2017 are trade payables to certain fellow subsidiaries of a non-controlling shareholder of a subsidiary amounting to HK$26,185,000 (2016: HK$54,073,000).

Included in franchisee guarantee deposits and other payables, accruals and other deposits as at 30 June 2017 are deposits received from and other payables to certain fellow subsidiaries of a non-controlling shareholder of a subsidiary amounting to HK$1,392,000 (2016: HK$1,441,000) and HK$2,572,000 (2016: HK$942,000) respectively.

Included in other payables, accruals and other deposits are accruals for service fee payable to a company in which a director of a subsidiary has beneficial interest amounting to HK$2,477,000 (2016: HK$2,083,000).

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

	2017	2016
	HK$'000	*HK$'000*
0-30 days	**35,360**	31,850
31-60 days	**16,250**	11,643
61-90 days	**11,257**	4,530
Over 90 days	**28,666**	42,912
	91,533	90,935

13. 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 2017, the gold loan from a fellow subsidiary of a non-controlling shareholder of a subsidiary amounting to RMB73,737,000 (equivalent to HK$84,823,000) (2016: RMB106,970,000 (equivalent to HK$126,055,000)) is unsecured, interest bearing at a fixed rate of 4.5% per annum and repayable on demand. The remaining HK$59,710,000 as at 30 June 2016 were gold loan from outsiders which are denominated in RMB, interest bearing at a weighted average rate of 3.50% per annum with original maturity of twelve months, and secured by pledged bank deposits of HK$5,892,000.

The gain arising from change in fair value of gold loans of HK$3,325,000 (2016: loss of HK$19,281,000) has been recognised in profit or loss for the year ended 30 June 2017. 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.

14. SHARE CAPITAL

	Number of shares *'000*	Amount *HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 July 2015	4,000,000	40,000
Increase on 4 November 2015	2,000,000	20,000
At 30 June 2016 and 30 June 2017	6,000,000	60,000
Preference shares of HK$0.01 each		
At 1 July 2015, 30 June 2016 and 30 June 2017	3,000,000	30,000
Total:		
At 1 July 2015	7,000,000	70,000
At 30 June 2016 and 30 June 2017	9,000,000	90,000
Ordinary shares issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 July 2015	3,190,494	31,905
Issue of shares *(Note (a))*	331,900	3,319
At 30 June 2016 and 30 June 2017	3,522,394	35,224

Note:

(a) 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.

15. CAPITAL COMMITMENTS

	2017	2016
	HK$'000	*HK$'000*
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements	**919**	815

16. PLEDGE OF ASSETS

As at 30 June 2017, the Group's bank deposits with carrying amounts of HK$578,301,000 (2016: HK$347,749,000) were pledged to banks as securities to obtain the banking facilities (2016: banking facilities and gold loans) 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**").

The anti-corruption drive and the tight money situation on the Mainland as well as the political disputes in Hong Kong have all taken their toll on consumer sentiment. High-priced gift and luxury items became slower to move. However, there has been a turnaround of tourist visitations from Mainland China and retail sales value in the year 2017. According to the Hong Kong Tourism Board, during the first six months of 2017, visitor arrivals from Mainland China have increased 2% over the same period last year. The retail value index for jewellery, watches & clocks, and valuable gifts as surveyed by the government has risen 1% during the same period.

The Group recorded a turnover of approximately HK$1,118 million for the Year, representing a decrease of 3% as compared to the turnover of approximately HK$1,156 million Last Year. The loss for the year was approximately HK$187 million compared to the loss of approximately HK$121 million Last Year, representing an increase of 55%. Included in the loss for the Year are non-cash items of impairment loss of investment in an associate of HK$24 million, impairment loss on available-for-sale investment of HK$14 million, impairment loss on investment in a film of HK$10 million and substantial reduction in positive change in fair value of derivatives embedded in convertible bonds and share option of HK$35 million.

FINANCIAL REVIEW

Domestic consumption showed a decline in contribution to China's economic growth, which in turn affected the retail market and mass luxury sector. The Group continues to operate in an increasing challenging macro-economic and retail environment, with a 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 70% of turnover. The turnover of the Group for the Year amounted to HK$1,118 million (2016: HK$ 1,156 million), a decrease of 3% from Last Year. In Mainland China, the Group recorded a turnover of HK$775 million, an increase of 2% from Last Year. As a result of the opening of one new store and closure of one non-performing store, in Hong Kong and Macau the Group recorded a turnover of HK$339 million, a decrease of 15% from Last Year. The Group has recorded a flat overall same-store-growth (2016: decline of 15%), of which same-store-growth in Mainland China rose by 3% (2016: decline of 17%) and same-store-growth in Hong Kong and Macau declined by 16% (2016: decline of 14%).

As a result of the above, the turnover has decreased by 3% and the gross profit has increased by 9%, for the Year to HK$1,118 million and HK$358 million, respectively. Despite the decrease in turnover, the initiatives implemented have resulted in a positive impact to the Group whereby the gross profit margin improved to 32% for the Year (2016: 28%) as the sales of gem-set jewellery with relatively higher gross profit margins increased. Sales of the Group's principal products, gold products and gem-set jewellery accounted for 59% (2016: 63%) and 25% (2016: 20%), respectively of total turnover.

In line with the decrease in turnover, the Group's selling and distribution expenses have decreased to HK$303 million (2016: HK$316 million), whereas the percentage of total turnover has remained at 27% (2016: 27%) this Year. Advertising and promotional expenses amounted to HK$30 million (2016: HK$25 million), equivalent to 3% (2016: 2%) of the total revenue. Rental expenses amounted to HK$128 million (2016: HK$141 million), representing 11% (2016: 12%) 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 negotiate with the individual landlords on the level of rentals in spite of the current economic environment.

The Group's general and administrative expenses have increased by HK$8 million to HK$117 million (2016: HK$109 million). To cope with this issue, the Group will implement cost control measures and reduce the general and administrative expenses.

FINAL DIVIDENDS

The Board has resolved not to declare any final dividend in respect of the year ended 30 June 2017 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$339 million (2016: HK$399 million) and HK$775 million (2016: HK$756 million) from the Mainland China operations. The decrease in total turnover for the Year was mainly due to the closure of a shop in Macau.

As at 30 June 2017, the Group has seven points-of-sale in Hong Kong, two points-of-sale in Macau and 345 points-of-sale in Mainland China under the brand name "3D-GOLD." Of the points-of-sale in Mainland China, 80 are self-operated points-of-sale and 265 are licensee points-of-sale. During the Year, 58 new shops and counters have opened in Mainland China and 68 loss-making stores were closed.

More than 80% of the Group's self-operated points-of-sale are located at department stores within prime shopping districts in Mainland China and are subject to turnover-based rent. The Hong Kong and Macau operations are, on the other hand, subject to fixed rentals, with some of the lease arrangements committed to paying either minimum guaranteed amounts or monthly payments in the amounts equivalent to a certain prescribed percentage of monthly sales as rental payments, whichever is higher. Management is currently engaged in negotiations with individual landlords to maintain the effective rentals at a reasonable level.

The Group's 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% licensed stores in the long run. This model gives the Group the option to leverage the capital, local knowledge and premises of its licensees: a flexible and fast roll out strategy that requires minimal capital outlay from the Group. This model enables the management to make critical decisions at times of market changes with minimal adverse impact on the Group.

With an aim to improve the profitability, the management has focused on the following areas through implementing various measures: (i) adjusting 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 product series, (iv) persistent costs control; and (v) improving cash flow.

The opening, renewal and closing of the Group's points-of-sales in Hong Kong, Macau, and Mainland China will be reviewed continually to ensure consistence with its overall business plan and strategies. The Group's 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 offer 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:

– "Love Rhythm" Collection

– "K • Love" Collection

– Wedding Collection

– "Golden Allure" Collection

– "Starry Shimmer" Collection

– "Love Lane" Collection

– "Peter Rabbit" K-Gold and Diamond Collection

– "Precious Dear" Collection

– Pure Gold Rooster Collection

– "Peter Rabbit" Pure Gold Bracelet Collection

Marketing and Promotion

The Group strongly believes in the value of a quality brand. The group continues to promote the "3D-GOLD" brand through a comprehensive marketing programme. Some of Group's marketing programme include:

– Organized a " 2016 Brand Licensee Business Seminar" in Shenzhen, the PRC;

– Being the scepter and crown sponsor of the "Miss Chinese International Pageant 2017" for the 7th consecutive year, with a presentation ceremony held in the Tsim Sha Tsui shop of Hong Kong;

– Organized a "SHINING in LOVE 2017 New Product Launch" in Shenzhen, of PRC

Awards and Achievements

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

- "QF Partnerships Commendation" awarded by Qualifications Framework
- "2016 Service Retailers of the Year – Silver Award" awarded by HKRMA
- "Q-Mark Service Elite 2016" awarded by Hong Kong Q-Mark Council
- "2017 Outstanding QTS Merchant – Bronze Award" awarded by HKTB

Other Businesses

The Group is exploring new business opportunities to generate additional revenue. Given that the entertainment and e-commerce businesses are non-core and loss-making businesses, the Group disposed these businesses so as to better focus its resources on its core business.

The Group also reviewed the status of the research and development of its clean energy project. It is expected that further testing is required before the new fuel can be commercialised, and, in turn benefit the Group. At the end of the reporting period, the Directors conducted an impairment assessment on the value of this business. With reference to a valuation conducted by an independent professional valuer, Greater China Appraisal Limited, an impairment loss has been recognised. Meanwhile, the Group is allocating its resources to its existing businesses and other investment opportunities as may be identified from time to time.

OUTLOOK

Given the uncertainty in the global economy, the slowdown in economic growth in Mainland China and a decline in the consumption of luxury goods as a result of the promotion of the anti-corruption campaign by the Chinese government, the Group remains cautiously optimistic about the prospects of its business growth in the coming year. Looking ahead, the Group is positive about the business outlook in the medium-to-long run, despite short-term market volatility. Mainland China continues to be our major market. Although the economic growth in Mainland China is said to be lower than the targeted rate, it remains one of the fastest-growing economies in the world and buttresses the Group's optimistic business outlook in the medium-to-long run.

The management remains optimistic to improve its business performance. The strategic direction the Group has taken is aimed at restoring its long-term sustainable growth and profitability. The market volatility, however, may result in uncertainty for its short-term performance. The Group will continue to enhance the operational and process controls, improve its brand positioning, assist its franchisees to improve profitability, introduce products with higher gross profit margins, and maintain effective cost controls.

The Group has also been exploring new business opportunities to generate additional revenue. Ultimately, it aims to achieve its goals, which will result in growth and value to our investors and other stakeholders.

INVESTOR RELATIONS

The Group highly 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 through open and effective communication, enabled investors and the investment community to better understand its management philosophy and long-term development plans.

Throughout the Year, the Group has arranged one-on-one meetings and corporate as well as retail visits for fund managers. The Group welcomes and treasures investors' comments as they can provide a means to strengthen its value to shareholders. The Group resolves to continue its efforts to create value for investors.

OTHERS

Liquidity, Financial Resources and Capital Structure

The Group centralises funding for all its operations through the corporate treasury based in Hong Kong. As at 30 June 2017, the Group had total cash and cash equivalents amounting to HK$693 million (30 June 2016: HK$442 million) whilst total net assets were HK$218 million (30 June 2016: HK$405 million). The Group's net gearing ratio as at 30 June 2017 was 309% (30 June 2016: 145%), being a ratio of total borrowing of HK$1,383 million (30 June 2016: HK$1,030 million) less pledged bank deposits and bank balances and cash of HK$693 million (30 June 2016: HK$442 million) to total equity of HK$218 million (30 June 2016: HK$405 million). After taking into account the gold inventories of HK$308 million (30 June 2016: HK$323 million), the Group's adjusted net gearing ratio as at 30 June 2017 was 175% (30 June 2016: 65%), being a ratio of total borrowing less pledged bank deposits, bank balances and cash and gold inventories to total equity. As at 30 June 2017, the Group has available unutilised revolving banking facilities of HK$76 million (30 June 2016: HK$138 million).

Capital Commitments

Capital commitments of the Group as at 30 June 2017 are set out in note 15.

Pledged Assets and Contingent Liabilities

Pledged assets of the Group as at 30 June 2017 are set out in note 16. The Group did not have any material contingent liabilities as at 30 June 2017.

Event after the end of the reporting period

Subsequent to 30 June 2017, the Company was proposed to increase the total authorised share of capital of the Company from HK$90,000,000 to HK$230,000,000, of which the authorised share capital in respect of the ordinary shares from HK$60,000,000 divided into 6,000,000,000 ordinary shares to HK$200,000,000 divided into 20,000,000,000 ordinary shares by the creation of 14,000,000,000 additional ordinary shares, which will rank pari passu in all respects with the existing ordinary shares. The resolution to increase the authorised share capital was passed at the special general meeting held on 10 August 2017.

Financial Risk and Exposure

Except for the financial derivatives set out in notes 11 and 13, the Group did not have any outstanding material foreign exchange contracts, interest or currency swaps, or other financial derivatives as at 30 June 2017.

Employees and Remuneration Policy

As at 30 June 2017, the Group had 1,330 employees (2016: 1,604). 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. Mrs. Wong Chew Li Chin resigned as the chairman of the Company on 31 May 2017. Mr. Wu Xiaolin was appointed as an executive Director on 31 May 2017, and has then taken up the role of chief executive of the Company. The Company has not appointed the chairman upon the resignation of Mrs. Wong Chew Li Chin, and Mr. Wu Xiaolin has been assuming the roles of chairman of the Company. The Board is of the view that currently vesting the roles of chairman and chief executive in Mr. Wu Xiaolin 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 2017 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, Dr. Loke Yu alias Loke Hoi Lam, Mr. Xu Xiaoping and Mr. Fan, Anthony Ren Da.

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 2017 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
Mr. Lam Kwok Hing, Wilfred
Executive Director

Hong Kong, 27 September 2017

As at the date of this announcement, the Board comprises Mr. Lam Kwok Hing, Wilfred, J.P., Mr. Wu Xiaolin, Mr. Zhao Jianguo and Ms. Dai Wei as executive Directors, Mr. Cheung Pak To, Patrick, BBS as non-executive Director and Dr. Loke Yu alias Loke Hoi Lam, Mr. Xu Xiaoping and Mr. Fan, Anthony Ren Da as independent non-executive Directors.