香港資源控股
HONG KONG RESOURCES HOLDINGS
(Stock Code: 2882)

EXPLORE

annual report 2017

OPPORTUNITIES

"Mainland China will continue to be our major market......" one of the fastest growing economies in the world and support the Group's optimistic business outlook in the medium to long run.

• IMAGE: reinforcing our trendy image and promotion with glamourous and popular artists & celebrities

• PRODUCT: more K-gold jewellery will also be launched as it has a high level of creativity

• CHANNEL: opening new stores within the region, developing sales online platform & introducing premium products

Contents

HKRH is poised to take advantage of excellent opportunities ahead.

Mission

Hong Kong Resources Holdings Company Limited aims at growing into a jewellery retailer of scale, and at developing brands with international recognition in Greater China, East Asia and beyond.

We continue to seek products of precious metals and stones; distribution channels, both brick-and-mortar and e-commerce; as well as partners with strategic fit for franchising or alliance.

Starry Shimmer Collection

Corporate Information

DIRECTORS

Executive Directors

Mr. Lam Kwok Hing, Wilfred, J.P. *(re-designated from Non-executive Director to Executive Director on 12 April 2017)*

Mr. Wu Xiaolin[c] *(appointed on 31 May 2017)*

Mr. Zhao Jianguo *(appointed on 31 May 2017)*

Ms. Dai Wei *(appointed on 31 May 2017)*

Mrs. Wong Chew Li Chin[b,c], *Chairman (resigned on 31 May 2017)*

Ms. Wong Wing Yan, Ella *(resigned on 31 May 2017)*

Non-executive Director

Mr. Cheung Pak To, Patrick, BBS

Independent Non-executive Directors

Dr. Loke Yu alias Loke Hoi Lam[a,b,c] *(appointed on 31 May 2017)*

Mr. Xu Xiaoping[a,b,c] *(appointed on 31 May 2017)*

Mr. Fan, Anthony Ren Da[a,b,c]

Mr. Wong Kam Wing[a,b,c] *(resigned on 31 May 2017)*

Mr. Fan Chun Wah, Andrew[a], J.P. *(resigned on 31 May 2017)*

COMPANY SECRETARY

Mr. Fu Yat Ming

[a] *Member of the Audit Committee*

[b] *Member of the Remuneration Committee*

[c] *Member of the Nomination Committee*

AUDITORS

Deloitte Touche Tohmatsu

Certified Public Accountants

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton, HM11

Bermuda

PRINCIPAL OFFICE IN HONG KONG

Room 905, 9th Floor, Star House

3 Salisbury Road, Tsim Sha Tsui

Kowloon

Hong Kong

Corporate Information

PRINCIPAL BANKERS

Hang Seng Bank
DBS Bank
Shanghai Commercial Bank

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

2882

WEBSITE

www.hkrh.hk

Major Events

AUGUST 2016

3D-GOLD Jewellery has organized a "2016 Brand Licensee Business Seminar" in Shenzhen of PRC.

SEPTEMBER 2016

Anniversary celebration of 3D-GOLD Jewellery in Hefei of PRC.

OCTOBER 2016

Anniversary celebration of 3D-GOLD Jewellery in Nanning of PRC.

NOVEMBER 2016

3D-GOLD Jewellery shop opening celebration (Xiamen of PRC).

DECEMBER 2016

Anniversary celebration of 3D-GOLD Jewellery in Hefei of PRC.

Major Events

JANUARY 2017

3D-GOLD Jewellery launched the latest TV commercial with the theme of "Starry Shimmer Collection" by the brand's spokeswoman, Ms. Kelly Chen.

JANUARY 2017

3D-GOLD Jewellery continued to be the scepter and crown sponsor of "Miss Chinese International Pageant 2017" for the 7th consecutive year, and a presentation ceremony was held in the Tsimshatsui shop of Hong Kong.

FEBRUARY 2017

3D-GOLD Jewellery shop opening celebration (Yichang of PRC).

APRIL 2017

3D-GOLD Jewellery has organized a "SHINING in LOVE 2017 New Product Launch" in Shenzhen of PRC.

Letter to the Shareholders

Dear shareholders,

On behalf of Hong Kong Resources Holdings Company Limited ("**HKRH**" or the "**Group**"). I present to you the Group's results for the year ended 30 June 2017.

We see signs of turnaround of tourist visitations from Mainland China and retail sales value in the year 2017. The Group will continue to promote our brand "3D-GOLD" to secure higher recognition and trust and continue to seize the market opportunities to increase the number of shops and revenue mix of Mainland China, Hong Kong and Macau.

The Group has also been exploring new opportunities to generate additional revenue. We look forward to achieving mutually beneficial results, in turn, creating greater value for HKRH and delivering better returns to our shareholders and investors.

In closing, on behalf on the Board, I extend my sincere appreciation to the management team and staff of the Group for their contribution and also give our gratitude to all our shareholders for their continuous support in this challenging year. We expect the year ahead to be full of opportunities and challenges. As always, we strive to create greater value for our shareholders and investors.

Mr. Wu Xiaolin
Executive Director

Management Discussion and Analysis

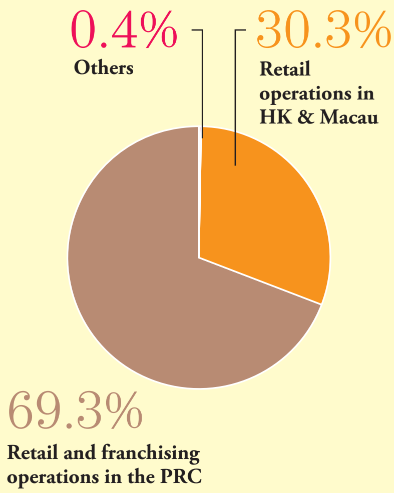
OVERVIEW

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.

Turnover Breakdown by Business

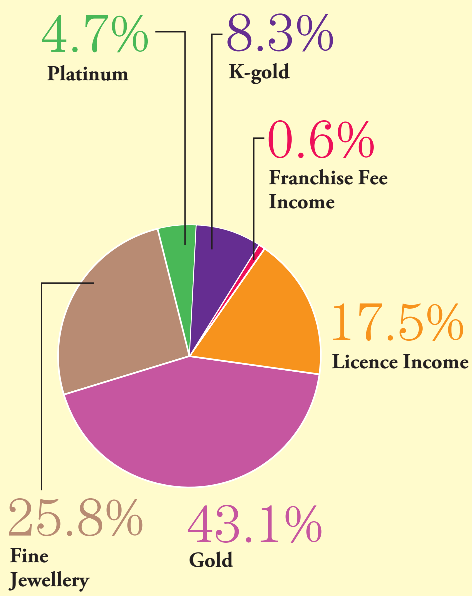


FINANCIAL REVIEW

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%).

Gross Profit Analysis by Products



over
300
shops in China

345 shops in Mainland China
7 shops in Hong Kong
2 shops in Macau

21	Anhui	2	Hainan	35	Jiangsu	1	Shanghai
22	Beijing	15	Hebei	1	Jiangxi	5	Shanxi
6	Chongqing	7	Heilongjiang	2	Jilin	3	Sichuan
8	Fujian	10	Henan	10	Liaoning	12	Tianjin
4	Gansu	7	Hong Kong	2	Macau	2	Xinjiang
61	Guangdong	27	Hubei	6	Ningxia	4	Zhejiang
16	Guangxi	3	Hunan	8	Shaanxi		
1	Guizhou	5	Inner Mongolia	48	Shandong		

金至尊
3D-GOLD

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 31.

Pledged Assets and Contingent Liabilities

Pledged assets of the Group as at 30 June 2017 are set out in note 33. 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 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 22 and 27, 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.

Environmental, Social and Governance Report

This Environmental, Social and Governance ("**ESG**") Report is prepared in compliance with the ESG Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities ("**Listing Rules**") on The Stock Exchange of Hong Kong Limited. The Group intends to communicate its ESG management approach and related policies to its stakeholders through the compilation of this report.

Reporting Period and Scope

For the period from 1 July 2016 to 30 June 2017, the report covers Hong Kong Resources Holdings Company Limited and its subsidiaries (the "**Group**"), including trading and sale of gold, platinum and jewellery products in Hong Kong, Macau and other region in the PRC through retailing, licensing and e-commerce.

Message to Stakeholders

The Group believes it is critical to identify risks associated with ESG to achieve long term business success. This report not only allows us to reflect on how the Group is doing sustainability-wise, it also enables the Group to remain transparent and accountable in its ESG disclosure.

Operating in the retail industry, we understand that our ESG aspects would not be material on environmental issues given our minimal impact on resources consumption and emissions. Having said that, we have implemented various resources saving measures in our daily business operations, demonstrating our diligence on environmental protection efforts.

It is, however, the trust and satisfaction of our customers that define the success in the industry. To achieve that, we have been stringent in fulfilling all applicable rules and regulations, upholding our professional standard and safeguarding our client's interests. In the Year, there were no reported cases of corruption or money-laundering within the Group.

Retail services are all about recruiting and retaining the right people. The Group has taken great efforts into ensuring our employees are healthy and well, and encouraging our employees to stay work-life balance.

Looking forward, the Group will continue its endeavor to incorporate ESG principles throughout its business operations. ESG reporting has become an excellent tool for the Group to reflect internally and identify areas for future improvement. Although we have tried to present information in the most comprehensive and clear manner as far as possible, we acknowledge there is still room for improvement. As we commence our sustainability reporting journey, we look forward to your precious feedback and continuous support.

ESG Management Approach

Engaging in different business segments including trading and sale of gold, platinum and jewellery products in Hong Kong, Macau and other region in the PRC through retailing, licensing and e-commerce, the Group has minor environmental impact compared to that of many other industries. Nevertheless, the Group conducts its business with respect and consideration for the environment. While the ultimate responsibility for our ESG management responsibility rests with the Board, our management team has responsibility for day-to-day management of ESG aspects. Although our supply chain has minimal environmental and social impacts, we do encourage procurement of environmentally-friendly products and consumables.

The Group has been conducting ongoing dialogue with its stakeholders to better understand their priorities, concerns and feedback of the Group. We view stakeholder engagement as an integral part of our strategy to achieving long-term success, enabling us to better understand the risks and opportunities the Group is exposed to and helping us to improve our performance on ESG continuously. Below are the engagement approach and the sustainability issues that stakeholders are concerned about.

Stakeholder Group	Engagement Method	Topics
Government	• Actively monitor the latest financial laws and regulations • Strict compliance with the relevant laws and regulations	• Corporate governance • Employee protection • Taxation compliance
Investors and Shareholders	• Annual general meeting • Other general meeting • Financial reports • News releases	• Corporate governance • Information disclosure • Risk management
Customers	• VIP membership • Customer questionnaire • Company websites	• Corporate governance • Operational risk • Information disclosure • Information security
Employee	• Annual general meeting • Yearly appraisals • Company circulars	• Training and development • Health and safety • Employee well-being
Community	• Support community care and environmental protection activities	• Community investment

Lawful Operations

The Group is committed to ensure the principles of integrity and lawfulness being observed as it conducts its daily business operations. All employees are strictly required to behave with integrity and honesty, treat people fairly, respect diversity, obey all laws, accept accountability, communicate openly, and always behave in a way that is beyond reproach.

The Group has set out the anti-corruption policies in our employee handbook and code of ethical conduct, including the avoidance of conflict of interest and the prohibition of acceptance of advantages from suppliers or business partners. All employees are strictly required to observe such policies. During the Year, we were not aware of any breach of laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering.

The Group strictly adheres to strong governance practices, ensuring principles of integrity, openness and fairness are adopted as we deal with our customers. As the Group principally engages in the retail industry, we were not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group concerning health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress in the Year. Considering the business nature, the impact from our supply chain is minimal compared to some of the other industries. We do however communicate with key vendors and prefer to procure based on a resource saving manner.

Community

As a responsible corporate citizen, the Group believes it is important to give back to the community where we have operations. Throughout the years, the Group has actively supported a variety of charity and community programs, and encouraged our employees to participate in community or environmental protection activities. Highlights of the activities participated by the Group during the Year are as follows:

- **Awarded "Caring Company 5+"** by The Hong Kong Council of Social Service ("**HKCSS**"). The "**Caring Company Scheme**" was launched by HKCSS in 2002, which aims at cultivating good corporate citizenship. It is specifically geared to build strategic partnerships among businesses and non-profit organizations to create a more cohesive society.

- **Participated "The Community Chest Skip Lunch Day"** which encouraged our employees to save their lunch expenses to sponsor the services for street sleepers and residents in cage homes supported by The Community Chest.

- **Supported donation to "People Food Bank"** of St. James' Settlement for the services of single parent or low income families, street sleepers and other needy, and participation of our volunteer team in hot meal service to serve the elderly and low income people.

People

Having a healthy and motivated team of talents is crucial for the Group's development and growth. As of 30 June 2017, the Group had a total number of 1,330 employees in Hong Kong, Macau and other region in the PRC. Being a lawful employer, the Group strictly complies with the relevant labour laws and regulations. In the Year, the Group was not aware of any non-compliance with laws and regulations having a significant impact on the Group relating to employment and labour practices; and occupational health and safety. Nor did we identify any incidents relating to the use of child or forced labour.

Talent is key to the success of retail industry. The Group firmly believes the provision of competitive remuneration packages and an extensive range of employee benefits can not only attract the best talents, but also boost employee's morale.

Every year, the Group reviews its employee remuneration system based on the Group's internal business needs and overall market conditions to maintain its competitiveness. As a token to recognize the hard work of our employees, the Group adopts a share option scheme in which options are granted to outstanding employees to remunerate and motivate them.

To improve the personal growth of our staff and to lay a foundation for the Group's sustainable development, we organize regular training programs for employees and actively encourage them to take relevant courses organized by professional institutes, aiming to improve our employees' professional knowledge, skills, techniques and competitive advantages, so as to broaden the horizon of our employees.

Providing a healthy and safe work environment is one of the Group's top priorities. Given the indoor nature of our business operations, the chances of accidents tend to occur less in the indoor environment compared to other work settings.

Environmental

The Group is committed to reducing our environmental impact to the minimum. Given that the Group engages principally in trading and sale of gold, platinum and jewellery products in Hong Kong, Macau and other region in the PRC through retailing, licensing and e-commerce, the environmental impact of our business operations are relatively minor compared to other business industries. Our emissions profile typically consists of indirect emissions from purchased electricity, paper, transportation and other office consumables.

Nevertheless, the Group is dedicated in maximizing its efforts in environmental protection. The Group has taken a step further to incorporate environmentally friendly principles in its daily business office operations through implementing energy and paper saving initiatives such as installing LED lighting, switching off electrical appliances when not in use, and reusing single-sided paper etc. In the Year, the Group is not aware of any non-compliance of relevant laws and regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

The Stock Exchange ESG Reporting Guide Index

	ESG Reporting Guide General Disclosures	Reference Section
	A. Environmental	
Aspect A1	**Emissions**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental
Aspect A2	**Use of Resources**	
General Disclosure	Policies on efficient use of resources, including energy, water and other raw materials.	Environmental
Aspect A3	**The Environment and Natural Resources**	
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Environmental
	B. Social	
Aspect B1	**Employment**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	People

	ESG Reporting Guide General Disclosures	Reference Section
Aspect B2	**Health and Safety**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	People
Aspect B3	**Development and Training**	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	People
Aspect B4	**Labour Standards**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour.	People
Aspect B5	**Supply Chain Management**	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Lawful Operations
Aspect B6	**Product Responsibility**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Lawful Operations
Aspect B7	**Anti-Corruption**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Lawful Operations
Aspect B8	**Community Investment**	
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community

Profiles of Directors

EXECUTIVE DIRECTORS

Mr. Lam Kwok Hing, Wilfred, *J.P.*, aged 58, joined the Company as Director of Business Operations (China) and as Group Vice President of 3D-GOLD Jewellery Group on 1 April 2009. Mr. Lam was appointed as an Executive Director and Group Vice President on 17 August 2011, re-designated as a Non-executive Director on 1 July 2015 and then re-designated again as an Executive Director on 12 April 2017. Mr. Lam holds a bachelor degree in Law with honours from the University of Hong Kong.

Mr. Lam is the chairman and executive director of Chinese Strategic Holdings Limited (Stock Code: 8089) and the non-executive director of The Hong Kong Building and Loan Agency Limited (Stock Code: 145). Mr. Lam was the chairman and executive director of Lamtex Holdings Limited (formerly known as China New Energy Power Group Limited) (Stock Code: 1041) from 16 June 2015 to 13 March 2016. Mr. Lam was an independent non-executive director of PME Group Limited (Stock Code: 379) from 14 April 2011 to 30 December 2014. Mr. Lam was a director (appointed as an independent non-executive director on 13 May 2009, re-designated to a non-executive director on 3 February 2010, appointed as a non-executive vice-chairman on 5 August 2010 and resigned on 11 July 2014) of National Arts Entertainment and Culture Group Limited (Stock Code: 8228) from 13 May 2009 to 11 July 2014. Mr. Lam was an independent non-executive director of Value Convergence Holdings Limited (Stock Code: 821) from 4 January 2010 to 30 May 2013. All of these companies are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Mr. Wu Xiaolin, aged 36, was appointed as an Executive Director on 31 May 2017. Mr. Wu graduated from Huaibei Normal University with a bachelor of science degree in information and computer science. Mr. Wu is currently the general manager of 深圳市茂商會小額貸款有限公司. Mr. Wu is an executive director and the chief executive officer of Lamtex Holdings Limited (stock code: 1041), a company listed on the main board of the Stock Exchange. Mr. Wu was an executive director and deputy chairman of Mega Medical Technology Limited (stock code: 876), a company listed on the main board of the Stock Exchange, from 20 June 2014 to 21 February 2017.

Mr. Zhao Jianguo, aged 37, was appointed as an Executive Director on 31 May 2017. Mr. Zhao holds a bachelor degree in civil engineering from Shijiazhuang Railway Institute and a master degree in finance from University of International Business and Economics, China. Mr. Zhao worked for China Minmetals Corporation from 2006 to 2016, and has served as the manager of planning department and investment department of China National Metal Products Co., Ltd. and, from 2013 to 2016, the deputy general manager of China National Metal Hong Kong Corporation Limited. Mr. Zhao is currently the general manager of equity investment department and the deputy general manager of Kerui Jinrong Limited.

Ms. Dai Wei, aged 37, was appointed as an Executive Director on 31 May 2017. Ms. Dai holds a double master degree in statistics, finance and actuary from Catholic University of Louvain, Belgium. Ms. Dai has worked for ING Bank and China Sonangol International Limited. Ms. Dai was the chief financial officer of Titan Petrochemicals Group Limited (stock code: 1192), a company listed on the main board of the Stock Exchange. Ms. Dai has been assigned key positions in a number of cross border merger and acquisition and investment projects in gas, oil and mining.

NON-EXECUTIVE DIRECTORS

Mr. Cheung Pak To, Patrick, *BBS*, aged 68, joined the Company as a Group Director of Administration on 1 June 2009. Mr. Cheung was appointed as an Executive Director on 15 November 2012 and re-designated as a Non-executive Director on 1 July 2015. Mr. Cheung holds a master's degree in public administration from the University of Hong Kong of which he is a distinguished alumnus. Mr. Cheung's extensive administrative management and discipline enforcement experience was gained during his 21 years as a UK Government civilian officer employed in Hong Kong up to 1989 and subsequently during his 20 years with the Securities and Futures Commission Hong Kong. On the social and community responsibilities front, Mr. Cheung was a devoted volunteer officer in the Hong Kong Civil Aid Service for 30 years during which he was appointed as honorary Aide-de-Camp to Governors Lord Wilson and Mr. Christopher Patten; and Chief Executive Mr. Tung chee-hwa for 10 consecutive years from 1990 to 1999. Mr. Cheung achieved the rank of Assistant Commissioner in the Hong Kong Civil Aid Service and was awarded the Bronze Bauhinia Star by the HKSAR in 2003. Mr. Cheung is an independent non-executive director of National Agricultural Holdings Limited (Stock Code: 1236), a company listed on the main board of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Loke Yu alias Loke Hoi Lam, aged 68, was appointed as an Independent Non-executive Director on 31 May 2017. Dr. Loke has over 40 years of experience in accounting and auditing for private and public companies, financial consultancy and corporate management. He holds a master of business administration degree from Universiti Teknologi Malaysia and a doctor of business administration degree from University of South Australia. Dr. Loke is a fellow member of The Institute of Chartered Accountants in England & Wales, The Hong Kong Institute of Certified Public Accountants, The Hong Kong Institute of Chartered Secretaries, The Hong Kong Institute of Directors and Hong Kong Independent Non-Executive Directors Association.

Dr. Loke is currently the company secretary of Minth Group Limited (stock code: 425) and serves as an independent non-executive director of V1 Group Limited (stock code: 82), China Beidahuang Industry Group Holdings Limited (stock code: 39), Winfair Investment Company Limited (stock code: 287), China Fire Safety Enterprise Group Limited (stock code: 445), Matrix Holdings Limited (stock code 1005), SCUD Group Limited (stock code 1399), Zhong An Real Estate Limited (stock code 672), Chiho-Tiande Group Limited (stock code 976), Tianjin Development Holdings Limited (stock code 882), China Household Holdings Limited (stock code 692), Tianhe Chemicals Group Limited (stock code 1619), Lamtex Holdings Limited (stock code 1041), Forebase International Holdings Limited (stock code: 2310) and Hang Sang (Siu Po) International Holding Company Limited (stock code 3626). He was an independent non-executive director of Mega Medical Technology Limited (stock code: 876) from 20 June 2014 to 10 January 2017. All of these companies are listed on the main board of the Stock Exchange.

Mr. Xu Xiaoping, aged 52, was appointed as an Independent Non-executive Director on 31 May 2017. Mr. Xu is an experienced management personnel. Mr. Xu started his career in 1989 and has served in 深華貿易有限公司 (Shen Hua Trading Limited) and 天奇電子有限公司 (Tian Qi Electrons Limited), which were companies carrying on the business of online banking services in the PRC. Mr. Xu has also acted as the chairman of the board of directors of 深圳市奔翔物流有限公司 (Shenzhen Ben Xiang Logistics Limited), a company carrying on the business of air cargo services in the PRC. Mr. Xu is currently the investor of 嘉興友夲投資合夥企業 (Jia Xing You Ben Investment Partnership), which is engaged in the venture capital business. Mr. Xu is an independent non-executive director of Prosten Health Holdings Limited (stock code: 8026), a company listed on the Growth Enterprise Market of the Stock Exchange. He was a non-executive director of PPS International (Holdings) Limited (stock code: 8201), a company listed on the Growth Enterprise Market of the Stock Exchange, from 22 October 2015 to 3 July 2016.

Mr. Fan, Anthony Ren Da, aged 57, was appointed as an Independent Non-executive Director on 30 September 2008. Mr. Fan holds a master degree of business administration from the United States. He is the chairman and managing director of AsiaLink Capital Limited. Prior to that, he held senior positions with various international financial institutions and was the managing director of a company listed on the Stock Exchange.

Mr. Fan is an independent non-executive director of Uni-President China Holdings Ltd. (Stock Code: 220), Citic Resources Holdings Limited (Stock Code: 1205), Shanghai Industrial Urban Development Group Limited (Stock Code: 563), Renhe Commercial Holdings Company Ltd. (Stock Code: 1387), Technovator International Limited (Stock Code: 1206), Guodian Technology & Environment Group Corporation Limited (Stock Code: 1296), Tenfu Cayman Holdings Ltd. (Stock Code: 6868), China Development Bank International Investment Limited (Stock Code: 1062), Raymond Industrial Limited (Stock Code: 229), CGN New Energy Holdings Co., Ltd. (Stock Code: 1811) and Neo-Neon Holdings Limited (Stock Code: 1868). Mr. Fan was an independent non-executive director of LT Commercial Real Estate Limited (Stock Code: 112) from 27 March 2013 to 30 June 2017. All of these companies are listed on the main board of the Stock Exchange.

Corporate Governance Report

The Company is committed to establishing and maintaining a high standard of corporate governance in every aspect of its conduct of business operations. The Company believes that by adopting and embracing a well-balanced set of corporate governance principles will ensure that the best interests of shareholders and other stakeholders, customers, suppliers and other business counter parties are served.

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 ended 30 June 2017 (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.

DIRECTORS' SECURITIES TRANSACTIONS

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 (the "**Director(s)**") 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.

BOARD OF DIRECTORS

The Board comprises the following Directors during the Year and up to the date of this annual report. Brief profiles of the Directors are set out on pages 21 to 22 of this annual report. During the Year, nine board meetings and one general meeting were held and the attendance of each Director is set out below:

	Attendance/Number of meetings	
Executive Directors	**Board meetings**	**Annual general meeting**
Mr. Lam Kwok Hing, Wilfred *(re-designated from Non-executive Director to Executive Director on 12 April 2017)*	8/9	0/1
Mr. Wu Xiaolin *(appointed on 31 May 2017)*	2/2	N/A
Mr. Zhao Jianguo *(appointed on 31 May 2017)*	2/2	N/A
Ms. Dai Wei *(appointed on 31 May 2017)*	2/2	N/A
Mrs. Wong Chew Li Chin, Chairman *(resigned on 31 May 2017)*	7/7	0/1
Ms. Wong Wing Yan, Ella *(resigned on 31 May 2017)*	7/7	1/1
Non-executive Director		
Mr. Cheung Pak To, Patrick	9/9	1/1
Independent Non-executive Directors		
Dr. Loke Yu alias Loke Hoi Lam *(appointed on 31 May 2017)*	2/2	N/A
Mr. Xu Xiaoping *(appointed on 31 May 2017)*	1/2	N/A
Mr. Fan, Anthony Ren Da	9/9	0/1
Mr. Wong Kam Wing *(resigned on 31 May 2017)*	7/7	1/1
Mr. Fan Chun Wah, Andrew *(resigned on 31 May 2017)*	7/7	1/1

The primary responsibilities of the Board are to establish the Group's vision, strategic direction, general policies and strategic business plans; to monitor and control the operating and financial performance of the Group; to implement the best corporate governance practices throughout the Group; and to set appropriate policies to assess and manage risks in pursuit of the strategic objectives of the Group.

The Board has delegated the daily operations of the Company to the Management comprising all executive Directors, management staff, and operating heads of different business units. The main responsibilities of the Management are to implement the strategies and business plans set by the Board and to manage the Group's business operations in accordance with the policies and directives of the Board.

All the Directors do not have any financial, business, family or other material/relevant relationship with each other. In addition, the much recently advocated board diversity in gender, age, profession, culture and religion are being observed by the Company in boardroom composition.

The Directors have been informed of the requirement under CG Code A.6.5 regarding continuous professional development. The Company has received from each of the Directors a written record of his or her continuous professional development.

The Company has arranged appropriate liability insurance to indemnify the Directors for their liabilities arising out of corporate activities. The insurance coverage is reviewed annually.

BOARD COMMITTEES

The Board has established three committees, namely, the Remuneration Committee, the Nomination Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees are established with defined written terms of reference which are available on the Stock Exchange's website and on the Company's website.

Remuneration Committee

The Remuneration Committee comprises the following Directors during the Year and up to the date of this annual report. During the Year, five Remuneration Committee meetings were held and the attendance of each member is set out below:

Remuneration Committee	**Attendance/Number of meetings**
Independent Non-executive Directors	
Mr. Xu Xiaoping, *Chairman (appointed on 31 May 2017)*	1/1
Dr. Loke Yu alias Loke Hoi Lam *(appointed on 31 May 2017)*	1/1
Mr. Fan, Anthony Ren Da *(ceased to be Chairman on 31 May 2017)*	5/5
Mr. Wong Kam Wing *(resigned on 31 May 2017)*	4/4
Executive Director	
Mrs. Wong Chew Li Chin *(resigned on 31 May 2017)*	4/4

The main duties of the Remuneration Committee are to (i) make recommendation to the Board on policy and structure for the remuneration of Directors and senior management; (ii) review and determines the remuneration packages of executive Directors and senior management of the Group with reference to the corporate goals and objectives; and (iii) ensure that no Director or any of his associate is involved in deciding his own remuneration.

During the Year, the Remuneration Committee had reviewed and approved matters relating to the remuneration of the executive Directors, non-executive Directors and independent non-executive Directors, after assessing the individual performance and in consultation with the proposals of the Chairman of the Company.

Nomination Committee

The Nomination Committee comprises the following Directors during the Year and up to the date of this annual report. During the Year, three Nomination Committee meetings were held and the attendance of each member is set out below:

Nomination Committee	**Attendance/Number of meetings**
Independent Non-executive Directors	
Dr. Loke Yu alias Loke Hoi Lam *(appointed on 31 May 2017)*	N/A
Mr. Xu Xiaoping *(appointed on 31 May 2017)*	N/A
Mr. Fan, Anthony Ren Da	3/3
Mr. Wong Kam Wing, *Chairman (resigned on 31 May 2017)*	3/3
Executive Directors	
Mr. Wu Xiaolin, *Chairman (appointed on 31 May 2017)*	N/A
Mrs. Wong Chew Li Chin *(resigned on 31 May 2017)*	3/3

The main duties of the Nomination Committee are to (i) review the structure, size and composition of the Board, (ii) make recommendations to the Board regarding any proposed change and to identify individual suitably qualified to become the Board members; (iii) assess the independence of independent non-executive directors and (iv) make recommendations to the Board on relevant matters relating to the appointment of Directors and succession plan for Directors.

During the Year, the Nomination Committee had considered matters relating to the structure, size and composition of the Board, the re-election of retiring directors at the 2016 annual general meeting of the Company, the re-designation of directorship and the appointment of new directors and committee members.

The terms of reference of the Nomination Committee includes the consideration of board diversity whenever there is the requirement for the nomination of a Director. The diversity of board members can be achieved through consideration of a number of factors, including but not limited to gender, age, cultural and educational background, or professional experience. The Committee will also take into account the Company's business model and specific needs.

Audit Committee

The Audit Committee comprises the following Directors during the Year and up to the date of this annual report. During the Year, two Audit Committee meetings were held and the attendance of each member is set out below:

Audit Committee	**Attendance/Number of meetings**
Independent Non-executive Directors	
Dr. Loke Yu alias Loke Hoi Lam, *Chairman (appointed on 31 May 2017)*	N/A
Mr. Xu Xiaoping *(appointed on 31 May 2017)*	N/A
Mr. Fan, Anthony Ren Da	2/2
Mr. Fan Chun Wah, Andrew, *Chairman (resigned on 31 May 2017)*	2/2
Mr. Wong Kam Wing *(resigned on 31 May 2017)*	2/2

The main duties of the Audit Committee are to (i) review the financial statements and reports and consider any significant or unusual items raised by the employee, internal auditors and external auditors; (ii) review the adequacy and effectiveness of the Group's financial reporting system and internal control system; and (iii) review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendations to the Board on the appointment, reappointment and removal of external auditors.

During the Year, the Audit Committee had:

(i) reviewed the Group's annual report for the year ended 30 June 2017 and the Group's interim report for the 6 months ended 31 December 2016 with the external auditors;

(ii) reviewed the external auditors' letter to the management and responses of the management;

(iii) reviewed the effectiveness of the Group's risk management and internal control systems;

(iv) reviewed the internal audit findings and recommendations of the Internal Audit Department and the responses of the management; and

(v) reviewed the continuing connected transactions entered into by the Group.

The Audit Committee had reviewed with the external auditors the financial statements of the Group for the year ended 30 June 2017.

AUDITOR'S REMUNERATION

During the Year, the remuneration paid or payable to the Company's auditor is set out below:

Auditor	**Services rendered**	**Fees paid/payable**
		HK$'000
Deloitte Touche Tohmatsu	Audit services	2,160
Deloitte Touche Tohmatsu	Non-audit services	595

FINANCIAL REPORTING

The Directors acknowledge their responsibility for the preparation of the financial statements that give a true and fair view of the Group's financial position and are in accordance with applicable accounting standards and statutory rules and guidelines. The financial statements are prepared on a going concern basis.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for overseeing the risk management and internal control systems of the Group and reviewing their effectiveness at least annually. The Management has been delegated the responsibility of identifying and evaluating the risks faced by the Group and of designing, operating and monitoring an effective internal control system that covers governance, compliance, risk management, financial as well as operational control.

The risk management process includes risk identification, risk evaluation, risk management measures and risk control and review. The Management is delegated to identify, analyze, evaluate, respond, monitor and communicate risks associated with any activity, function or process within its scope of responsibility and authority, and assists the Board to manage and control such risks by ensuring an effective risk management system is maintained and operated within the Group.

The internal control system is designed to provide reasonable, but not absolute, assurance on the effectiveness and efficiency of operations in achieving the established corporate objectives, safeguarding the Group's assets, providing reliable financial reporting information and complying with the applicable laws and regulations. Systems and procedures are also established to identify, measure, manage and control, rather than eliminate, different risks arising from different business and functional activities.

The Group's Internal Audit Department plays an important role in enhancing internal control system of the Group. It assists the Board in determining whether sound internal control system is maintained and operated in compliance with the established processes and standards by performing periodic audits over major operations of the Group, under a rotational cycle. If any material risks or internal control defects are found, the Group's Internal Audit Department will discuss with respective department heads to have actions agreed and subsequently followed up, in order to ensure that satisfactory controls is maintained. A summary of the internal audit activities and audit results will be submitted to the Board and the Audit Committee twice a year for review and all improvement actions will be properly followed up by the Management to ensure that they are implemented within a reasonable period of time.

The Group complies with requirements of the SFO and the Listing Rules and regulates the handling and dissemination of inside information to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made. The Group strictly prohibited unauthorized use of confidential or inside information.

The Board and the Audit Committee have reviewed the effectiveness of the Group's risk management and internal control systems for the Year, covering all material financial, operational and compliance controls, and considered the Group's risk management and internal control systems to be effective and adequate.

COMPANY SECRETARY

Mr. Fu Yat Ming was appointed as the company secretary of the Company on 29 January 2014. Mr. Fu is an employee of the Company.

SHAREHOLDERS' RIGHTS

Pursuant to Bye-Law 58 of the Bye-Laws of the Company, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition, and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

Any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The general meetings of the Company provide channels of communication for shareholders to give their views and comments to the Company.

Shareholders may send their enquires to the Board by post to Room 905, 9/F., Star House, 3 Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong to the attention of the Board of Directors.

INVESTOR RELATIONS

No amendments were made to the Memorandum and Bye-Laws of the Company during the Year.

Directors' Report

The directors of the Company (the "Directors") present their annual report and audited consolidated financial statements of the Company and of the Group for the year ended 30 June 2017 (the "Year").

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries are set out in note 39 to the consolidated financial statements.

RESULTS, DIVIDEND AND OTHER DISTRIBUTION

The results of the Group for the year ended 30 June 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 44.

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

BUSINESS REVIEW

A fair review and the outlook of the Group's business are provided in the Letter to Shareholders on page 9 and the Management Discussion and Analysis on pages 10 to 15 of this annual report. The financial risk management objectives and policies of the Group are set out in note 37 to the consolidated financial statements.

An account of the Group's relationship with its key stakeholders and discussions on the Group's environmental policies and performance and compliance with relevant laws and regulations are included in the Environmental, Social and Governance Report on pages 16 to 20 and the Corporate Governance Report on pages 23 to 28.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the Year in the property, plant and equipment of the Group are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements during the Year in the share capital of the Company are set out in note 28 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity and note 38 to the consolidated financial statements.

DIRECTORS

The Directors of the Company during the Year and up to the date of this report were:

Executive Directors
Mr. Lam Kwok Hing, Wilfred *(re-designated from Non-executive Director to Executive Director on 12 April 2017)*
Mr. Wu Xiaolin *(appointed on 31 May 2017)*
Mr. Zhao Jianguo *(appointed on 31 May 2017)*
Ms. Dai Wei *(appointed on 31 May 2017)*
Mrs. Wong Chew Li Chin *(resigned on 31 May 2017)*
Ms. Wong Wing Yan, Ella *(resigned on 31 May 2017)*

Non-executive Director
Mr. Cheung Pak To, Patrick

Independent Non-executive Directors
Dr. Loke Yu alias Loke Hoi Lam *(appointed on 31 May 2017)*
Mr. Xu Xiaoping *(appointed on 31 May 2017)*
Mr. Fan, Anthony Ren Da
Mr. Wong Kam Wing *(resigned on 31 May 2017)*
Mr. Fan Chun Wah, Andrew *(resigned on 31 May 2017)*

In accordance with the Company's bye-laws, Mr. Wu Xiaolin, Mr. Zhao Jianguo, Ms. Dai Wei, Mr. Cheung Pak To, Patrick, Dr. Loke Yu alias Loke Hoi Lam and Mr. Xu Xiaoping shall retire from office at the forthcoming annual general meeting and, being eligible, offers themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 30 June 2017, the interests and short positions of the directors and chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(a) Long positions in shares

	Number of ordinary shares				
Name of director	**Personal interests**	**Family interests**	**Corporate interests**	**Total**	**% of issued ordinary shares**
Mr. Lam Kwok Hing, Wilfred	8,880,000	560,000 (Note)	–	9,440,000	0.27%
Mr. Wu Xiaolin	–	–	–	–	–
Mr. Zhao Jianguo	–	–	–	–	–
Ms. Dai Wei	–	–	–	–	–
Mr. Cheung Pak To, Patrick	–	–	–	–	–
Dr. Loke Yu alias Loke Hoi Lam	–	–	–	–	–
Mr. Xu Xiaoping	–	–	–	–	–
Mr. Fan, Anthony Ren Da	–	–	–	–	–

Note:

The shares are held by the spouse of Mr. Lam Kwok Hing, Wilfred.

(b) Long positions in underlying shares of equity derivatives of the Company

Name of director	**Capacity**	**Number of shares interested**	**% of issued ordinary shares**
Mr. Lam Kwok Hing, Wilfred	Beneficial owner (Note a)	10,398,591	0.30%
	Family interests (Note b)	40,000	0.00%
Mr. Cheung Pak To, Patrick	Beneficial owner (Note a)	6,581,690	0.19%
Mr. Fan, Anthony Ren Da	Beneficial owner (Note a)	2,441,942	0.07%

Notes:

(a) All interests above are in the form of share options of the Company.

(b) These derivatives represent the 40,000 bonus warrant shares underlying the bonus warrants held by the spouse of Mr. Lam Kwok Hing, Wilfred.

Saved as disclosed above, none of the directors, chief executives nor their associates had any interests or short positions in any shares or debentures of the Company or any of its associated corporation at 30 June 2017.

SHARE OPTIONS AND CONVERTIBLE BONDS

Particulars of the Company's share option scheme and convertible bonds are set out in notes 29 and 22 to the consolidated financial statements respectively.

Save for the share option scheme and convertible bonds, no other equity-linked agreements were entered into by the Company during the Year or subsisting at the end of the Year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save for the share options and bonus warrants disclosed above, at no time during the Year was the Company or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2017, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company.

(a) Long positions in shares of the Company

Name of substantial shareholder	Capacity	Number of issued ordinary shares held	% of issued ordinary shares
Mr. Wen Jialong	Beneficial owner	5,661,957	0.16%
	Corporate interest (Note a)	980,222,476	27.83%
Weltrade Group Limited	Beneficial owner (Note a)	980,222,476	27.83%
Dr. Liu Wangzhi	Beneficial owner	15,556,000	0.44%
	Corporate interest (Note b)	186,874,847	5.31%
Mr. Wong Wai Sheung	Beneficial owner	5,831,430	0.17%
	Corporate interest (Note c)	76,899,993	2.18%
Mr. Chan Wai	Beneficial owner	1,000,000	0.03%
	Family interest	100,000	0.00%
	Corporate interest (Note c)	76,899,993	2.18%
Mr. Tse Moon Chuen	Beneficial owner	200,000	0.01%
	Corporate interest (Note c)	76,899,993	2.18%
Mr. Lee Shu Kuan	Corporate interest (Note c)	76,899,993	2.18%
Kwai Kee Cheung Jewellery & Goldsmith Company Limited	Corporate interest (Note c)	76,899,993	2.18%
Luk Fook (Control) Limited	Corporate interest (Note c)	76,899,993	2.18%
Luk Fook Holdings (International) Limited	Corporate interest (Note c)	76,899,993	2.18%

Notes:

(a) The shares are held by Weltrade Group Limited ("Weltrade"). Weltrade is a company wholly-owned by Mr. Wen Jialong ("Mr. Wen"). As such, Mr. Wen is deemed to be interested in all the shares held by Weltrade.

(b) The shares are held by Ming Feng Group Holdings Limited ("Ming Feng"). Ming Feng is owned as to 49% by Ms. Chan Yangfang ("Ms. Chan"), the spouse of Dr. Liu Wangzhi ("Dr. Liu") and 51% by Dr. Liu. Ms. Chan holds 49% shares in trust for Dr. Liu. As such, Dr. Liu is deemed to have interest in all the shares in Ming Feng.

(c) The corporate interest represents the aggregate of the two lots of shares being 45,000,000 shares held by Luk Fook Holdings Company Limited and 31,899,993 shares held by Luk Fook 3D Management Company Limited. Luk Fook Holdings Company Limited and Luk Fook 3D Management Company Limited are wholly owned by Luk Fook Investment (B.V.I.) Limited. Luk Fook Investment (B.V.I.) Limited is wholly owned by Luk Fook Holdings (International) Limited. Luk Fook (Control) Limited controls over one-third of the voting power of Luk Fook Holdings (International) Limited. Mr. Wong Wai Sheung is a discretionary beneficiary of the Wong's Family Trust (the "Trust"). The Trust is the beneficial owner of the entire issued share capital of Kwai Kee Cheung Jewellery & Goldsmith Company Limited which controls over one-third of the voting power of Luk Fook (Control) Limited. Mr. Wong Wai Sheung, Mr. Chan Wai, Mr. Tse Moon Chuen and the administrator of Mr. Lee Shu Kuan collectively control (directly or indirectly) over one-half of the voting power of Luk Fook (Control) Limited. Accordingly, Mr. Wong Wai Sheung, Mr. Chan Wai, Mr. Tse Moon Chuen, the administrator of Mr. Lee Shu Kuan, Kwai Kee Cheung Jewellery & Goldsmith Company Limited, Luk Fook (Control) Limited and Luk Fook Holdings (International) Limited are deemed to be interested in such shares.

(b) Long positions in underlying shares of equity derivatives of the Company

Name of substantial shareholder	Capacity	Number of shares interested	% of issued ordinary shares
Mr. Wen Jialong	Beneficial owner (Note a)	30,474,089	0.87%
Dr. Liu Wangzhi	Corporate interest (Note b)	7,500,000	0.21%
Mr. Wong Wai Sheung	Corporate interest (Note c)	317,111,111	9.00%
Mr. Chan Wai	Corporate interest (Note c)	317,111,111	9.00%
Mr.Tse Moon Chuen	Corporate interest (Note c)	317,111,111	9.00%
Mr. Lee Shu Kuan	Corporate interest (Note c)	317,111,111	9.00%
Kwai Kee Cheung Jewellery & Goldsmith Company Limited	Corporate interest (Note c)	317,111,111	9.00%
Luk Fook (Control) Limited	Corporate interest (Note c)	317,111,111	9.00%
Luk Fook Holdings (International) Limited	Corporate interest (Note c)	317,111,111	9.00%
Luk Fook 3D Management Company Limited	Beneficial owner (Note c)	317,111,111	9.00%

Notes:

(a) These derivatives comprise the 10,474,089 bonus warrant shares underlying the bonus warrants and the interests in 20,000,000 shares in the form of share option held by Mr. Wen.

(b) These derivatives represent the 7,500,000 bonus warrant shares underlying the bonus warrants held by Ming Feng. Ming Feng is owned as to 49% by Ms. Chan, the spouse of Dr. Liu and 51% by Dr. Liu. Ms. Chan holds 49% shares in trust for Dr. Liu. As such, Dr. Liu is deemed to have interest in all the shares in Ming Feng.

(c) The corporate interest represents the same lot of convertible bond held by Luk Fook 3D Management Company Limited convertible into shares of the Company. Luk Fook 3D Management Company Limited is wholly owned by Luk Fook Investment (B.V.I.) Limited. Luk Fook Investment (B.V.I.) Limited is wholly owned by Luk Fook Holdings (International) Limited. Luk Fook (Control) Limited controls over one-third of the voting power of Luk Fook Holdings (International) Limited. Mr. Wong Wai Sheung is a discretionary beneficiary of the Trust. The Trust is the beneficial owner of the entire issued share capital of Kwai Kee Cheung Jewellery & Goldsmith Company Limited which controls over one-third of the voting power of Luk Fook (Control) Limited. Mr. Wong Wai Sheung, Mr. Chan Wai, Mr. Tse Moon Chuen and the administrator of Mr. Lee Shu Kuan collectively control (directly or indirectly) over one-half of the voting power of Luk Fook (Control) Limited. Accordingly, Mr. Wong Wai Sheung, Mr. Chan Wai, Mr. Tse Moon Chuen, the administrator of Mr. Lee Shu Kuan, Kwai Kee Cheung Jewellery & Goldsmith Company Limited, Luk Fook (Control) Limited and Luk Fook Holdings (International) Limited are deemed to be interested in the convertible bond held by Luk Fook 3D Management Company Limited.

Saved as disclosed above, the Company had not been notified of any other relevant interests or short positions in the issued share capital of the Company at 30 June 2017.

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.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in sections headed "CONNECTED TRANSACTIONS" and "CONTINUING CONNECTED TRANSACTIONS" below and note 35 to the consolidated financial statements, no transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries or fellow subsidiaries was a party and in which a director of the Company or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

APPOINTMENT OF INDEPENDENT NON EXECUTIVE DIRECTORS

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors are independent.

CONNECTED TRANSACTIONS

The Group has conducted the following connected transactions during the Year:

The Company and Brand New Management Limited ("Brand New"), a wholly owned subsidiary of the Company, disposed the shares in the issued capital of the following companies ("Disposed Subsidiaries") as owned by the Company or Brand New and the loans advanced by the Company or Brand New to the Disposed Subsidiaries at the considerations mentioned below pursuant to the disposal agreements entered into between the Company or Brand New (as the case may be) as seller and Keen United Limited ("Keen United") as purchaser on 28 June 2017:

Disposed Subsidiaries	**Seller**	**Purchaser**	**Consideration**
3D-GOLD Jewellery (Taiwan) Limited	Brand New	Keen United	HK$368,931
A Stars Entertainment Group Limited	Brand New	Keen United	US$4,550
Elite Art International Limited	Brand New	Keen United	HK$1
Ever Metro Holdings Limited	The Company	Keen United	HK$12,729,831
Great Network Holdings Limited	Brand New	Keen United	HK$3,103,615
Trump Power Limted	Brand New	Keen United	HK$103,228

Given that the businesses of the Disposed Subsidiaries are non-core and loss-making businesses of the Group, the Board considers that the disposals (i) will reduce the Group's exposure to these loss-making businesses; and (ii) will allow the Group to focus its resources to its principal businesses. As Keen United is indirectly wholly owned by Dr. Wong Kennedy Ying Ho (being the spouse of Mrs. Wong Chew Li Chin, a former executive Director who resigned with effect from 31 May 2017), Keen United is a connected person of the Company and the disposals constitute connected transactions for the Company under Chapter 14A of the Listing Rules. Details of the above are set out in the announcement of the Company dated 28 June 2017.

CONTINUING CONNECTED TRANSACTIONS

On 29 June 2016, China Gold Silver Group Company Limited ("CGS") and Maxigood Enterprises Limited ("Maxigood") entered into a framework agreement for supply of goods ("Supply Agreement"), pursuant to which Maxigood shall sell to CGS, and CGS shall purchase from Maxigood, raw materials and/or finished goods in respect of platinum and gold jewelleries and gold ornaments, gem-set jewelleries, jadeites, gemstones and other accessory items for a term of three years from 1 July 2016 to 30 June 2019. The maximum annual amount of consideration payable by CGS to Maxigood under the Supply Agreement shall be no more than HK$300,000,000, HK$385,000,000 and HK$480,000,000 for each of the three years ending 30 June 2017, 2018, and 2019, respectively. During the year ended 30 June 2017, the purchases of CGS and its subsidiaries from Maxigood and its fellow subsidiaries pursuant to the Supply Agreement amounted to approximately HK$29,855,000. CGS is owned as to 50% by each of the Company and Luk Fook 3D Management Company Limited ("Luk Fook"), and is accounted for as a subsidiary of the Company. Luk Fook and Maxigood are wholly-owned subsidiaries of Luk Fook Holdings (International) Limited ("Luk Fook Holdings"). As such, Luk Fook, Luk Fook Holdings and Maxigood are connected persons of the Company at the subsidiary level and the Supply Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. Details of the above are set out in the announcement of the Company dated 29 June 2016.

On 29 June 2016, 3D-GOLD Management Services Limited ("3DM"), a wholly owned subsidiary of CGS, and Luk Fook entered into a competitiveness enhancement agreement ("Competitiveness Enhancement Agreement"), pursuant to which Luk Fook shall provide to CGS and its subsidiaries ("CGS Group") such services and assistance that enhance and improve operation efficiency and competitiveness, and improve product quality and standards of the businesses of the CGS Group, being the trading and sale of gold, platinum and jewellery products in Hong Kong, Macau and Mainland China through retailing, franchising and e-commerce under the brand names of "3D-GOLD" and「金至尊」and other brand(s) currently owned or licensed to the CGS Group, and such other business or activities, brand(s) and territories as the shareholders of CGS may agree from time to time for a term of three years from 1 July 2016 to 30 June 2019. The maximum annual service fee payable by 3DM to Luk Fook pursuant to the Competitiveness Enhancement Agreement shall be no more than the lower of (i) 6% of the audited consolidated profit of the CGS Group before taxation and deduction of the service fee payable under the Competitiveness Enhancement Agreement for the financial year or (ii) HK$10,000,000 for each of the three years ending 30 June 2017, 2018, and 2019, respectively. During the year ended 30 June 2017, no fee was charged by Luk Fook to 3DM pursuant to the Competitiveness Enhancement Agreement. The Competitiveness Enhancement Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. Details of the above are set out in the announcement of the Company dated 29 June 2016.

On 1 September 2015, CGS entered into a service agreement ("Service Agreement") with GS Tech Company Limited ("GS Tech"), a company incorporated in Hong Kong and 92% indirectly owned by the Wong's family trust, of which Mr. Wong Ho Lung Danny, an executive director of CGS and one of the discretionary beneficiaries, pursuant to which CGS shall pay to GS Tech a monthly maintenance fee covering the maintenance services provided by GS Tech for the Computer Programs used by the CGS Group's retail outlets and head offices for a term of the period from 1 September 2015 to 30 June 2018. The maximum annual maintenance fee payable by CGS to GS Tech pursuant to the Service Agreement shall be no more than HK$4,600,000, HK$5,800,000 and HK$6,700,000 for each of the three years ending 30 June 2016, 2017 and 2018, respectively. During the year ended 30 June 2017, the service fee charged by GS Tech to CGS pursuant to the Service Agreement was approximately HK$4,578,000. The Service Agreement constitutes a continuing connected transaction as GS Tech is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Details of the above are set out in the announcement of the Company dated 1 September 2015.

On 14 December 2015, 至尊金業(深圳)有限公司 ("CGS Shenzhen"), a wholly owned subsidiary of CGS, entered into a framework agreement ("Framework Agreement") with 重慶福華珠寶首飾有限公司 ("Chongqing Fook-Wah") for a term of the period from 14 December 2015 to 30 June 2018. The Framework Agreement governs the terms in respect of the opening of franchised retail outlets by Chongqing Fook-Wah in the PRC, which include, for each franchised retail outlet to be opened, the entering into of (i) a franchise agreement between CGS Shenzhen and Chongqing Fook-Wah; (ii) a service agreement between 重慶金至尊營銷策劃有限公司 ("CGS Marketing") and Chongqing Fook-Wah; and (iii) a purchase agreement between 重慶金至尊飾品設計有限公司 ("CGS Design") and Chongqing Fook-Wah. Pursuant to the franchise agreement and service agreement, Chongqing Fook-Wah shall be granted the license from CGS Shenzhen to use the "3D-GOLD" brand and CGS Marketing shall provide support services in relation to the use of the brand by Chongqing Fook-Wah, respectively. Pursuant to the purchase agreement, CGS Design shall supply, and Chongqing Fook-Wah shall purchase from CGS Design, finished goods in respect of platinum and gold jewelleries and gold ornaments, gem-set jewelleries, gemstones and other accessory items. The maximum annual service fee payable by Chongqing Fook-Wah to CGS Shenzhen and CGS Marketing for the support services in relation to the use of the brand pursuant to the framework agreement and service agreement shall be no more than RMB13,600,000, RMB18,800,000 and RMB25,200,000 (equivalent to approximately HK$16,592,000, HK$22,936,000 and HK$30,744,000) for each of the three years ending 30 June 2016, 2017 and 2018, respectively. The maximum amount payable by Chongqing Fook-Wah to CGS Design for the purchase of finished goods pursuant to the purchase agreement shall be no more than RMB4,000,000, RMB6,900,000 and RMB10,400,000 (equivalent to approximately HK$4,880,000, HK$8,418,000 and HK$12,688,000) for each of the three years ending 30 June 2016, 2017 and 2018, respectively. During the year ended 30 June 2017, the service fee charged by CGS Shenzhen and CGS Marketing to Chongqing Fook-Wah pursuant to the framework agreement and service agreement was approximately RMB1,188,000 (equivalent to approximately HK$1,367,000), and the purchases of Chongqing Fook-Wah from CGS Design pursuant to the purchase agreement amounted to approximately RMB4,499,000 (equivalent to approximately HK$5,175,000). As Chongqing Fook-Wah is indirectly owned as to 51% by Luk Fook Holdings, Chongqing Fook-Wah is a connected person of the Company at the subsidiary level and the transactions contemplated under the Framework Agreement, franchise agreement, service agreement and purchase agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of the above are set out in the announcement of the Company dated 14 December 2015.

On 29 June 2016, each of 金至尊實業發展(深圳)有限公司 ("3D Shenzhen") and 重慶金至尊珠寶有限公司 ("3D Chongqing"), both are wholly owned subsidiaries of CGS, entered into a renovation agreement with 瀋陽市福寶裝飾有限公司 ("Luk Fook (Shenyang)"), pursuant to which 3D Shenzhen and 3D Chongqing shall pay to Luk Fook (Shenyang) renovation fees for renovation services provided by Luk Fook (Shenyang) to 3D Shenzhen and 3D Chongqing for their respective self-operated retail outlets for a term of three years from 1 July 2016 to 30 June 2019. The maximum annual renovation fee payable by 3D Shenzhen and 3D Chongqing to Luk Fook (Shenyang) under the renovation agreements shall be no more than RMB12,000,000, RMB12,760,000 and RMB14,520,000 (equivalent to approximately HK$14,160,000, HK$15,056,800 and HK$17,133,600) for each of the three years ending 30 June 2017, 2018 and 2019, respectively. During the year ended 30 June 2017, no renovation fee was charged by Luk Fook (Shenyang) to 3D Shenzhen and 3D Chongqing pursuant to the renovation agreements. As Luk Fook (Shenyang) is a joint venture company indirectly owned as to 51% by Luk Fook Holdings, Luk Fook (Shenyang) is a connected person of the Company at the subsidiary level and the renovation agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of the above are set out in the announcement of the Company dated 29 June 2016.

On 22 November 2016, CGS Shenzhen (as tenant) entered into a tenancy agreement with 六福珠寶營銷策劃(深圳)有限公司 ("Luk Fook Shenzhen") (as landlord) for the rental of the premise located at Units 3401, 3402, 3403, 3405, 3406, 3407 and 3408 of 34/F, Tower A, Reith International Building, Xinxiu Road, Luohu District, Shenzhen, Guangdong Province, PRC (中國廣東省深圳市羅湖區新秀路新秀村瑞思大廈 3401, 3402, 3403, 3405, 3406, 3407 及 3408 室) which was used by the Group as its office premise in Shenzhen, the PRC for a term of the period from 22 November 2016 to 31 July 2019. The maximum amount of annual rental payable by CGS Shenzhen to Luk Fook Shenzhen under the tenancy agreement shall be no more than RMB1,860,000, RMB3,000,000, RMB3,240,000 and RMB280,000 (equivalent to approximately HK$2,120,400, HK$3,420,000, HK$3,693,600 and HK$319,200) for each of the four years ending 30 June 2017, 2018, 2019 and 2020, respectively. During the year ended 30 June 2017, the rental charged by Luk Fook Shenzhen to CGS Shenzhen pursuant to the tenancy agreement was approximately RMB1,528,000 (equivalent to approximately HK$1,758,000). As Luk Fook Shenzhen is wholly owned by Luk Fook Holdings, Luk Fook Shenzhen is a connected person of the Company at the subsidiary level and the tenancy agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. Details of the above are set out in the announcement of the Company dated 22 November 2016.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group as above in accordance with Main Board Listing Rule 14A.56. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The independent non-executive directors have reviewed the continuing connected transactions and the report of the auditor and have confirmed that the transactions have been entered into by the Group in the ordinary course of its business, on normal commercial terms and in accordance with the terms of agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

RELATED PARTY TRANSACTIONS

The significant related party transactions entered into by the Group during the Year set out in note 35 to the consolidated financial statements include transactions that constitute connected transactions and continuing connected transactions for which the disclosure requirements under Chapter 14A of the Listing Rules have been complied with.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's bye-laws and subject to the applicable laws, every Director and other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may incur or sustain in or about the execution of duties of his/her office or otherwise in relation thereto provided that such indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to such person. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

EMOLUMENT POLICY

The emolument policy for the employees of the Group is on the basis of their merit, qualifications and competence.

The emoluments of the Directors are reviewed and determined by the Remuneration Committee, having regard to the Company's operating results, individual performance and prevailing market conditions.

The Company has adopted a share option scheme for the purpose of providing incentive to eligible persons for their contribution or potential contribution to the Group. Details of the scheme are set out in note 29 to the consolidated financial statements.

PRE EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float throughout the year ended 30 June 2017.

DONATIONS

During the Year, the Group made charitable and other donations amounting to approximately HK$1,771,374.

MAJOR CUSTOMERS AND SUPPLIERS

For the Year, 44% of the total purchases were gold purchased from Shanghai Gold Exchange and the five largest suppliers of the Group accounted for 73% of the Group's purchases.

Aggregate sales attributable to the Group's five largest customers were less than 16% of the total turnover.

At no time during the Year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers and suppliers.

EXPOSURE TO BORROWERS AND OTHER SPECIFIC CIRCUMSTANCES THAT REQUIRE DISCLOSURE

Details of which are set out in notes 26 and 27 to the consolidated financial statements.

AUDITORS

The consolidated financial statements for the year ended 30 June 2017 have been audited by Messrs. Deloitte Touche Tohmatsu, who will retire and, being eligible, offer themselves for re-appointment. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Mr. Lam Kwok Hing, Wilfred
Executive Director

Hong Kong, 27 September 2017

Independent Auditor's Report

Deloitte. 德勤

TO THE SHAREHOLDERS OF
HONG KONG RESOURCES HOLDINGS COMPANY LIMITED
香港資源控股有限公司
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Hong Kong Resources Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 44 to 125, which comprise the consolidated statement of financial position as at 30 June 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of inventories	
We identified the valuation of inventories as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole and the judgement associated with the determination of allowance for inventories. As disclosed in note 20 to the consolidated financial statements, the carrying amount of inventories is HK$801,074,000 as at 30 June 2017, with allowance for inventories of HK$11,265,000 recognised in cost of sales in the current year. In estimating the amount of allowance for inventories, management reviews the net realisable value of inventories periodically with reference to the condition of the inventories, historical and current sales information, as well as the aging of inventories to identify slow-moving items to ascertain the amount of allowance for inventories. In addition, management appoints an independent external valuer to perform valuation on certain jewellery items as reference for allowance consideration.	Our procedures in relation to the valuation of inventories included: • Understanding management's process of how to determine the allowance for inventories; • Evaluating the reasonableness of the net realisable value of inventories, with reference to the condition of the inventories, historical and current sales information, and aging of inventories; • Checking the historical and current sales information and aging of inventories, on a sample basis, to source documents; • Evaluating the competence, capabilities and objectivity of the independent external valuer and obtaining an understanding of their scope of work; and • Evaluating the reasonableness of valuation techniques and key inputs adopted by the independent external valuer , checking key inputs, on a sample basis, to source documents.
Recoverability of trade receivables	
We identified the recoverability of trade receivables as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole and the judgment associated with the assessment of the recoverability of trade receivables by management of the Group. As disclosed in note 14 to the consolidated financial statements, the carrying amount of the trade receivables is HK$76,067,000, net of allowance for doubtful debts of HK$11,533,000 as at 30 June 2017. In estimating the allowance for doubtful debts, management takes into consideration the aging analysis, subsequent settlements of the receivables, repayment history and credit worthiness of debtors.	Our procedures in relation to the recoverability of trade receivables included: • Understanding management's process of how to determine allowance for doubtful debts; • Evaluating management's estimation of allowance for doubtful debts with reference to the aging analysis, subsequent settlements of the receivables, repayment history and credit worthiness of debtor; and • Checking the aging analysis of trade receivables and subsequent settlements of the receivables, on a sample basis, to supporting documents.

Key audit matter	How our audit addressed the key audit matter
Valuation of intangible assets	
We identified the valuation of intangible assets as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole and the judgment associated in determining the impairment loss on intangible assets. As disclosed in note 15 to the consolidated financial statements, the carrying amount of intangible assets is HK$169,144,000. In estimating the amount of impairment loss on intangible assets, management estimates the future cash flows expected to arise from the intangible assets and a suitable discount rate in order to calculate the recoverable amount. The recoverable amount is determined based on a value in use calculation as detailed in the note 4 of the consolidated financial statements in relation to the impairment of intangible assets.	Our procedures in relation to the valuation of intangible assets included: • Understanding the Group's impairment assessment process in respect of intangible assets; • Evaluating the appropriateness of the valuation model adopted and the reasonableness of key assumptions used in the valuation with reference to the economic outlook, the Group's past sales experience, market data and our industry knowledge; • Evaluating the historical accuracy of financial budgets prepared by the management by comparing the historical financial budgets with the actual performance; and • Evaluating the sufficiency of the disclosure of impairment assessment by management in the consolidated financial statements.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Sze On Tat.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 September 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2017

	NOTES	2017 HK$'000	2016 HK$'000
Turnover	5(a)	**1,118,550**	1,155,787
Cost of sales		**(760,209)**	(828,352)
Gross profit		**358,341**	327,435
Other income	6	**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	22(b)	**1,637**	36,724
Impairment loss on trade receivables reversed		**–**	1,121
Impairment loss on investment in a film recognised	18(c)	**(10,000)**	–
Impairment loss on investment in an associate recognised	17	**(24,081)**	–
Impairment loss on intangible assets recognised		**–**	(1,377)
Impairment loss on an available-for-sale investments recognised	18(a)&(b)	**(14,308)**	–
Impairment loss on amount due from a joint venture recognised		**–**	(5)
Impairment loss on other receivables recognised		**(7,662)**	–
Finance costs	7	**(45,457)**	(41,805)
Share of result of an associate		**(1,202)**	–
Loss before taxation	8	**(179,575)**	(112,094)
Taxation	10	**(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	12		
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	13	**42,834**	55,205
Deposits paid	14	**5,722**	8,225
Intangible assets	15	**169,144**	168,066
Interest in a joint venture	16	**–**	–
Interest in an associate	17	**–**	27,903
Investments	18	**26,980**	60,528
Deferred tax assets	19	**17,884**	18,289
		262,564	338,216
Current Assets			
Investments	18	**–**	5,726
Inventories	20	**801,074**	790,579
Trade and other receivables and deposits paid	14	**124,291**	154,335
Amount due from an associate	21	**–**	50
Amount due from a joint venture	21	**8**	–
Pledged bank deposits	23	**578,301**	347,749
Bank balances and cash	23	**114,953**	94,079
		1,618,627	1,392,518
Current Liabilities			
Trade and other payables, accruals and deposits received	24	**233,069**	236,405
Bank and other borrowings	26	**1,089,505**	627,000
Gold loans	27	**84,823**	185,765
Loan from a non-controlling shareholder of a subsidiary	25	**43,190**	20,000
Loan from a shareholder	25	**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

Consolidated Statement of Financial Position

As at 30 June 2017

	NOTES	**2017 HK$'000**	2016 HK$'000
Non-current Liabilities			
Convertible bonds	22(a)	**43,064**	74,359
Derivative financial instruments	22(b)	**4,299**	5,936
Bank and other borrowings	26	**20,000**	23,000
Loan from a non-controlling shareholder of a subsidiary	25	**100,000**	100,000
Deferred tax liabilities	19	**42,016**	42,016
		209,379	245,311
NET ASSETS		**217,569**	405,120
CAPITAL AND RESERVES			
Share capital	28	**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

The consolidated financial statements on pages 44 to 125 were approved and authorised for issue by the Board of Directors on 27 September 2017 and are signed on its behalf by:

Mr. Wu Xiaolin
DIRECTOR

Mr. Lam Kwok Hing, Wilfred
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 30 June 2017

	Attributable to owners of the Company												
	Ordinary share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Other reserve HK$'000 (Note (a))	Share option reserve HK$'000	Warrant reserve HK$'000 (Note (c))	Investment revaluation reserve HK$'000	Exchange reserve HK$'000	PRC statutory reserve HK$'000 (Note (b))	Accumulated losses HK$'000	Total HK$'000	Non–controlling interests HK$'000	Total HK$'000
At 1 July 2015	31,905	681,516	55,327	(256,051)	17,591	21,819	–	51,625	26,966	(260,899)	369,799	167,929	537,728
Loss for the year	–	–	–	–	–	–	–	–	–	(62,650)	(62,650)	(58,208)	(120,858)
Exchange difference arising on translation	–	–	–	–	–	–	–	(36,167)	–	–	(36,167)	(17,649)	(53,816)
Fair value gain on available-for-sale investment	–	–	–	–	–	–	2,520	–	–	–	2,520	–	2,520
Total comprehensive income (expense) for the year	–	–	–	–	–	–	2,520	(36,167)	–	(62,650)	(96,297)	(75,857)	(172,154)
Transfer between reserves	–	–	–	–	–	–	–	–	1,963	(1,963)	–	–	–
Issue of shares, net of transactions costs	3,319	36,227	–	–	–	–	–	–	–	–	39,546	–	39,546
Lapse of share options	–	–	–	–	(391)	–	–	–	–	391	–	–	–
At 30 June 2016	35,224	717,743	55,327	(256,051)	17,200	21,819	2,520	15,458	28,929	(325,121)	313,048	92,072	405,120
Loss for the year	–	–	–	–	–	–	–	–	–	(143,703)	(143,703)	(43,402)	(187,105)
Exchange difference arising on translation	–	–	–	–	–	–	–	(8,598)	–	–	(8,598)	(3,571)	(12,169)
Reclassified to retained earnings upon disposal of subsidiaries (note 34)	–	–	–	–	–	–	–	(1,398)	–	1,398	–	–	–
Fair value loss on available-for-sale investment	–	–	–	–	–	–	(13,440)	–	–	–	(13,440)	–	(13,440)
Investment revaluation reserve reclassified to profit or loss in relation to impairment loss on available-for-sale investment	–	–	–	–	–	–	10,920	–	–	–	10,920	–	10,920
Total comprehensive expense for the year	–	–	–	–	–	–	(2,520)	(9,996)	–	(142,305)	(154,821)	(46,973)	(201,794)
Transfer between reserves	–	–	–	–	–	–	–	–	1,405	(1,405)	–	–	–
Acquisition of additional interest in a subsidiary (Note (a)(iv))	–	–	–	(1,656)	–	–	–	–	–	–	(1,656)	1,656	–
Disposal of partial interests in subsidiaries (Note (a)(v) & (vi))	–	–	–	(1,432)	–	–	–	–	–	–	(1,432)	1,432	–
Disposal of subsidiaries (Note (a)(vii))	–	–	–	3,088	–	–	–	–	–	(3,088)	–	14,243	14,243
Lapse of share options	–	–	–	–	(3,795)	–	–	–	–	3,795	–	–	–
At 30 June 2017	35,224	717,743	55,327	(256,051)	13,405	21,819	–	5,462	30,334	(468,124)	155,139	62,430	217,569

Notes:

(a) Other reserve comprises:

(i) a debit amount of HK$213,605,000 represents the difference between the fair value of the consideration paid and the carrying amount of the net assets attributable to the additional interest in China Gold Silver Group Company Limited ("CGS"), a subsidiary of the Company, being acquired from the non-controlling shareholders on 14 May 2010;

(ii) a debit amount of HK$3,643,000 represents the difference between the fair value of the consideration paid and the carrying amount of the net liabilities attributable to the additional interest in Rise Rich International Limited, a subsidiary of the Company, being acquired from the non-controlling shareholders on 31 December 2013;

(iii) a debit amount of HK$38,803,000 represents the difference between (i) the aggregate of the fair value of the consideration (net of transaction cost) received for disposal of partial interest in CGS on 6 June 2014 and proceeds received from issuance of CB 2019 (as defined in note 22(a)), and (ii) the aggregate amount of the carrying amount of the net assets attributable to the disposed interest in CGS to the purchaser, the fair value of the CGS Share Option (as defined in note 22(b)) issued and the fair values of the liability component and the embedded derivatives of convertible bonds due 2019 issued to the purchaser, on 6 June 2014.

(iv) a debit amount of HK$1,656,000 represents the difference between the fair value of the consideration paid and the carrying amount of the net liabilities attributable to the additional interest of 20% in a subsidiary of the Company, being acquired from the non-controlling shareholders in December 2016;

(v) a credit amount of HK$211,000 represents the difference between the fair value of the consideration received from issuing 1 new share by a subsidiary of the Company and the carrying amount of the net liabilities attributable to the diluted interest of 11% in December 2016;

(vi) a debit amount of HK$1,643,000 represents the carrying amount of the net assets attributable to the interest of 35% in a subsidiary of the Company, being disposed to an independent third party at nil consideration in December 2016; and

(vii) a credit amount of HK$3,088,000 represents certain amounts previously recognised in other reserve (including those in Notes (a)(iv), (v) and (vi) transferred to accumulated losses following the disposal of certain subsidiaries during the year ended 30 June 2017 (as detailed in note 34(a))).

(b) People's Republic of China (the "PRC") statutory reserve of the Group represents general and development fund reserve applicable to the PRC subsidiaries which were established in accordance with the relevant regulations.

(c) Warrant reserve arises from the issue of warrants less the expenses incurred on warrants issue. On 31 January 2013, the Company executed an warrant instrument relating to the issue of warrants conferring rights to subscribe up to 196,908,602 new ordinary shares of the Company at the subscription price of HK$0.245 per share, which are exercisable during the 5 years period from 31 January 2013 to 30 January 2018, both days inclusive. As at 30 June 2017, the Company had outstanding 196,811,925 (2016: 196,811,925) units of warrants.

Consolidated Statement of Cash Flows

For the year ended 30 June 2017

	2017 HK$'000	2016 HK$'000
Operating activities		
Loss before taxation	**(179,575)**	(112,094)
Adjustments for:		
Amortisation of intangible assets	–	135
Change in fair value of derivatives embedded in convertible bonds and share option	**(1,637)**	(36,724)
Change in fair value of financial liabilities at fair value through profit or loss	–	2,416
Change in fair value of gold loans	**(3,325)**	19,281
Depreciation of property, plant and equipment	**19,654**	19,910
Exchange loss	**3,754**	4,247
Finance costs	**45,457**	41,805
Impairment loss on amount due from a joint venture recognised	–	5
Impairment loss on intangible assets recognised	–	1,377
Impairment loss on other receivables recognised	**7,662**	–
Impairment loss on available-for-sale investments recognised	**14,308**	–
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**	–
Interest income	**(5,767)**	(9,162)
Loss on disposal of property, plant and equipment	**1,758**	8,055
Loss on disposal of subsidiaries	**6,937**	–
Loss on early redemption of convertible bond	**3,121**	–
Share of result of an associate	**1,202**	–
Allowance (reversal of allowance) of inventories	**11,265**	(2,192)
Operating cash flows before movements in working capital	**(41,105)**	64,062
Decrease (increase) in investments in entertainment events	**2,370**	(5,726)
Increase in investment in a film	–	(3,866)
(Increase) decrease in inventories	**(34,812)**	12,157
Decrease in trade and other receivables and deposits paid	**13,055**	28,758
Increase (decrease) in trade and other payables, accruals and deposits received	**17,805**	(16,536)
Net settlement on acquisition and disposal of financial liabilities at fair value through profit or loss	–	(3,914)
Cash used in operations	**(42,687)**	(53,189)
Income taxes paid	**(16,596)**	(3,862)
Net cash used in operating activities	**(59,283)**	(57,051)

Consolidated Statement of Cash Flows

For the year ended 30 June 2017

	NOTES	2017 HK$'000	2016 HK$'000
Investing activities			
Interest received		**6,326**	13,630
Net cash outflow arising on disposal of subsidiaries	34(a)	**(3,804)**	–
Acquisition of subsidiaries	34(b)	**(1,478)**	–
Purchase of property, plant and equipment		**(15,535)**	(28,102)
Proceeds from disposal of property, plant and equipment		**5,267**	1,858
Purchase of intangible assets		**–**	(145)
Investments in available-for-sale investments		**–**	(35,280)
Investment in an associate		**–**	(10,752)
Repayments from related parties		**–**	1,424
Advance to a joint venture		**(8)**	(204)
Placement of pledged bank deposits		**(578,301)**	(347,749)
Withdrawal of pledged bank deposits		**339,469**	387,152
Net cash used in investing activities		**(248,064)**	(18,168)
Financing activities			
Interest paid		**(34,494)**	(32,205)
Proceeds from the issue of new shares by way of a placing		**–**	40,824
Transaction costs for the issue new shares		**–**	(1,278)
New bank and other borrowings		**878,800**	455,273
Repayment of bank and other borrowings		**(399,954)**	(477,673)
Repayment from an associate		**50**	–
New gold loans		**–**	168,150
Repayment of gold loans		**(93,192)**	(241,933)
Repayment of convertible bond		**(46,410)**	–
Loan from a non-controlling shareholder of a subsidiary		**23,190**	–
Loan from a shareholder		**2,000**	–
Net cash from (used in) financing activities		**329,990**	(88,862)
Net increase (decrease) in cash and cash equivalents		**22,643**	(164,081)
Cash and cash equivalents at beginning of the year		**94,079**	261,961
Effect of foreign exchange rate changes		**(1,769)**	(3,801)
Cash and cash equivalents at end of the year, represented by bank balances and cash		**114,953**	94,079

1. GENERAL

The Company is an exempted company with limited liability incorporated in Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of the principal place of business of the Company is Room 905, 9th Floor, Star House, 3 Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries are set out in note 39.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), that is different from the functional currency of the Company which is Renminbi ("RMB"). The directors of the Company consider that Hong Kong dollars is the appropriate presentation currency since the shares of the Company are listed on the Stock Exchange.

The Company together with its subsidiaries are collectively referred to as the "Group".

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.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

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.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments to HKFRSs and Interpretations in issue but not yet effective *(Continued)*

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.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments to HKFRSs and Interpretations in issue but not yet effective *(Continued)*

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.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments to HKFRSs and Interpretations in issue but not yet effective *(Continued)*

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 as disclosed in note 30. 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. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange 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, at the end of each reporting period as explained in the accounting policies set out below.

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 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*.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The significant accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to the financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probably that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Sales of goods that result in award credits for customers are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to the fair value of the awards for which they could be redeemed. Such consideration is not recognised as revenue at the time of the initial sale transaction-but is deferred and recognised as revenue when the award credits are redeemed and the Group's obligations have been fulfilled.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Franchise income and licence income in respect of the use of the trademark "3D-GOLD" are recognised on an accrual basis in accordance with the relevant agreements.

Television programmes and content production income is recognised by reference to the stage of completion in accordance with the terms of the contracts.

Net return from performance events organised by co-investors is recognised when the events are completed and the revenue is agreed with co-investors.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Consultancy fee income is recognised on an accrual basis in accordance with the terms of the contract.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Investments in an associate and a joint venture

An associate is an entity over the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of an associate and a joint venture are incorporated in these or a joint venture consolidated financial statements using the equity method of accounting. The financial statements of an associate these or a joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is or a joint venture initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or a joint venture. When the Group's share of losses of an associate or a joint venture equals or exceeds the Group's interest in that associate or a joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or a joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or the joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in an associate and a joint venture *(Continued)*

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with an associate or a joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in an associate or a joint venture that are not related to the Group.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined using the first-in, first-out method or specific identification basis depending on the nature of the inventories. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessee

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Borrowing costs

Borrowing costs directly attributable to the construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

Share options granted to consultants

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefit costs

Payments to defined contribution retirement benefit plan, state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "loss before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and an associate, and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

The Group's financial assets are classified as available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss ("FVTPL").

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment of financial assets below).

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment of financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from an associate, amount due from a joint venture, pledged bank deposits, and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets, are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 30 to 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis other than those financial liabilities classified as at FVTPL, of which the interest expense is excluded from net gains or losses.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or those designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Gold loans, which are designated at fair value through profit or loss, and other financial liabilities at FVTPL are measured at fair value with any gain or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities. Fair value is determined in the manner described in note 37(c).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Other financial liabilities

Other financial liabilities including trade and other payables, franchisee guarantee deposits, bank and other borrowings, loan from a non-controlling shareholder of a subsidiary and loan from a shareholder are subsequently measured at amortised cost, using the effective interest method.

Convertible bonds contain liability component and conversion option derivative

Convertible bonds issued by the Group that contain both liability and conversion option derivative components are classified separately into respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, both the liability and conversion option derivative components are recognised at fair value.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and conversion option derivative components in proportion to their relative fair values. Transaction costs relating to the conversion option derivative components are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Control over CGS

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

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

Investment in Gane Energy & Resources (China) Limited ("Gane China")

As at 30 June 2016, the Company holds 24% equity interest in Gane China and the Group had one out of three directors in Gane China. The directors of the Company considers the Group exercised significant influence over Gane China and accordingly accounted for its investment in Gane China as interest in an associate. On 31 May 2017, the Group's director in Gane China resigned.

In assessing whether the Group has significant influence over Gane China, the directors of the Company consider whether the Group has the ability to participate in policy making processes. In making their judgment, the directors take into account the facts that (i) the relevant activities of Gane China are managed by board of directors; (ii) the Group has no participation in the board of directors since the resignation of the director on 31 May 2017 and the Group has no contractual and unconditional right to appoint directors to the board; (iii) all other shareholders of Gane China are independent third parties. Accordingly, the directors of the Company concluded that the Group lost its significant influence over Gane China and the interest in an associate was reclassified as available-for-sale investment since 31 May 2017.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Valuation of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. In estimating the amount of allowance of inventories, it is the Group's policy to review the net realisable value of inventories periodically with reference to the condition of the inventories, historical and current sales information, as well as the aging of inventories to identify slow-moving items to ascertain the amount of inventory allowance. In addition, management appoints an independent external valuer to perform valuation on certain jewellery items as reference for allowance consideration. The Group carries out an inventory review at the end of the reporting period and makes allowance when the subsequent estimated net realisable value of inventories is less than the original estimate. It could change significantly as a result of changes in customer taste and competitor actions in response to changes to adverse economic conditions. As at 30 June 2017, the carrying amount of the Group's inventories is HK$801,074,000 (2016: HK$790,579,000).

Recoverability of trade receivables

In estimating the allowance for doubtful debts, 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. If the financial conditions of the debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required. As at 30 June 2017, the carrying amount of the Group's trade receivables is HK$76,067,000 (2016: HK$78,990,000).

Estimated impairment of intangible assets

Determining whether intangible assets are impaired requires an estimation of the recoverable amount of these intangible assets. The recoverable amounts of the trademarks have been determined based on a value in use calculation, which is based on the financial budgets approved by management covering a ten-year period, in which the key assumptions include the discount rate, short-term and long-term growth rate, taking into account the economic outlook, the Group's past sales experience and industry growth forecasts to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 30 June 2017, the carrying amount of the Group's intangible assets is HK$169,144,000 (2016: HK$168,066,000).

Fair value measurements and valuation processes

Certain assets and liabilities of the Group are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. At the end of each reporting period, the Group works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The Group will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the directors of the Company.

Information about the valuation techniques and inputs used in the determination of the fair value of various assets and liabilities are disclosed in note 37(c).

5. 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.

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

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 HK$'000	Retail operations for selling gold and jewellery products in Hong Kong and Macau HK$'000	Total HK$'000	Others (Note) HK$'000	Consolidated 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 AFS 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)

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

Segment revenues and results *(Continued)*

For the year ended 30 June 2016

	Reportable segments				
	Retail and franchising operations for selling gold and jewellery products in Mainland China HK$'000	Retail operations for selling gold and jewellery products in Hong Kong and Macau HK$'000	Total HK$'000	Others (Note) HK$'000	Consolidated 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)

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

Segment revenues and results *(Continued)*

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 AFS 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.

Segment assets and liabilities

As at 30 June 2017

	Reportable segments				
	Retail and franchising operations for selling gold and jewellery products in Mainland China HK$'000	Retail operations for selling gold and jewellery products in Hong Kong and Macau HK$'000	Total HK$'000	Others (Note) HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	694,367	261,803	956,170	–	956,170
Intangible assets					169,144
Interest in an associate					–
AFS 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

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

Segment assets and liabilities *(Continued)*

As at 30 June 2017 *(Continued)*

	Reportable segments				
	Retail and franchising operations for selling gold and jewellery products in Mainland China HK$'000	Retail operations for selling gold and jewellery products in Hong Kong and Macau HK$'000	Total HK$'000	Others (Note) HK$'000	Consolidated HK$'000
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

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

Segment assets and liabilities *(Continued)*

As at 30 June 2016

	Reportable segments				
	Retail and franchising operations for selling gold and jewellery products in Mainland China HK$'000	Retail operations for selling gold and jewellery products in Hong Kong and Macau HK$'000	Total HK$'000	Others (Note) HK$'000	Consolidated 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
AFS 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

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

Segment assets and liabilities *(Continued)*

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 note 34 to the consolidated financial statements, the 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, AFS 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 HK$'000	Retail operations for selling gold and jewellery products in Hong Kong and Macau HK$'000	Others HK$'000	Unallocated HK$'000	Consolidated 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 investment in associate	–	–	–	24,081	24,081
Loss on disposal of property, plant and equipment	662	669	388	39	1,758

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

Other entity-wide segment information *(Continued)*

For the year ended 30 June 2016

	Retail and franchising operations for selling gold and jewellery products in Mainland China HK$'000	Retail operations for selling gold and jewellery products in Hong Kong and Macau HK$'000	Others HK$'000	Unallocated HK$'000	Consolidated 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.

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

Geographical information *(Continued)*

For the year ended 30 June 2017

	Non-current assets HK$'000	Revenue from external customers HK$'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.

6. OTHER INCOME

	2017 HK$'000	2016 HK$'000
Bank interest income	**5,767**	9,162
Consultancy fee income	**2,812**	2,715
Other income	**2,749**	3,576
	11,328	15,453

7. 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 22(a))	**14,629**	13,435
	45,457	41,805

8. LOSS BEFORE TAXATION

	2017 HK$'000	2016 HK$'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	**1,758**	8,055
Loss on disposal of subsidiaries (note 34(a))	**6,937**	–
Loss on early redemption of convertible bonds (note 22(a))	**3,121**	–
Staff costs, 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)

9. DIRECTORS' AND EMPLOYEE'S EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to the directors of the Company were as follows:

		For the year ended 30 June 2017			
Name of director	Notes	**Fees HK$'000**	**Salaries HK$'000**	**Retirement benefit costs HK$'000**	**Total HK$'000**
Executive directors					
Mrs. Wong Chew Li Chin	(a)	–	2,750	17	2,767
Ms. Wong Wing Yan, Ella	(a)	–	2,406	18	2,424
Ms. Wu, Xiaolin	(b)	–	122	–	122
Mr. Zhao Jianguo	(b)	–	61	–	61
Mr. Dai Wei	(b)	–	51	–	51
Non-executive directors					
Mr. Lam Kwok Hing, Wilfred		468	316	5	789
Mr. Cheung Pak To, Patrick		300	–	–	300
Independent non-executive directors					
Mr. Fan Anthony Ren Da		360	–	–	360
Mr. Fan Chun Wah, Andrew	(a)	510	–	–	510
Ms. Loke, Yu Hoi Lam	(b)	25	–	–	25
Ms. Xu Xiaoping	(b)	25	–	–	25
Mr. Wong Kam Wing	(a)	510	–	–	510
		2,198	5,706	40	7,944

9. DIRECTORS' AND EMPLOYEE'S EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

		For the year ended 30 June 2016			
Name of director	Notes	Fees HK$'000	Salaries HK$'000	Retirement benefit costs HK$'000	Total HK$'000
Executive directors					
Dr. Wong, Kennedy Ying Ho	(c)	–	380	2	382
Mrs. Wong Chew Li Chin	(d)	–	2,750	16	2,766
Mr. Lam Kwok Hing, Wilfred	(e)	–	–	–	–
Ms. Wong Wing Yan, Ella		–	2,200	18	2,218
Mr. Cheung Pak To, Patrick	(e)	–	–	–	–
Non-executive directors					
Mr. Lam Kwok Hing, Wilfred	(e)	600	–	–	600
Mr. Cheung Pak To, Patrick	(e)	300	–	–	300
Independent non-executive directors					
Mr. Fan Anthony Ren Da		360	–	–	360
Ms. Estella Yi Kum Ng	(f)	30	–	–	30
Mr. Wong Kam Wing		360	–	–	360
Mr. Fan Chun Wah, Andrew	(g)	330	–	–	330
		1,980	5,330	36	7,346

Notes:

(a) Resigned on 31 May 2017.

(b) Appointed on 31 May 2017.

(c) Resigned on 1 August 2015.

(d) Appointed on 1 August 2015.

(e) Re-designated as non-executive director on 1 July 2015.

(f) Resigned on 28 July 2015.

(g) Appointed on 28 July 2015.

The executive directors' emoluments shown above were mainly for their services in connection with management of the affairs of the Company and the Group.

The non-executive directors' emoluments shown above were mainly for their services as directors of the Company or its subsidiaries.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the current year and prior year.

No directors waived any emoluments during the current year and prior year.

9. DIRECTORS' AND EMPLOYEE'S EMOLUMENTS *(Continued)*

(b) Five highest paid employees

Of the five individuals with the highest emoluments in the Group, two (2016: two) were directors of the Company whose emoluments are included in note 9(a) above.

The emoluments of the remaining three (2016: three) individuals are as follows:

	2017 HK$'000	2016 HK$'000
Salaries	**5,988**	5,852
Bonuses	**211**	406
Retirement benefit costs	**53**	54
	6,252	6,312

The emoluments of the remaining highest paid employees were within the following bands:

	2017 Number of employees	2016 Number of employees
Emolument bands		
HK$500,001 to HK$1,000,000	**1**	1
HK$1,000,001 to HK$2,000,000	**1**	1
HK$3,000,001 to HK$4,000,000	**1**	1
	3	3

10. TAXATION

	2017 HK$'000	2016 HK$'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 (note 19)	**405**	(1,520)
	7,530	8,764

10. TAXATION *(Continued)*

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.

The taxation for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017 **HK$'000**	2016 HK$'000
Loss before taxation	**(179,575)**	(112,094)
Tax at domestic rates applicable to profits of taxable entities in the respective jurisdictions (Note)	**(30,463)**	(18,371)
Tax effect of income not taxable for tax purpose	**(4,307)**	(6,423)
Tax effect of expenses not deductible for tax purpose	**29,873**	10,418
Tax effect of tax losses not recognised	**15,780**	19,888
Utilisation of tax losses previously not recognised	**(3,942)**	(2,147)
Tax effect of share of result of an associate	**198**	–
underprovision in respect of prior years	**–**	7,780
Others	**391**	(2,381)
Taxation for the year	**7,530**	8,764

Note: As the Group operates in several different tax jurisdictions, the tax rate applied in the tax reconciliation represents the weighted average domestic tax rates of the individual tax jurisdiction.

11. 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.

12. 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 22(a))	–	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 CB 2018 (as defined in note 22(a)) (2016: CGS CB 2018) since their conversion would result in a decrease in loss per ordinary share.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost				
As at 1 July 2015	45,875	84,271	4,371	134,517
Exchange realignment	(1,493)	(5,368)	(11)	(6,872)
Additions	13,080	14,253	769	28,102
Disposals	(3,238)	(26,164)	(2,511)	(31,913)
As at 30 June 2016	54,224	66,992	2,618	123,834
Exchange realignment	(670)	(1,188)	(5)	(1,863)
Additions	11,689	3,846	–	15,535
Disposals	(7,776)	(13,266)	(263)	(21,305)
Disposal of subsidiaries (note 34(a))	(161)	(1,169)	–	(1,330)
As at 30 June 2017	57,306	55,215	2,350	114,871
Depreciation				
As at 1 July 2015	25,191	46,856	2,739	74,786
Exchange realignment	(1,138)	(2,923)	(6)	(4,067)
Provided for the year	7,782	11,801	327	19,910
Eliminated on disposals	(2,888)	(18,435)	(677)	(22,000)
As at 30 June 2016	28,947	37,299	2,383	68,629
Exchange realignment	(397)	(742)	(5)	(1,144)
Provided for the year	10,618	8,843	193	19,654
Eliminated on disposals	(4,597)	(9,418)	(263)	(14,278)
Eliminated upon disposal of subsidiaries (note 34(a))	(129)	(695)	–	(824)
As at 30 June 2017	34,442	35,287	2,308	72,037
Carrying values				
As at 30 June 2017	22,864	19,928	42	42,834
As at 30 June 2016	25,277	29,693	235	55,205

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	Over the estimated useful lives of 5 years (i.e. 20%) or the term of the lease, if shorter
Furniture, fixtures and equipment	10% to 33%
Motor vehicles	20%

14. TRADE AND OTHER RECEIVABLES AND DEPOSITS PAID

	2017 HK$'000	2016 HK$'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 of the receivable from the independent third party of HK$3,500,000 were fully impaired as the management assessed that these 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 HK$'000	2016 HK$'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.

14. TRADE AND OTHER RECEIVABLES AND DEPOSITS PAID *(Continued)*

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

	2017 HK$'000	2016 HK$'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 HK$'000	2016 HK$'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 take into consideration the aging analysis, subsequent settlements of the receivables, repayment history and credit worthiness of debtors.

15. INTANGIBLE ASSETS

	Trademarks			Core technology and	
	3D-GOLD	Watches	License	Apps	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	Note (a)				
Cost					
At 1 July 2015	168,066	3,120	1,200	5,956	178,342
Additions	–	–	–	145	145
At 30 June 2016	168,066	3,120	1,200	6,101	178,487
Acquisition of subsidiaries (note 34(b))	–	–	1,078	–	1,078
Disposals of subsidiaries (note 34(a))	–	(3,120)	(1,200)	(6,101)	(10,421)
At 30 June 2017	168,066	–	1,078	–	169,144
Amortisation and impairment					
At 1 July 2015	–	3,120	225	5,564	8,909
Provided for the year	–	–	75	60	135
Impairment recognised during the year	–	–	900	477	1,377
At 30 June 2016	–	3,120	1,200	6,101	10,421
Eliminated upon disposal of subsidiaries (note 34(a))	–	(3,120)	(1,200)	(6,101)	(10,421)
At 30 June 2017	–	–	–	–	–
Carrying values					
At 30 June 2017	168,066	–	1,078	–	169,144
At 30 June 2016	168,066	–	–	–	168,066

Notes:

(a) The trademarks have contractual lives of 10 years commencing in December 2008 and April 2009 of "3D-Gold", and are renewable at minimal cost. The directors of the Company are of the opinion that the Group has the intention and ability to renew trademarks continuously. As a result, trademarks are considered by the directors of the Company as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trademarks will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

On 30 June 2017, management of the Group conducted impairment review on the trademarks. The recoverable amounts of the trademarks have been determined based on a value in use calculation, which is based on the financial budgets approved by management covering a ten-year period and a discount rate of 16.5% (2016: 17%). The cash flows beyond the ten-year period are extrapolated using a 3% (2016: 1%) growth rate. The key assumptions for the value in use calculations are discount rate and growth rate. The growth rate does not exceed the long-term average growth rate for the relevant industry. Based on the assessments, management expects the carrying amount of the trademarks to be recoverable and there is no impairment of the trademarks. Management considers that any reasonable possible change in these key assumptions would not cause the carrying amount of the trademarks to exceed the recoverable amount.

16. INTEREST IN A JOINT VENTURE

	2017	2016
	HK$'000	HK$'000
Unlisted investments, at cost	**2,000**	2,000
Share of post-acquisition losses	**(2,000)**	(2,000)
	–	–

As at 30 June 2017 and 30 June 2016, the Group had interests in the following joint venture:

Name of entity	**Attributable interest to the Group**		**Proportion of voting power held**		**Principal activity**
	2017	2016	**2017**	2016	
La Milky Way International Company Limited (Note)	**50%**	50%	**50%**	50%	Holding of trademark

Notes: The place of incorporation and the principal place of operation of the entity are in Hong Kong.

Information of a joint venture that is not material:

	2017	2016
	HK$'000	HK$'000
The unrecognised share of profit (losses) of a joint venture for the year	**1,901**	(166)
Cumulative unrecognised share of losses of a joint venture	**(19,634)**	(21,535)

17. INTEREST IN AN ASSOCIATE

	2017 HK$'000	2016 HK$'000
Unlisted investment, at cost	**27,903**	27,903
Share of post-acquisition loss	**(1,202)**	–
Impairment loss recognised	**(24,081)**	–
	2,620	27,903
Reclassified to available-for-sale investment	**(2,620)**	–
	–	27,903

As at 30 June 2016, the Group had interest in the following associate:

Name of entity	Place of incorporation	Class of shares held	Proportion of nominal value of issued capital held by the Group	Proportion of voting power held	Principal activity
Gane Energy & Resources (China) Limited	Hong Kong	Ordinary	24.0%	33.3%	Holding of license rights for business of new liquid fuel for use in Hong Kong, Macau, Taiwan and other parts of China

The principal place of operation of Gane China is in Hong Kong.

As at 30 June 2016, the Group had one out of three directors in Gane China and had significant influence over Gane China, thus the investment in Gane China is regarded as interest in associate as at 30 June 2016.

Pursuant to the Articles of Associations of Gane China, the Group has no contractual and unconditional right to appoint directors to the board. Upon resignation of the director, the Group does not have any director in the board of director of Gane China and therefore the directors of the Company considered the Group lost its significance influence over Gane China during the year ended 30 June 2017. The interest in an associate was reclassified as available-for-sale investment since then.

Information of Gane China that is not material:

	2017 HK$'000	2016 HK$'000
The Group's share of loss of an associate for the year	**1,202**	–
Carrying amount of the Group's interest in an associate	**–**	27,903

18. INVESTMENTS

	Notes	2017 HK$'000	2016 HK$'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 AFS investments (see note 17 for details). 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 is 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 as disclosed in note 34(a).

19. DEFERRED TAXATION

	2017 HK$'000	2016 HK$'000
Deferred tax assets	**(17,884)**	(18,289)
Deferred tax liabilities	**42,016**	42,016
	24,132	23,727

The following are the deferred tax liabilities (assets) recognised by the Group and movements thereon during the current and prior years.

	Fair value adjustment on intangible assets HK$'000 (Note)	**Fair value adjustment on gold loans** HK$'000	**Fair value adjustments on forward contracts** HK$'000	**Provision on trade and other receivables** HK$'000	**Provision on staff benefits in the PRC** HK$'000	**Provision on inventories** HK$'000	**Others** HK$'000	**Total** HK$'000
At 1 July 2015	42,016	1,605	(373)	(4,408)	(3,347)	(4,476)	(5,770)	25,247
(Credit) charge to profit or loss (note 10)	–	(5,369)	373	424	1,522	840	690	(1,520)
As at 30 June 2016	42,016	(3,764)	–	(3,984)	(1,825)	(3,636)	(5,080)	23,727
(Credit) charge to profit or loss (note 10)	–	2,819	–	–	(594)	(1,552)	(268)	405
As at 30 June 2017	42,016	(945)	–	(3,984)	(2,419)	(5,188)	(5,348)	24,132

Note: Such deferred tax liabilities are attributable to taxable temporary differences arising on initial recognition of assets at fair values which were acquired in business combination in prior years.

As at 30 June 2017, the Group has unused tax losses of HK$601,290,000 (2016: HK$561,404,000) available to offset against future profits. No deferred tax asset has been recognised in respect of unused tax losses due to the unpredictability of future profit streams.

19. DEFERRED TAXATION *(Continued)*

Unutilised tax losses for which no deferred tax assets is recognised will expire as follows:

	2017 **HK$'000**	2016 HK$'000
2017	**–**	975
2018	**–**	1,248
2019	**–**	1,070
2020	**299**	16,610
2021	**382**	8,923
2022	**253**	–
Carried forward indefinitely	**600,356**	532,578
	601,290	561,404

Under the Enterprise Income Tax Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$301,770,000 (2016: HK$275,098,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

20. INVENTORIES

	2017 **HK$'000**	2016 HK$'000
Raw materials	**38,681**	27,870
Finished goods	**762,393**	762,709
	801,074	790,579

Inventories are measured at the lower of cost and net realisable value. The Group has allowance of inventories of HK$11,265,000 (2016: reversal of allowance of HK$2,192,000) and included in "cost of sales".

21. AMOUNTS DUE FROM AN ASSOCIATE AND A JOINT VENTURE

The amounts are unsecured, interest free and repayable on demand.

22. 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.

22. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

(a) Convertible bonds *(Continued)*

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

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

22. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

(b) Derivative financial instruments *(Continued)*

(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:

22. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

(b) Derivative financial instruments *(Continued)*

(ii) CGS Share Option (Continued)

(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 Holdings (International) Limited, 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.

23. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Pledged bank deposits represent deposits pledged to the banks to secure the banking facilities granted to the Group. Deposits amounting to HK$578,301,000 (2016: HK$347,749,000) have been pledged to secure certain short-term bank loans and gold loans and are therefore classified as current assets. Pledged bank deposits will be released upon the settlement of relevant loans and gold bullion forward contract.

Bank balances carry interest at market rates which range from 0.01% to 0.35% (2016: 0.01% to 0.35%) per annum. Pledged bank deposits carry interest at fixed rates ranging from 1.43% to 2.5% (2016: 2.40% to 3.30%) per annum.

Included in the bank balances and cash of the Group as at 30 June 2017 are bank balances amounting to HK$2,938,000 (2016: HK$30,117,000) which are denominated in currencies other than the functional currencies of the respective group entities.

24. 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 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 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

25. LOANS FROM A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY/A SHAREHOLDER

The loan from a non-controlling shareholder of a subsidiary is unsecured, interest-free and mutually agreed by the Group and the lender not to be repaid within one year after the end of the reporting period, except for an amount of HK$43,190,000 (2016: HK$20,000,000) which is unsecured, interest bearing at 2% per annum and repayable on 4 May 2018 (2016: 5 May 2017).

The loan from a shareholder is unsecured, interest-free and repayable on demand.

26. BANK AND OTHER BORROWINGS

	2017 HK$'000	2016 HK$'000
Bank borrowings:		
Secured floating rate bank loans	**1,080,890**	627,000
Other borrowings:		
Unsecured fixed rate other borrowings		
– Independent third parties	**28,615**	23,000
	1,109,505	650,000
Secured	**1,080,890**	627,000
Unsecured	**28,615**	23,000
	1,109,505	650,000
Carrying amounts repayable:		
On demand or within one year*	**889,615**	477,000
More than two years but not exceeding five years*	**20,000**	–
More than five years*	**–**	23,000
	909,615	500,000
Carrying amount of bank loans that contain a repayment on demand clause (shown under current liabilities) – repayable within one year*	**199,890**	150,000
	1,109,505	650,000
Less: Amounts due within one year and shown under current liabilities	**(1,089,505)**	(627,000)
Amounts shown under non-current liabilities	**20,000**	23,000

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

26. BANK AND OTHER BORROWINGS *(Continued)*

Borrowings comprise:

	Notes	Maturity date	Effective interest rate 2017	Effective interest rate 2016	Carrying amount 2017 HK$'000	Carrying amount 2016 HK$'000
Bank borrowings:						
Secured HK$ bank loans	(a)	July 2017 to March 2018 (2016: December 2016)	**3.06%**	2.75%	**731,000**	401,000
Secured HK$ bank loans	(b)	December 2017 to March 2018 (2016: January 2017 to June 2017)	**3.01%**	2.92%	**199,890**	150,000
Secured HK$ bank loans	(b)	February 2018 to June 2018 (2016: December 2016)	**2.99%**	2.90%	**150,000**	76,000
Total bank borrowings					**1,080,890**	627,000
Other borrowings:						
Former substantial shareholder	(c)	November 2017	**5%**	N/A	**8,615**	–
An independent third party	(d)	November 2020	**5%**	5%	**20,000**	20,000
An independent third party	(e)	February 2021	**N/A**	5%	**–**	3,000
					28,615	23,000
Total bank and other borrowings					**1,109,505**	650,000

Notes:

(a) The bank loans are secured by pledged bank deposits and interest bearing at 1-month Hong Kong Interbank Offered Rate ("HIBOR") plus 2.5%.

(b) The bank loans are secured by pledged bank deposits and interest bearing at 3-month HIBOR plus 2.5% per annum.

(c) The loan is unsecured, interest bearing at a fixed rate of 5.0% per annum and repayable on 28 November 2017.

(d) The loan is unsecured, interest bearing at a fixed rate of 5.0% per annum and repayable on 11 November 2020.

(e) The loan is unsecured, interest bearing at a fixed rate of 5.0% per annum and repayable on 28 February 2021. The loan is transferred upon disposal of subsidiaries as disclosed in note 34.

27. 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.

28. 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.

29. SHARE-BASED PAYMENT TRANSACTIONS

The Company adopted a share option scheme at the special general meeting held on 23 January 2009 by way of an ordinary resolution (the "2009 Share Option Scheme") for the purpose of providing incentives or rewards to eligible persons for their contribution or potential contribution to the Group. Eligible persons including but not limited to the Group's shareholders, directors, employees, business partners, customers and suppliers.

Pursuant to the 2009 Share Option Scheme, the Board of Directors of the Company (the "Board") may grant options to the eligible persons to subscribe for the Company's shares for a consideration of HK$1 for each lot of share options issued. The exercise price is to be determined by the Board and shall not less than the highest of (i) the closing price of the Company's shares as stated in the daily quotations sheet issued by the Stock Exchange for the date of grant; (ii) the average closing price of the Company's shares as stated in the daily quotations sheet issued by the Stock Exchange for the five business days immediately preceding the date of grant and (iii) the nominal value of a share of the Company.

Pursuant to the 2009 Share Option Scheme, the maximum number of shares in the Company in respect of which options may be granted when aggregated with any other share option schemes of the Company (the "Scheme Mandate Limit") is not permitted to exceeded 45,179,000 shares, representing 10% of the issued share capital of the Company as at the date of adoption of the 2009 Share Option Scheme or approximately 8.52% of the issued share capital of the Company as at 31 March 2009. During the year ended 30 June 2012, the Scheme Mandate Limit of 2009 Share Option Scheme was refreshed. Under the refreshed limit, the Board may grant options to eligible participants under the 2009 Share Option Scheme to subscribe a maximum of 194,608,603 shares, representing 10% of the issued share capital of the Company as at 31 August 2010, the date on which the Scheme Mandate Limited was approved by the Shareholders. The maximum number of share options were adjusted to 200,559,168 shares as a result of completion of the rights issue.

As at 30 June 2017, the number of options which remain outstanding under the 2009 Share Option Scheme was 68,389,219 (2016: 88,685,838) which, if exercise in full, representing 2.46% (2016: 2.78%) of the enlarged capital of the Company. Subject to the issue of a circular and the approval of the shareholders of the Company in general meeting and/or such other requirements prescribed under the Rules Governing the Listing of Securities on The Stock Exchange from time to time, the Board may refresh the limit at any time to 10% of the total number of shares in issue as at the date of approval by the shareholders of the Company in general meeting. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2009 Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares issue from time to time.

No option may be granted to any person if the total number of shares of the Company already issued and issuable to him under all the options granted to him in any 12-month period up to and including the date of grant exceeding 1% of the total number of shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting. The participant and his associates (as defined in the Listing Rules) are abstained from voting and/or other requirements prescribed under the Listing Rules from time to time. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

29. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The period during when an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years from the date of grant.

The following table sets out the movements of the Company's share options during the current and prior years:

				Number of options					
Eligible person	Date of grant	Exercise period	Exercise price HK$	Outstanding as at 1.7.2015	Reclassification during the year (Note (a))	Lapsed during the year	Outstanding as at 30.6.2016	Lapsed during the year	Outstanding as at 30.6.2017
Directors	23.1.2009	23.1.2009 to 22.1.2019	0.4280	1,051,208	–	(525,604)	525,604	–	525,604
	20.7.2009	20.7.2009 to 19.7.2019	1.2980	3,839,154	(1,163,380)	(116,338)	2,559,436	(698,028)	1,861,408
	26.7.2011	26.7.2011 to 25.7.2021	0.4810	2,326,760	–	–	2,326,760	(1,163,380)	1,163,380
	26.7.2011	26.7.2012 to 25.7.2021	0.4810	3,490,140	–	–	3,490,140	(1,745,070)	1,745,070
	26.7.2011	26.7.2013 to 25.7.2021	0.4810	4,653,522	–	–	4,653,522	(2,326,761)	2,326,761
	25.1.2013	28.2.2013 to 24.1.2023	0.2288	5,800,000	–	(600,000)	5,200,000	(2,600,000)	2,600,000
	25.1.2013	28.2.2015 to 24.1.2023	0.2288	7,800,000	–	(600,000)	7,200,000	(2,600,000)	4,600,000
	25.1.2013	28.2.2016 to 24.1.2023	0.2288	7,800,000	–	(600,000)	7,200,000	(2,600,000)	4,600,000
				36,760,784	(1,163,380)	(2,441,942)	33,155,462	(13,733,239)	19,422,223
Employees	20.7.2009	20.7.2009 to 19.7.2019	1.2980	1,163,380	–	–	1,163,380	–	1,163,380
	25.1.2013	28.2.2013 to 24.1.2023	0.2288	2,800,000	–	–	2,800,000	(1,800,000)	1,000,000
	25.1.2013	28.2.2015 to 24.1.2023	0.2288	2,800,000	–	–	2,800,000	(1,800,000)	1,000,000
	25.2.2013	28.2.2016 to 24.1.2023	0.2288	4,300,000	–	–	4,300,000	(1,800,000)	2,500,000
	27.2.2013	28.2.2015 to 24.1.2023	0.2288	10,000,000	–	–	10,000,000	–	10,000,000
	27.2.2013	28.2.2016 to 24.1.2023	0.2288	10,000,000	–	–	10,000,000	–	10,000,000
				31,063,380	–	–	31,063,380	(5,400,000)	25,663,380

29. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The following table sets out the movements of the Company's share options during the current and prior years: *(Continued)*

				Number of options					
Eligible person	**Date of grant**	**Exercise period**	**Exercise price** HK$	**Outstanding as at 1.7.2015**	**Reclassification during the year** (Note (a))	**Lapsed during the year**	**Outstanding as at 30.6.2016**	**Lapsed during the year**	**Outstanding as at 30.6.2017**
Consultants	20.7.2009	20.7.2009 to 19.7.2019	1.2980	232,676	1,163,380	–	1,396,056	(1,163,380)	232,676
	13.4.2010	13.4.2009 to 12.4.2020	1.2030	2,326,761	–	–	2,326,761	–	2,326,761
	13.4.2010	13.7.2010 to 12.4.2020	1.2030	5,816,901	–	–	5,816,901	–	5,816,901
	13.4.2010	13.10.2010 to 12.4.2020	1.2030	5,816,901	–	–	5,816,901	–	5,816,901
	13.4.2010	13.1.2011 to 12.4.2020	1.2030	6,710,377	–	–	6,710,377	–	6,710,377
	25.1.2013	28.2.2013 to 24.1.2023	0.2288	800,000	–	–	800,000	–	800,000
	25.1.2013	28.2.2015 to 24.1.2023	0.2288	800,000	–	–	800,000	–	800,000
	25.1.2013	28.2.2016 to 24.1.2023	0.2288	800,000	–	–	800,000	–	800,000
				23,303,616	1,163,380	–	24,466,996	(1,163,380)	23,303,616
				91,127,780	–	(2,441,942)	88,685,838	(20,296,619)	68,389,219
Exercisable at the end of the year				91,127,780			88,685,838		68,389,219
Weighted average exercise price				0.5425	N/A	0.3226	0.5485	0.3919	0.5950

Note:

(a) A director, a holder of 1,163,380 share options, resigned and became a consultant of the Company on 2 August 2015.

30. OPERATING LEASES

The Group as lessee

The Group had made the following lease payments during the year as follows:

	2017 HK$'000	2016 HK$'000
Operating lease rentals in respect of retail shops, offices and warehouses		
Minimum lease payments	**60,520**	77,129
Contingent rental	**62,300**	71,861
	122,820	148,990

At the end of the reporting period, the Group had commitments for future minimum lease payments for retail shops, offices and warehouses under non-cancellable operating leases which fall due as follows:

	2017 HK$'000	2016 HK$'000
Within one year	**29,882**	57,144
In the second to five years inclusive	**28,424**	24,278
	58,306	81,422

Leases are negotiated for lease terms of one to five years (2016: one to five years).

The above lease commitments represent basic rents only and do not include contingent rents payable in respect of certain retail shops leased by the Group. In general, these contingent rents are calculated based on the relevant retail shops' turnover pursuant to the terms and conditions as set out in the respective rental agreements. It is not possible to estimate in advance the amount of such contingent rent payable.

The above lease commitments as at 30 June 2017 included the non-cancellable operating leases with a fellow subsidiary of a non-controlling shareholder of the Company amounted to HK$556,000 (2016: nil) in the band of "within one year" and HK$6,918,000 (2016: nil) in the band of "in the second to five years inclusive".

31. CAPITAL COMMITMENTS

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

32. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The retirement benefits scheme contributions charged to profit or loss represent contributions paid or payable by the Group to the scheme at 5% of each of the employees' monthly relevant income capped at HK$30,000 per month.

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The subsidiary established in the PRC is required to contribute a certain percentage of their basic payroll to the retirement benefit schemes to fund the benefits.

The employees employed in Macau are members of the defined contribution retirement benefit plan. The subsidiary established in Macau is required to contribute Macao patacas ("MOP") 30 per month for each employee to the retirement benefit plan to fund the benefits.

The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

As at 30 June 2017 and 30 June 2016, the Group had no significant obligation apart from the contribution as stated above.

33. 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.

34. DISPOSAL AND ACQUISITION OF SUBSIDIARIES

(a) Disposal of subsidiaries

On 28 June 2017, the Group entered into a sale and purchase agreement with Keen United Limited, a company wholly owned by a former substantial shareholder of the Company, to dispose of the entire equity interest in 3D-Gold Jewellery (Taiwan) Limited and its subsidiary, Elite Art International Limited, Trump Power Limited, A Stars Entertainment Group Limited and its subsidiaries, Great Network Holdings Limited and its subsidiaries, and Ever Metro Holdings Limited and its subsidiaries at a consideration of HK$16,341,000. The net assets at the date of disposal were as follows:

	HK$'000
Net assets at the date of disposed were as follows:	
Property, plant and equipment	506
Intangible assets	–
Investment in a film	9,340
Investments in entertainment events	3,356
Bank balances and cash	3,804
Trade and other receivables and deposits paid	8,587
Tax recoverable	7
Inventories	66
Accruals and other payables	(7,631)
Bank and other borrowings	(3,000)
Loan from a shareholder	(6,000)
	9,035
Loss on disposal of subsidiaries:	
Net assets disposed of	(9,035)
Total consideration	16,341
Non-controlling interests	(14,243)
	(6,937)
Net cash outflow arising from the disposal (Note):	
Bank balances and cash disposed of	(3,804)

Note: The consideration was settled by offsetting the loan from the former substantial shareholder as disclosed in note 26.

34. DISPOSAL AND ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) On 8 June 2017, the Group acquired 100% equity interest of Prosten Wealth Investment Limited ("Prosten Wealth") from an independent third party for a cash consideration of approximately HK$1,480,000. The directors of the Company are of the opinion that the acquisition of Prosten Wealth is in substance an asset acquisition instead of a business combination, as the net assets of Prosten Wealth was mainly the money lending license and Prosten Wealth was inactive and did not constitute a business prior to acquisition by the Group.

The recognised amounts of assets and liabilities of the acquired companies at the date of acquisition were set out below:

	HK$'000
Other receivables	400
Intangible assets	1,078
Bank balances	2
Net assets acquired	1,480
Net cash outflow on acquisition	
Cash consideration paid	1,480
Less: bank balances and cash acquired	2
	1,478

The acquisition have been accounted for as an asset acquisition.

35. RELATED PARTY DISCLOSURES

(a) Related party transactions

During the year, the Group has the following related party transactions:

Relationship	Nature of transactions	2017 HK$'000	2016 HK$'000
A joint venture	Purchase of jewellery	**1**	416
An associate	Consultancy fee income	**2,812**	2,715
A substantial shareholder of the Company	Consultancy fee	**1,375**	1,375
	Sale of motor vehicle	**–**	684
A non-controlling shareholder of a subsidiary	Interest expense	**451**	400
Fellow subsidiaries of a non-controlling shareholder of a subsidiary	Interests on gold loans	**4,330**	1,862
	License income	**1,367**	4,419
	Purchase of gold and jewellery products	**29,855**	183,429
	Rental expense	**1,758**	26
	Sale of jewellery	**5,175**	1,268
	Sale of consumables	**32**	28
	Sales of property, plant and equipment	**–**	9
	Shop renovation fee	**–**	218
	Speciality fee	**273**	317
	Subcontracting fee	**407**	141
	Company secretarial fee	**40**	–
A company in which a director of a subsidiary has beneficial interest	License and service fee	**4,578**	10,940

As at 30 June 2017, the ultimate holding company of a non-controlling shareholder of a subsidiary issued financial guarantee amounting to HK$772,953,000 (2016: HK$628,853,000) to banks in respect of banking facilities granted to the Group. No fee is paid or payable by the Group to the guarantor.

(b) Related party balances

Details of the Group's outstanding balances with related parties are set out on the consolidated statement of financial position and in notes 14, 21, 24, 25 and 27.

(c) Compensation of key management personnel

Directors are key management personnel of the Company whose remuneration is disclosed in note 9.

36. CAPITAL RISK MANAGEMENT

Management of Group manages capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The overall strategy remains unchanged from prior year.

The capital structure of entities in the Group consists of debts, which include convertible bonds disclosed in note 22, bank and other borrowings disclosed in note 26, gold loans disclosed in note 27, loan from a non-controlling shareholder of a subsidiary disclosed in note 25, loan from a shareholder disclosed in note 25 and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. As at 30 June 2017, the net gearing ratio of the Group is 309% (2016: 145%). The directors balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debts or the redemption of existing debts.

37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017 **HK$'000**	2016 HK$'000
Financial assets		
Available-for-sale investments	**26,980**	41,188
Loans and receivables (including cash and cash equivalents)	**771,385**	538,382
Financial liabilities		
Financial liabilities at fair value through profit or loss	**89,122**	191,701
Amortised costs	**1,494,815**	1,045,116

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, trade and other receivables, amount due from an associate, amount due from a joint venture, pledged bank deposits, bank balances and cash, trade and other payables, franchise guarantee deposits, bank and other borrowings, gold loans, loan from a non-controlling shareholder of a subsidiary, loan from a shareholder, derivative financial instruments and convertible bonds. Details of these financial instruments are disclosed in the respective notes. The risks associated with certain of these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

37. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk

During the current year, there has been no change to the exposure of entities in the Group to market risks or the manner in which it manages and measures the risk.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to bank and other borrowings (note 26), gold loans (note 27) and fixed-rate convertible bonds (note 22(a)). The Group is also exposed to cash flow interest rate risk in relation to its floating-rate bank balances and bank borrowings. Management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's HK$ denominated borrowings.

The Group is exposed to cash flow interest rate risk in relation to pledged bank deposits and bank balances at floating interest rate. The Group currently does not have any hedging policy against interest rate risk and will consider should the needs arise.

Interest rate risk sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates of floating-rate bank borrowings only as management consider reasonable possible change in interest rate on floating-rate bank balances would not have material financial impact to the Group. The analysis is prepared assuming the amounts of liabilities outstanding at the end of the reporting period were outstanding for the whole year. Other than that, a 50 basis points increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the result of the Group would have been impacted as follows:

	2017 **HK$'000**	2016 HK$'000
Increase/decrease in loss for the year	**5,404**	3,135

37. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Currency risk

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange fluctuations arise. Certain of the Group's financial assets and liabilities are denominated in Hong Kong Dollar ("HK$"), Renminbi ("RMB"), Macau Patacas ("MOP"), United States Dollar ("US$") and Australian Dollar ("AUD") which are currencies other than the functional currencies of the respective group entities (see respective notes). The Group manages its foreign currency risk by constantly monitoring the movement of the foreign exchange rates.

The carrying amounts of the monetary assets and liabilities, which are trade and other receivables, bank balances and cash, trade and other payables, accruals and deposits received, bank and other borrowings, shareholder loan, loan from a non-controlling shareholder of a subsidiary and convertible bonds, that are denominated in currencies other than the functional currencies of the respective group entities of the Group at the end of the reporting period are as follows:

	Assets		Liabilities	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**1,543**	29,516	**191,152**	185,141
RMB	**580**	308	**4,135**	999
MOP	**–**	1,494	**–**	–
US$	**815**	8,426	**7,218**	40,255
AUD	**26,980**	42,588	**–**	–

The sensitivity analysis does not include MOP denominated assets held by entity with HK$ as its functional currency as it is expected that there would be no material currency risk exposure.

Currency risk sensitivity analysis

The foreign currency risk of the Group is mainly concentrated on the fluctuations of RMB against HK$, US$ and AUD. The sensitivity analysis below includes currency risk related to HK$, US$ and AUD denominated monetary items of group entities whose functional currencies are RMB and also currency risk related to RMB denominated monetary items of group entities whose functional currencies are HK$ and US$.

The following table details the sensitivity of the Group to a 5% increase and decrease in RMB against HK$, US$ and AUD respectively. 5% is the sensitivity rate which represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis includes external receivables or payables as well as receivables from and payables to foreign operation within the Group where the denomination of the receivable or payable is in a currency other than the functional currency of the respective group entity. A positive number below indicates a decrease in loss where RMB strengthens against HK$, US$ and AUD. For a 5% weakening of RMB against HK$, US$ and AUD, there would be an equal and opposite impact and the balances below would be negative.

37. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Currency risk sensitivity analysis (Continued)

	2017	2016
	HK$'000	HK$'000
Loss for the year		
RMB against HK$	**(9,480)**	7,781
RMB against US$	**(320)**	1,591
RMB against AUD	**1,349**	2,129

Price risk

The Group is engaged in the sale of jewellery includes gold products. The gold market is influenced by global as well as regional supply and demand conditions. A significant decline in prices of gold could adversely affect the Group's financial performance. In order to reduce the commodity price risk, the Group uses gold loans as well as financial derivatives instruments, such as gold bullion contracts through margin account and bullion forward contracts to reduce its exposure to fluctuations in the gold price on gold inventory.

In addition, the Group is exposed to equity price risk through its investments in listed equity securities as disclosed in note 18. Management of the Group monitors the price risk and will consider hedging the risk exposure should the need arise.

Price risk sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to price risks at the end of the reporting period.

If the market price of gold had been higher or lower by 10%, the loss after taxation for the year would increase or decrease approximately by HK$5,800,000 (2016: HK$12,702,000), arising from the changes in fair value of gold loans and financial liabilities at fair value through profit or loss.

If the price of the equity investment had been 10% higher/lower, investment valuation reserve would increase/decrease by HK$2,436,000 (2016: HK$3,780,000) for the Group as a result of the changes in fair value of available-for-sale investments.

37. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, management of the Group has monitoring procedures to ensure that appropriate actions are taken to recover overdue debts. In addition, management of the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the credit risk is significantly reduced.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the credit risk on liquid funds is limited because the counterparties are banks with good reputation.

The Group has no significant concentration of credit risk, with exposure spread over a large number of shopping malls and department stores.

Liquidity risk

Regarding the liquidity risk, management monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. As at 30 June 2017, the Group has available unutilised revolving banking facilities of HK$76,173,000 (2016: HK$138,131,000). Management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following tables detail the Group's contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on agreed repayment dates. The tables include both interest and principal cash flows.

In addition, the following tables detail the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash and outflows on derivative instruments that settle on a net basis, and the undiscounted gross and outflows on those derivatives that require gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the market value existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

37. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity table

	Weighted average interest rate %	On demand or in 30 days HK$'000	31 to 90 days HK$'000	91 to 365 days HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
As at 30 June 2017								
Non-derivative financial liabilities								
Trade and other payables	–	149,144	–	–	–	–	149,144	149,144
Franchise guarantee deposits	–	–	–	47,912	–	–	47,912	47,912
Bank and other borrowings								
– fixed rate	5.00	–	9,615	–	–	26,000	35,615	28,615
– variable rate	3.04	843,133	1,192	243,853	–	–	1,088,178	1,080,890
Loan from a non-controlling shareholder of a subsidiary								
– interest free	–	–	–	–	100,000	–	100,000	100,000
– fixed rate	2.00	–	–	44,054	–	–	44,054	43,190
Loan from a shareholder	–	2,000	–	–	–	–	2,000	2,000
Convertible bonds	19.47	132	296	1,284	1,581	57,080	60,373	43,064
		994,409	11,103	337,103	101,581	83,080	1,527,276	1,494,815
Derivatives								
Gold loans – fixed rate	4.50	84,823	–	–	–	–	84,823	84,823
Deriviate financial instruments	–	–	–	–	–	4,299	4,299	4,299
		84,823	–	–	–	4,299	89,122	89,122

37. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity table (Continued)

	Weighted average interest rate %	On demand or in 30 days HK$'000	31 to 90 days HK$'000	91 to 365 days HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
As at 30 June 2016								
Non-derivative financial liabilities								
Trade and other payables	–	146,465	–	–	–	–	146,465	146,465
Franchise guarantee deposits	–	–	–	54,292	–	–	54,292	54,292
Bank and other borrowings								
– fixed rate	5.00	3,000	1,000	–	–	27,000	31,000	23,000
– variable rate	2.82	151,111	2,222	480,284	–	–	633,617	627,000
Loan from a non-controlling shareholder of a subsidiary								
– interest free	–	–	–	–	100,000	–	100,000	100,000
– fixed rate	2.00	–	–	20,400	–	–	20,400	20,000
Convertible bonds	20.79	282	596	2,784	54,242	58,661	116,565	74,359
		300,858	3,818	557,760	154,242	85,661	1,102,339	1,045,116
Derivatives								
Gold loans – fixed rate	4.17	126,055	–	61,186	–	–	187,241	185,765
Deriviate financial instruments	–	–	–	–	–	5,936	5,936	5,936
		126,055	–	61,186	–	5,936	193,177	191,701

37. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity table (Continued)

Bank loans with a repayment on demand clause are included in the "on demand or in 30 days" time band in the above maturity analysis. As at 30 June 2017, the aggregate amounts of these bank loans amounted to HK$199,890,000 (2016: HK$150,000,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment.

For the purpose of managing liquidity risk, management reviews the expected cash flow information of the Group's bank loans with a repayment on demand clause based on the scheduled repayment dates set out in the agreement as set out in the table below:

	On demand or in 30 days HK$'000	31 to 90 days HK$'000	91 to 365 days HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
As at 30 June 2017					
Bank borrowings with a repayment on demand clause	**491**	**982**	**201,408**	**202,881**	**199,890**
As at 30 June 2016					
Bank borrowings with a repayment on demand clause	365	731	152,537	153,633	150,000

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

37. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/liabilities included in the consolidated statement of financial position	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
	30.6.2017 HK$'000	30.6.2016 HK$'000			
1) Available-for-sale financial assets	**24,360**	37,800	Level 1	Bid prices quoted in active market.	Not applicable
2) Gold loans	**(84,823)**	(185,765)	Level 2	Derived from quoted bid prices of gold	Not applicable
3) Conversion option derivatives embedded in convertible bonds	**(4,299)**	(5,930)	Level 3	Trinomial option pricing model The fair value is estimated based on the risk free rate, discount rate, share price, volatility of the share price of the Company and CGS, dividend yield and exercise price.	Volatility of the share price of determined by reference to the historical share price of the Company (2016: the Company and CGS) (Note)
4) CGS Share Option	**–**	(6)	Level 3	Trinomial option pricing model The fair value is estimated based on the risk free rate, discount rate, share price, volatility of the share price of the CGS, dividend yield and exercise price.	Volatility of the share price of determined by reference to the historical share price of CGS (Note)

Note: The higher the volatility of the share price of the Company and CGS, the higher the fair value of the conversion option derivative and share option. For the volatility of the share price of the Company and CGS used in the fair value measurement, please refer to note 22(b).

37. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments *(Continued)*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

There is no transfer between different levels of the fair value hierarchy for the years ended 30 June 2017 and 30 June 2016.

Reconciliation of Level 3 fair value measurements

	CGS Share Option HK$'000	**Conversion option derivatives** HK$'000
At 1 July 2015	1,840	40,820
Fair value gain recognised in profit or loss	(1,834)	(34,890)
At 30 June 2016	6	5,930
Fair value gain recognised in profit or loss	(6)	(1,631)
At 30 June 2017	–	4,299

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors of the Company consider that the carrying amounts of financial assets and liabilities recorded as amortised cost in the consolidated financial statements approximate to their fair values.

The fair value of such financial assets and financial liabilities (categories within Level 3 hierarchy) are determined in accordance with general accepted pricing models based on discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

38. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY

	2017 HK$'000	2016 HK$'000
ASSETS AND LIABILITIES		
Non-current Assets		
Property, plant and equipment	**50**	67
Loan to a subsidiary	**100,000**	100,000
Investments in subsidiaries	**320,147**	320,147
Investments	**24,360**	37,800
	444,557	458,014
Current Assets		
Other receivables and deposits paid	**311**	3,492
Loan to a subsidiary	**43,190**	20,000
Amounts due from subsidiaries	**–**	159,116
Bank balances and cash	**1,549**	27,656
	45,050	210,264
Current Liabilities		
Trade and other payables, accruals and deposits received	**2,899**	2,191
Other borrowings	**8,615**	–
Loan from a shareholder	**2,000**	–
Amount due to a subsidiary	**17,717**	17,724
	31,231	19,915
Net Current Assets	**13,819**	190,349
Total Assets Less Current Liabilities	**458,376**	648,363
Non-current Liabilities		
Convertible bonds	**43,064**	37,465
Derivative financial instruments	**4,299**	5,925
Other borrowings	**20,000**	23,000
	67,363	66,390
NET ASSETS	**391,013**	581,973
CAPITAL AND RESERVES		
Share capital	**35,224**	35,224
Reserves (Note)	**355,789**	546,749
TOTAL EQUITY	**391,013**	581,973

38. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY *(Continued)*

Note: The movements of reserves are as follows:

	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Warrant reserve HK$'000	Investment revaluation reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2015	681,516	55,327	17,591	21,819	–	441	(276,148)	500,546
Profit for the year	–	–	–	–	–	–	26,209	26,209
Exchange difference arising on translation	–	–	–	–	–	(18,753)	–	(18,753)
Fair value gain on available-for-sale investment	–	–	–	–	2,520	–	–	2,520
Total comprehensive income (expense) for the year	–	–	–	–	2,520	(18,753)	26,209	9,976
Issue of shares, net of transaction costs	36,227	–	–	–	–	–	–	36,227
Lapse of share options	–	–	(391)	–	–	–	391	–
At 30 June 2016	717,743	55,327	17,200	21,819	2,520	(18,312)	(249,548)	546,749
Loss for the year	–	–	–	–	–	–	(183,040)	(183,040)
Exchange difference arising on translation	–	–	–	–	–	(5,400)	–	(5,400)
Fair value loss on available-for-sale investment	–	–	–	–	(13,440)	–	–	(13,440)
Investment revaluation reserve reclassified to profit or loss in relation to impairment loss on available-for-sale investment	–	–	–	–	10,920	–	–	10,920
Total comprehensive expense for the year	–	–	–	–	(2,520)	(5,400)	(183,040)	(190,960)
Lapse of share options	–	–	(3,795)	–	–	–	3,795	–
At 30 June 2017	717,743	55,327	13,405	21,819	–	(23,712)	(428,793)	355,789

39. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries as at 30 June 2017 and 30 June 2016 are as follows:

Name of subsidiaries	Place of incorporation/ establishment	Authorised ordinary share capital/ registered capital	Issued and fully-paid ordinary share capital/ paid up capital	Percentage of issued ordinary share capital/ registered capital held by the Group (Note (1)) 2017	2016	Attributable equity interest held 2017	2016	Principal activities
CL Motion Pictures Limited	Hong Kong	N/A	HK$1	–	100%	–	100%	Film investment
TP Business Development Limited	Hong Kong	N/A	HK$ 100	–	70%	–	70%	Investment holding
3D-GOLD Company Limited	Hong Kong	N/A	HK$100	**100%**	100%	**50%***	50%	Investment holding
金至尊實業發展(深圳)有限公司 (3D-GOLD Enterprises Development (Shenzhen) Co. Ltd.) (Note 2)	PRC	US$60,000,000	US$60,000,000	**100%**	100%	**50%***	50%	Retailing and franchising operations of gold and jewellery products in Mainland China
3D-GOLD International Company Limited	Hong Kong	N/A	HK$2	**100%**	100%	**50%***	50%	Holding of trademark
3D-GOLD Jewellery (HK) Limited	Hong Kong	N/A	HK$100	**100%**	100%	**50%***	50%	Retailing of gold and jewellery products in Hong Kong
3D-GOLD Jewellery (Taiwan) Limited	Hong Kong	N/A	HK$100	–	100%	–	50%	Investment holding
金至尊珠寶股份有限公司 (3D-GOLD Jewellery Co. Ltd.) (Note 3)	PRC	RMB100,000,000	RMB20,000,000	**100%**	100%	**50%***	50%	Sale of jewellery
3D-GOLD Management Services Limited	Hong Kong	N/A	HK$1	**100%**	100%	**50%***	50%	Provision of management services
3D-GOLD (PRC Holding) Company Limited	Hong Kong	N/A	HK$100	**100%**	100%	**50%***	50%	Investment holding
TP Properties (HK) Limited	Hong Kong	N/A	HK$100	**100%**	100%	**100%**	100%	Investment holding
Brand New Management Limited	British Virgin Islands	US$50,000	US$1	**100%**	100%	**100%**	100%	Investment holding
Cheer Creative Limited	Hong Kong	N/A	HK$1	–	100%	–	100%	Inactive
China Gold Silver Group Company Limited	British Virgin Islands	US$50,000	US$3,334	**50%**	50%	**50%**	50%	Investment holding
CL Media & Entertainment Group Limited	British Virgin Islands	US$50,000	US$1	–	100%	–	100%	Investment holding
Dawn Chance Limited	British Virgin Islands	US$50,000	US$1	–	100%	–	100%	Investment holding
Elite Art International Limited	Hong Kong	N/A	HK$1	–	100%	–	100%	Investment holding
Ever Metro Holdings Limited	British Virgin Islands	US$50,000	US$1	–	100%	–	100%	Investment holding
Goldace Development Limited	British Virgin Islands	US$50,000	US$100	**100%**	100%	**100%**	100%	Investment holding
Great Network Holdings Limited	British Virgin Islands	US$50,000	US$100	–	80%	–	80%	Investment holding
Great Tactic Limited	British Virgin Islands	US$50,000	US$1	**100%**	100%	**50%***	50%	Rental holding
Group Creation Investments Limited	British Virgin Islands	US$50,000	US$1	–	100%	–	100%	Investment holding

39. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiaries	Place of incorporation/ establishment	Authorised ordinary share capital/ registered capital	Issued and fully-paid ordinary share capital/ paid up capital	Percentage of issued ordinary share capital/ registered capital held by the Group (Note (1)) 2017	2016	Attributable equity interest held 2017	2016	Principal activities
Gold Ocean Jewellery Company Limited	Macau	MOP500,000	MOP500,000	**100%**	100%	**50%***	50%	Retailing of gold and jewellery products in Macau
Golden Zone International Limited	British Virgin Islands	US$50,000	US$1	**100%**	100%	**50%***	50%	Investment holding
CL Showbiz Limited	Hong Kong	N/A	HK$1	–	100%	–	100%	Concert investment
Joyrise Ventures Limited	British Virgin Islands	US$50,000	US$1	**100%**	100%	**100%**	100%	Investment holding
Lead Acme Limited	British Virgin Islands	US$50,000	US$1	–	100%	–	100%	Investment holding
Rise Rich International Limited	Hong Kong	N/A	HK$10,000	**100%**	100%	**50%***	50%	Trading of jewellery
Special Link Limited	Hong Kong	N/A	HK$1	**100%**	100%	**50%***	50%	Investment holding
Talent Wonder Limited	British Virgin Islands	US$50,000	US$1	**100%**	100%	**100%**	100%	Investment holding
Trump Power Limited	Hong Kong	N/A	HK$100	–	100%	–	100%	Trading of precious metals related products
Zun 1 Interactive Technology Limited	Hong Kong	N/A	HK$1,100	–	91%	–	73%	Online marketing and E-commerce
尊一互動科技(深圳)有限公司(Note 2)	PRC	RMB500,000	RMB500,000	–	100%	–	73%	Online marketing and E-commerce
上海金至尊鑽石有限公司(Note 2)	PRC	RMB1,000,000	RMB1,000,000	**100%**	100%	**50%***	50%	Sales of jewellery
金至尊珠寶股份有限公司	Taiwan	NTD10,000,000	NTD5,000,000	–	100%	–	50%	Inactive
至尊金業(深圳)有限公司(Note 2)	PRC	RMB1,000,000	RMB1,000,000	**100%**	100%	**50%***	50%	Investment holding
重慶金至尊珠寶有限公司(Note 2)	PRC	RMB5,000,000	RMB1,000,000	**100%**	100%	**50%***	50%	Sale of gold and jewellery
重慶金至尊營銷策劃有限公司(Note 2)	PRC	RMB5,000,000	RMB1,000,000	**100%**	100%	**50%***	50%	Strategic planner in jewellery industry
重慶金至尊飾品設計有限公司(Note 2)	PRC	RMB5,000,000	RMB1,000,000	**100%**	100%	**50%***	50%	Design of gold and jewellery products

* The entities are the wholly owned subsidiaries of CGS and regarded as subsidiaries of the Group (note 4).

39. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY *(Continued)*

Notes:

(1) The Company directly holds the interest in Brand New Management Limited, China Gold Silver Group Company Limited, Ever Metro Holdings Limited and Goldace Development Limited. All other interests in subsidiaries shown above are indirectly held by the Company.

(2) These companies established in the PRC are wholly owned foreign enterprises.

(3) 3D-GOLD Jewellery Co. Ltd. established in the PRC is a sino-foreign joint venture company.

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation	Principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		(Loss) profit allocated to non-controlling interests		Accumulated non-controlling interests	
			2017	2016	**2017**	2016	**2017**	2016
					HK$'000	HK$'000	**HK$'000**	HK$'000
CGS	British Virgin Islands	PRC	**50%**	50%	**(42,161)**	(61,053)	**62,430**	108,162
Individually immaterial subsidiaries with non-controlling interests					**(1,241)**	2,845	**–**	(16,090)
					(43,402)	(58,208)	**62,430**	92,072

39. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY *(Continued)*

Summarised consolidated financial information in respect of CGS and its subsidiaries that has material non-controlling interests is set out below. The summarised consolidated financial information below represents amounts before intragroup eliminations.

China Gold Silver Group Company Limited and its subsidiaries

	2017 **HK$'000**	2016 HK$'000
Current assets	**1,616,444**	1,337,042
Non-current assets	**234,456**	248,492
Current liabilities	**(1,484,024)**	(1,090,289)
Non-current liabilities	**(242,016)**	(278,921)
Equity attributable to owners of CGS	**124,860**	216,324
Revenue	**1,113,898**	1,154,855
Expenses	**(1,198,220)**	(1,276,960)
Loss for the year attributable to owners of CGS	**(84,322)**	(122,105)
Other comprehensive (expense) income for the year attributable to owners of CGS	**(7,142)**	(37,460)
Total comprehensive expense for the year attributable to owners of CGS	**(91,464)**	(159,565)
Net cash outflow from operating activities	**(18,428)**	(34,816)
Net cash (outflow) inflow from investing activities	**(242,315)**	53,705
Net cash inflow (outflow) from financing activities	**327,916**	(133,761)
Net cash inflow (outflow)	**67,173**	(114,872)

40. 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 Summary

The following is a summary of the consolidated results and of the assets and liabilities of the Group for the last five financial years. This summary does not form part of the audited financial statements.

RESULTS

	Year ended 30 June 2017 HK$'000	Year ended 30 June 2016 HK$'000	Year ended 30 June 2015 HK$'000	Year ended 30 June 2014 HK$'000	Year ended 30 June 2013 HK$'000
Turnover	**1,118,550**	1,155,787	1,370,905	1,561,659	2,886,550
Loss before taxation	**(179,575)**	(112,094)	(139,248)	(200,293)	(107,054)
Taxation	**(7,530)**	(8,764)	(20,721)	8,284	(8,748)
Loss for the year	**(187,105)**	(120,858)	(159,969)	(192,009)	(115,802)
Total comprehensive expense for the year attributable to owners of the Company	**(154,821)**	(96,297)	(86,921)	(187,558)	(100,554)

ASSETS AND LIABILITIES

	As at 30 June 2017 HK$'000	As at 30 June 2016 HK$'000	As at 30 June 2015 HK$'000	As at 30 June 2014 HK$'000	As at 30 June 2013 HK$'000
Total assets	**1,881,191**	1,730,734	2,017,732	2,241,611	1,990,940
Total liabilities	**(1,663,622)**	(1,325,614)	(1,480,004)	(1,555,359)	(1,353,756)
Non-controlling interests	**(62,430)**	(92,072)	(167,929)	(230,607)	3,446
Equity attributable to owners of the Company	**155,139**	313,048	369,799	455,645	640,630