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

Steering through change

Annual Report 2013/14

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.

Corporate Information

DIRECTORS

Executive Directors

Dr. Wong, Kennedy Ying Ho[b,c], BBS, J.P., *Chairman*

Mr. Lam Kwok Hing, Wilfred[d], J.P.

Ms. Wong Wing Yan, Ella

Mr. Cheung Pak To, Patrick, BBS *(appointed on 15 November 2012)*

Mr. Chui Chuen Shun[b] *(resigned on 31 July 2012)*

Mr. Mung Kin Keung[d] *(resigned on 7 November 2012)*

Non-executive Director

Dr. Hui Ho Ming, Herbert[a,d], J.P.
(re-designated from Executive Director to Non-executive Director on 10 Aug 2012)

Independent Non-executive Directors

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

Ms. Estella Yi Kum Ng[a,b,c,d]

Mr. Wong Kam Wing[a,b,c]

[a] *Member of the Audit Committee*
[b] *Member of the Remuneration Committee*
[c] *Member of the Nomination Committee*
[d] *Member of the Corporate Governance Committee*

COMPANY SECRETARY

Mr. Michael Sui Wah Wong

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton, HM11
Bermuda

PRINCIPAL OFFICE IN HONG KONG

Unit 1701-11, 17th Floor
Peninsula Square
No. 18 Sung On Street
Hunghom, Kowloon
Hong Kong

Corporate Information

PRINCIPAL BANKERS

Shanghai Commercial Bank
China Construction Bank
China Merchants Bank
ICBC (Europe) S.A. Brussels Branch
Shanghai Pudong Development Bank
Bank of Beijing
Ping An Bank

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudian Road
Pembroke HM08, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

STOCK CODE

2882

WEBSITE

www.hkrh.hk

Major Events

AUGUST 2012

3D-GOLD Jewellery was the title sponsor of the “3D-GOLD Super Basketball Invitation Championship”, a local basketball match organized by the Hong Kong Basketball Association.

AUGUST 2012

Being the prize sponsor of the “International KamCha Competition 2012 (HK Style Milk Tea)” for the 2nd consecutive year, 3D-GOLD Jewellery once again produced and presented the “Golden KamCha Cup” to the champions of the Hong Kong and International Competition.

SEPTEMBER 2012

3D-GOLD Jewellery held the “Glamour Jewellery Trade Fair 2012” in Shenzhen and presented the Group’s wonderfully styled and uniquely designed jewellery pieces.

NOVEMBER 2012

With the Group’s unique and creative jewellery designs, 3D-GOLD Jewellery was honoured by 4 awards from the “Buyers’ Favorite Jewelry Design Competition 2012” which demonstrated the wide recognition of the Group’s excellence in product designs.

Major Events

NOVEMBER 2012

3D-GOLD Jewellery was the High Value prize sponsor of the "McDonald's Monopoly 2012", as well as the jewellery sponsor of Mr. Eric Tsang, Ms. Kate Tsui and Ms. Tavia Yeung, the spokesperson, and guests, by sponsoring over HK$10 million of jewellery which held the spotlight in the press conference.

DECEMBER 2012

Mr. Eric Tsang, our "Supreme Star", visited the 3rd newly opened 3D-GOLD Jewellery shop in Macau.

DECEMBER 2012

3D-GOLD Jewellery was the jewellery sponsor for the artists of the movie, "The Last Tycoon", at the Singapore International Film Festival.

DECEMBER 2012

After the Singapore International Film Festival, 3D-GOLD Jewellery was the jewellery sponsor again for the artists of "The Last Tycoon", including Ms. Yuan Quan, Ms. Feng Wen Juan, Mr. Qi Ji and Mr. Gao Hu, who attended the Gala Premiere in Shanghai.

Major Events

DECEMBER 2012

3D-GOLD Jewellery won the "Special Award of the Chinese Brand of the Year 2012" by the World Brand Laboratory, that has laid a good foundation for the upcoming "China's 500 Most Valuable Brands".

JANUARY 2013

The masterpiece of 3D-GOLD Jewellery, "Soaring Dragon", had not only won the "Best of Show" award at the 13th Hong Kong Jewellery Design Competition, but also received the "Annual Jewellery Design Award" by "BAZAAR Jewelry".

FEBRUARY 2013

3D-GOLD Jewellery had been honoured by the"Hong Kong Top Brand Ten Year Achievement Award" at the "Hong Kong Top Brand Awards" co-organized by Hong Kong Brand Development Council and The Chinese Manufacturers' Association of Hong Kong, and was the first jewellery brand to receive this award.

FEBRUARY 2013

3D-GOLD Jewellery was the title scepter and crown sponsor of "Miss Chinese International Pageant 2013", at the presentation ceremony held in our Dongguan shop.

Major Events

MARCH 2013

3D-GOLD Jewellery sponsored the mini concert of Ms. Kelly Chen, "MOOV LIVE KELLY 2013", the spokeswoman of the brand.

APRIL 2013

The latest "3D-GOLD x Alice Wild – Love Alice Collection", a collaboration between 3D-GOLD Jewellery and Mr. Leo Ku, the famous singer, was successfully launched in Hong Kong.

MAY 2013

The newly jewellery retail concept of 3D-GOLD Jewellery – "3D-GOLD Jewellery Boutique" was launched with fanfair at the Jewellery Shanghai 2013.

JUNE 2013

3D-GOLD Jewellery had been honoured as one of the "China's 500 Most Valuable Brands" for the 4th consecutive year, ranking 2nd in the jewellery category with brand value amounting to RMB12.3 billion.

幸福女人

Happy Women Collection

Chairman's Statement

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 2013 (the "**Year**" or "**Year 2013**").

The Year 2013 was another year of mixed challenges and uncertainties. Various warning signs were pointing to a slowing economy across the Mainland China, which in turn impacted the retail market and mass luxury sector. Slowing jewellery sales and weak retail sentiments in Mainland China were especially evident during the National Day Holiday last October. In addition, gold price plunged by US$150 per oz within a week in April 2013, a first in many years.

The nature of the jewellery business makes it particularly sensitive to changes in economic conditions and consumer confidence. With over 90% of the turnover of the Group generated from Mainland China, the Group has recorded a decrease in sales revenue of 25% compared to the same period last year. Loss from operation for the Year 2013 of HK$23.5 million, included an impairment loss of trade receivables of HK$27.0 million. The priority of management for Year 2013 continued to focus on improving operational performance. In response to the changing sentiments, the Group has also undertaken a number of proactive initiatives in the first quarter of 2013, which would take time to impact on the Group's financial results:

- **To adjust the sales network by focusing on profit making stores and closing down non-performing stores**. The Group has focus on profitability in its channel expansion. As at 30 June 2013, the Group has 416 points of sales in Hong Kong, Macau, and Mainland China under the brand "3D-GOLD" (2012: 398 points of sales), of which 135 points of sales were self operated (2012: 154 points of sales) and 281 points of sales were franchised stores (2012: 244 points of sales). Profitable and efficient stores were retained while non-profitable ones, that were mainly aged 2 to 3 years were closed to ensure improvement of overall store quality and profitability.

- **Introducing new 3D-GOLD jewellery boutique store**, which focuses on diversifying our sales channels and broadening our customer base. This boutique store is smaller in size than the traditional store, yet focuses on higher margin jewellery and fixed priced products, including gold products, to minimise the effect of gold price fluctuation. Sales channels include, but not limited to, duty free store, airport, hotel and transport stations and ports. This new 3D-GOLD jewellery boutique store will be one of a kind in the market under the Hong Kong brand, which shall attract a new group of franchisees.

- **Initiatives to strengthen retail operations**, via launching a regional franchise system. Expansion via our new regional franchise system, is expected to expand our network while simultaneously mitigating risk. The untapped markets can be accessed through a low-risk use of resources in times of uncertainty, and our competitiveness can be enhanced in the market. We will work closely with our regional franchisees to improve their operational performance, which through time will be reflected in the Group's financial results.

- **Continuous promotion and launching of new series products**. We have identified a growing demand for stylish and contemporary-designed jewellery in Mainland China, representing a change in customer preferences. Our new products and established products, via on-going marketing programmes, include Happy Women, Flowers of Joy, Eternal Love and Alice Wild Series; these have recorded higher sell out rates than average. The range of our jewellery portfolio has enabled the Group to win customers from different age groups. The new series products are mainly jewellery in nature, which generate better profit margin than gold.


龍愛・愛麗斯
Love Alice Collection

- **Branding and marketing drive**. The Group's marketing and promotion efforts continue to seek to reach a greater population of customers. In July 2013, 3D-GOLD was ranked 156th by World Brand Lab in "China's 500 Most Valuable Brands" receiving this award for the 4th consecutive year, ranking 2nd among jewellery brands, with a brand value of RMB12.3 billion. Despite the turnover decrease for Year 2013, the retail value of the 3D-GOLD brand, i.e., the sales made by all of 3D-GOLD stores, including the self operated and franchise stores, amounted to HK$4,690 million for the Year 2013, an increase of 13% from last year. Via working closely with our franchisees, over time, the brand value will be fully reflected in the Group's financial results.

- **Launching the Enterprise Resources Planning ("ERP") System**. The Group has invested since 2012 in a new ERP system, which is scheduled to start its trial run by the first quarter of 2014. The ERP system will provide improved ordering guidelines and stocking arrangement for ourselves and franchisees. The information platform will also provide updates of bestselling and slow moving models based on nationwide sales data. With this new ERP system, market opportunities and market demand can be better captured, and contribute to the overall performance of the franchisees and that of the Group.

- **Cost controls.** The Group has managed to effectively control and reduce the general and administrative expenses by 9% for year 2013. Management will continue to strengthen our cost control policy, as part of the overall initiative in improving the overall financial performance.

The above initiatives have yet to impact on the Group's financial results, where the financial performance for Year 2013 still faced pressure, resulting in a loss for the year of HK$115.8 million.

Subsequent to the end of Year 2013, the convertible bond 2013 had reached maturity and was fully repaid. During the Year 2013 and subsequent to the balance sheet date, the Company has successfully raised an aggregate amount of HK$191.5 million, from rights issue and placement of shares, to support the business initiatives and to optmise the Company's capital structure. As a result, as at 30 June 2013, the net gearing ratio was reduced from 105% to 84%, the net asset value was increased from HK$587 million to HK$637 million and the net asset value per ordinary share was HK$0.22.

The Group will focus on achieving a capital structure with medium to long term financing perspective and on lowering financial costs.

Our investment in e-commerce platform Zun1.com and social network platform 54qn.cn have continued with greater efforts in capturing the emerging market potential. The Group believes these investments will pay off, as we will enjoy not only sales growth but also the synergy. That complements our conventional sales channel.

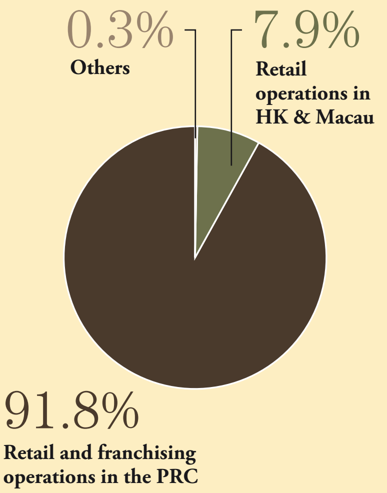
Notwithstanding the current market economic growth, in the long run, Mainland China remains an attractive market with its increasing disposable income and government policies which seek to stimulate domestic consumption. The Group will continue to implement its strategic plan to strengthen the distribution network and brand enhancement in Mainland China. The initiative undertaken in 2013 have helped to consolidate the Group's 2013 financial position and are expected to improve the Group's financial performance and cashflow in the near future.

In closing, on behalf of 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 as well as challenges. As always, we strive to create greater value for our shareholders and investors.

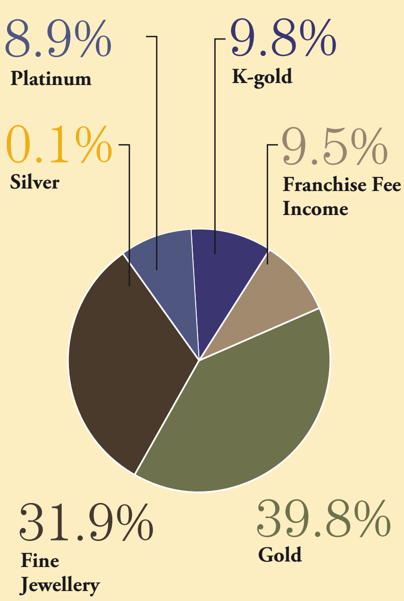
Dr. Wong, Kennedy Ying Ho, BBS, J.P.
Chairman
Hong Kong, 30 September 2013

Management Discussion and Analysis

Turnover Breakdown by Business



Gross Profit Analysis by Products



OVERVIEW

China's economic growth slowed slightly with GDP growth of 7.6% in the first half of 2013, down from 7.75% in the second half of 2012. Domestic consumption showed a decline in contribution to China's economic growth. Various warning signs are pointing to a slowing economy across Mainland China, which in turn affected the retail market and mass luxury sector. The Group continues to operate in an increasingly challenging macro-economic and retail environment, and to place the focus on improving profitability.

Despite the turnover decrease of 25% for Year 2013, the retail value of the 3D-GOLD brand, that is sales made by all 3D-GOLD stores, including self operated and franchise stores, amounted to HK$4,690 million for Year 2013, an increase of 13% from last year. Continuous efforts are put into improving the financial health of our franchisees, via handling of their inventories aged over 24 months, and various measures were undertaken as discussed in the "Business Review" section. Via working closely with our franchisees, through time, the brand value will be reflected in the Group's financial results.

For Year 2013, VIP members accumulated to almost 250,000 members (a 29% increase from prior years), generated 54% of the total retail value, of which 28% are repeated sales. Average spending per VIP member for Year 2013 is 3.7 times of the Group's average ticket per sales. The Group will continue its effort on strengthening the relationship with the VIP and further boost customer royalty to encourage repeat purchases.

In improving the profitability, the management has focused on the following areas with various measures: (i) to adjust the sales network by focusing on profit making stores and closing down non-performing stores that were mainly aged 3 years, (ii) Introducing new 3D-GOLD jewellery boutique store model, (iii) introducing a new regional franchisee system to strengthen the retail operations, (iv) continuous promoting and launching of new series products, (v) launching an Enterprise Resources Planning System, (vi) continuing costs control; and (vii) improving cash flow.

For the Year 2013 and up to the report date, the Company has successfully raised HK$191.5 million to support business initiatives and to rationalize the Company's capital structure. In addition, the CB2013 (as defined in note 24 to the consolidated financial statements) has been fully repaid subsequent to the year end. As at 30 June 2013, the net gearing ratio was reduced from 105% to 84%. The Group will focus on achieving a capital structure with lower financing costs.

Loss from operation for the Year 2013 of HK$23.5 million, included an impairment loss of trade receivables of HK$27.0 million. The priority of management for Year 2013 was to focus on improving operational performance. The proactive initiatives in the first quarter of 2013 have not yet resulted in positive on the Group's 2013 financial results, where the financial performance of the Group for the Year still faced pressure and recorded a loss for the year of HK$115.8 million (2012: HK$29.2 million). Included in the results, the Group has also made non-recurring provisions and impairments amounted to HK$38.6 million, the majority of which are non-cash items, non-cash impairment on goodwill arising from acquisition of additional interests of an associated company, impairment loss on trade receivables recognised and amount due from a jointly controlled entity and provision and impairment for 33 store closures.

over 400 shops in China

406 shops in Mainland China
7 shops in Hong Kong
3 shops in Macau

20	Anhui
23	Beijing
22	Chongqing
1	Dalian
11	Fujian
2	Gansu
57	Guangdong
14	Guangxi
1	Guizhou
3	Hainan
18	Hebei
6	Heilongjiang
7	Hong Kong
23	Hubei
7	Hunan
6	Inner Mongolia
36	Jiangsu
13	Jiangxi
4	Jilin
9	Liaoning
3	Macau
4	Ningxia
3	Qinghai
14	Shaanxi
67	Shandong
5	Shanghai
6	Shanxi
4	Sichuan
15	Tianjin
5	Xinjiang
5	Yunnan
2	Zhejiang

Through implementation of the above initiatives, and working closely with our franchisees to improve their profitability, we expect improvements in the Group's financial results.

FINAL DIVIDEND

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

FINANCIAL REVIEW

The Group is principally engaged in the retailing and franchising operations 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 nature of the jewellery business is particularly sensitive to changes in economic conditions and consumer confidence. Due to the sluggish global economy, the economic growth in the Mainland China and the retail market have experienced a downturn.

Revenue by Market

	Y.E. 2013	Y.E. 2012	Y-o-Y Change
	HK$'000	HK$'000	%
Mainland China	**2,657,173**	3,501,378	-24%
Hong Kong and Macau	**229,377**	339,252	-32%
	2,886,550	3,840,630	-25%

With over 90% of the turnover of the Group generated from Mainland China, the turnover of the Group for the Year amounted to HK$2,887 million (2012: HK$3,841 million), a decrease of 25% from last year. Mainland China recorded turnover of HK$2,657 million, also a decrease of 24% from last year, while Hong Kong and Macau recorded turnover of HK$229 million, also a decrease of 32% from last year. In line with the economy, we have recorded a decline in overall same-store-growth of 32% (last year: growth of 6%), of which same store growth in Mainland China decline by 32% (last year: growth of 8%) and same store growth in Hong Kong and Macau decline by 25% (last year: a growth of 6%).

The decline recorded in same store growth was a result of economic downturn and relative high base for comparison from last year.

Revenue by Business

Number of Stores and Counters

	Y.E. 2013	Y.E. 2012	Y-o-Y Change %
Mainland China			
– Self Operated POS	**125**	144	-19
– Franchise POS	**281**	244	37
Hong Kong and Macau	**10**	10	–

For channel management, the Group has been focusing on profitability in its channel expansion for our self operated points-of-sale ("**POS**"). Profitable and efficient stores were retained while non-profitable ones were closed to ensure improvement of overall store quality and channel profitability.

As at 30 June 2013, the Group had 7 points-of-sale in Hong Kong, 3 points of sale in Macau and 406 points-of-sale in the Mainland China under the brand name "3D-GOLD". Of the points-of-sale in the Mainland China, 125 were self operated points-of-sale and 281 were franchise points-of-sale.

Mainland China

Self Operated POS

During the Year, 15 new shops and counters were opened in Hong Kong, Macau and Mainland China, while 34 shops and counters were closed. Of the 34 shops and counters closed during the Year, 33 were self operated POS in Mainland China.

The stores closed during the year 2013 were mainly opened in 2010 and 2011. 34 stores were closed during the Year, despite their contributed turnover of HK$83 million for the Year before closure and HK$267 million for the year 2012, because they were unprofitable. The capital investment for each store was limited, yet, with the closure of those unprofitable stores during the Year, has made available operating cashflow of HK$110 million to the Group.

Franchise POS

With respect to the franchise stores and counters, 70 new shops and counters were opened, while 33 shops and counters were closed. The net changes in the number of franchise POS were in line with our expansion plan for Mainland China.

Many of the franchisee has inventories which are aged over 24 months and the Group is continuing its effort in assisting our franchisee to improve on their financial health, especially on the gem-set jewellery. Through time, as those inventories once handled, the Group's financial results are also expects to improve.

Management Discussion and Analysis

Revenue by Products

Sales of our principal products, gold and platinum products and gem-set jewellery, consisted of approximately 76% (last year: 78%) and 22% (last year: 21%), in the total turnover. The gross profit decreased 15% to HK$608 million (last year: HK$718 million) while the gross profit margin increased from 19% to 21%. The increase in gross profit margin was a result of the effective gold hedging policy and the launch of new series products in gem-set jewellery. The hedging position of gold, and the adjustment in our product portfolio to focuses on gem-set jewellery have reduced the impact of fluctuations in international gold prices on the gross profit margin of the Group.

In line with the turnover growth, the Group's selling and distribution expenses have decreased to HK$464 million (2012: HK$509 million), but as a percentage of total turnover has increased from 13% to 16% this Year. Advertising and promotional expenses amounted to HK$48 million (2012: HK$64 million), staying at a stable rate of 17% (2012: 17%) of total revenue. Rental expenses amounted to HK$221 million (2012: HK$244 million), representing 7.6% (2012: 6.4%) of total revenue. The increase in rental as a percentage was mainly due to the opening of new store and the decrease in turnover. The rental increment was generally in line with the market trend, while as a percentage of turnover has remained at a relatively low level.

The Group's administrative expenses have decreased to HK$136 million (2012: HK$150 million). The percentage of administrative expenses to total turnover has been stable at approximately 4%. The Group has adopted effective cost control policy and reduced the general and administrative expenses.

In addition, the convertible bond 2013, with yield effective interest of 12.02% p.a., reached maturity subsequent to the balance sheet date. The amount was fully settled. The Group has been focusing in achieving a capital structure with lower financing costs; and interest expense for the year has declined by 5% to HK$64.1 million.

The Group will continue to focus on capturing the expanding market in Mainland China. Together with the various initiatives undertaken, management expects the results of the Group to improve.

Liquidity, Financial Resources and Capital Structure

The Group centralizes funding for all its operations through the corporate treasury based in Hong Kong. As at 30 June 2013, the Group had total cash and cash equivalents amounting to HK$425 million (2012: HK$222 million) and total net assets of HK$637 million (2012: HK$587 million). The Group's net gearing ratio as at 30 June 2013 was 84% (2012: 105%), being a ratio of total borrowing of HK$958 million (2012: HK$836 million) less pledged bank deposits and bank balances and cash of HK$425 million (2012: HK$222 million) to total equity of HK$637 million (2012: HK$587 million). After taking into account the gold inventories of HK$394 million (2012: HK$474 million), the Group's adjusted net gearing ratio as at 30 June 2013 was 22% (2012: 24%), being a ratio of total borrowing less pledged bank deposits, bank balances and cash and gold inventories to total equity. As at 30 June 2013, the Group had available unutilized revolving banking facilities of HK$9 million (2012: HK$30 million).

After the balance sheet date and up to the date of this report, the Group had new banking facilities of RMB300 million granted by a bank in the Mainland China, of which RMB200 million was drawn down.

BUSINESS REVIEW

Retail Operation

As at 30 June 2013, the Group had 7 points-of-sale in Hong Kong, 3 points of sale in Macau and 406 points-of-sale in the Mainland China under the brand name "3D-GOLD". Of the points-of-sale in the Mainland China, 125 were self operated points-of-sale and 281 were franchise points-of-sale.

Since the first quarter of 2013, management has undertaken a number of initiatives, with progress in the following areas:

- **Rationalising sales network:** The Group has focused on profitability in its channel expansion via closing down more non-performing stores as well as opening high performing stores. As at 30 June 2013, the Group had 416 points of sales in Hong Kong, Macau, and Mainland China. Efforts are continued to rationalize the sales network to achieve a healthy store mix in line with our transforming business model.

- **Initiatives to strengthen retail operations:** The launch of the regional franchise system is expected to expand our network while simultaneously mitigating risk. The untapped markets can be accessed with low-risk use of resources in times of uncertainty while enhancing the Group's competitiveness in the market. These initiatives will allow us to work closely with our regional franchisees to improve their operational performance; over time, improvements will be reflected in the Group's financial results.

- **Continuous promotion and launch of new series products:** With the growing demand for stylish and contemporary designed jewellery in Mainland China, our new products and products featured in our on-going marketing programmes, include, Happy Women, Flowers of Joy, Eternal Love and Alice Wild Series, which have recorded higher sell out rates than average. The variety of jewellery has enabled the Group to win customers from different age groups. The new series products are mainly jewellery in nature, which generate better profit margin than gold.

- **Branding and marketing drive:** In July 2013, 3D-GOLD was ranked 156 by The World Brand Lab in "China's 500 Most Valuable Brands", receiving this award for the 4th consecutive year, ranking second among jewellery brands, with a brand value of RMB12.3 billion. Despite the turnover decrease for Year 2013, the retail value of the 3D-GOLD brand, i.e., the sales made by all of 3D-GOLD stores, including the self operated and franchise stores, amounted to HK$4,690 million for Year 2013, an increase of 13% from last year. Via working closely with our franchisees, over time, we expect the brand value to be fully reflected in the Group's financial results.

- **Launching the Enterprise Resources Planning ("ERP") System:** The new ERP system is scheduled to start its trial run by the first quarter of 2014. This system will provide improved ordering guidelines and stocking arrangements for ourselves and franchisees. The information platform will provide updates of bestselling and slow moving models based on nationwide sales data. With this new ERP system, market opportunities and market demand can be better captured, to contribute to the overall performance of the franchisee and of the Group.

- **Cost controls:** The Group has managed to effectively control and reduce the general and administrative expenses by 9% for year 2013. Management will continue to strengthen our cost control policy, as part of the overall initiative in improving the overall financial performance.

- **Introducing new 3D-GOLD jewellery boutique store:** 3D-GOLD jewellery boutique store model has been introduced to broaden our sales channels and customer base. The boutique store is smaller in size than the traditional store, with focus on higher margin jewellery and fixed priced products to minimise the effect of gold price fluctuations. One of a kind in the market introduced by 3D-GOLD, the boutique model is expected to attract a new group of franchisees.

- **Organisation reform and human resources:** The Group has continued to advance the development of the core business. Emphasis has been placed on human capital optimization in support of the initiatives, including improvement in the quality of internal and external talent pools, to strengthening the core competitiveness of the Group.

Products and design

The Group has continued to advance its product designs and innovations. Through continuous enhancement in product quality, the Group is committed to offering product series which are able to meet with our customers' preferences.

During the Year, the Group has enlarged its product portfolio to capture different market segments. With these series of new products:

- 3D-Gold x Alice Wild

- Flowers of Joy

- Happy Women

Our product offerings were conceived by our design team. Our design team works closely with our sales management team to ensure that the products design direction is aligned with the market trends. The team's expertise is expected to assist the Group in positioning the "3D-GOLD" brand as a brand which creates trendy, attractive and stylish products.

The team has received recognition from the jewellery industries in various competitions, which include the following:

- "The Year of 2012" won the Best Craftsmanship Award from the Buyers' Favorite Jewelry Design Competition 2012;

- "The Year of 2012" won the Champion of Bangle & Bracelet Category Award from the Buyers' Favorite Jewelry Design Competition 2012;

- "Half Flame • Half Water" won the First Runner Up of Earrings Category Award from the Buyers' Favorite Jewelry Design Competition 2012;

- "Countless Ties" won the First Runner Up of Computer Aided Design Category Award from the Buyers' Favorite Jewelry Design Competition 2012;

- "Soaring Dragon" won the Best of Show Award at the 13th Hong Kong Jewellery Design Competition;

- "Soaring Dragon" was awarded the Annual Jewellery Design Award by "BAZAAR Jewelry".

Marketing and Promotion

The Group strongly believes in the value of a strong brand. A strong jewellery brand means trust worthiness, quality and design; trust facilitates the buying decision. The Group continues to promote the "3D-GOLD" brand through a comprehensive marketing programme and to present a corporate image of superior quality.

The Group's marketing programme includes joint promotions, sponsorships and exhibitions as follows:

- Title sponsorship of the "3D-GOLD Super Basketball Invitation Championship";

- Prize sponsorship of the "International KamCha Competition 2012 (HK Style Milk Tea)";

- Prize sponsorship of the "McDonald's Monopoly 2012" and jewellery sponsor of Mr. Eric Tsang, Ms. Kate Tsui and Ms. Tavia Yeung at the event;

- Participating in the "Glamour Jewellery Trade Fair 2012" in Shenzhen;

- Title, scepter and crown sponsorship of "Miss Chinese International Pageant 2013";

- Sponsorship of the mini concert of Ms. Kelly Chen, "MOOV LIVE KELLY 2013".

Awards and Achievements

The 3D-GOLD brand has also received high recognition from authorities and institutions in Hong Kong and Mainland China, reaffirming the efforts of the Group in promoting service excellence, industry best practices and in meeting the stringent standards and criteria set forth by the relevant authorities and institutions.

Hong Kong

- "Hong Kong Top Brand Ten Year Achievement Award" at the "Hong Kong Top Brand Awards".

China

- "Special Award of the Chinese Brand of the Year 2012" by the World Brand Laboratory;

- Ranking in 2nd "China's 500 Most Valuable Brands" with brand value amounting to RMB12.3 billion.

E-Commerce and Corporate Gifts

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

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

OUTLOOK

Looking ahead, we are positive about the business outlook in the medium to long run, despite short term market volatilities. With over 90% of the turnover from Mainland China, the Group remains confident of the growth of the gold and jewellery retail market for the years ahead; while continuing to promote our brand to secure even higher recognition and trust, as well as spread our good reputation for product design, quality, value and authenticity.

The management expects the next financial year to be a period of transition, with the aim of stabilizing our business performance. With the Group's focus on the operational improvement in the past year, the management will continue to move forward in implementing the various initiatives, foremost of which is returning the Group to profitability.

The strategic direction we are taking is to restore the long term sustainable growth and profitability of the Group. The market volatilities may result in, however, uncertainty on our short term performance. We will continue to enhance the process controls, improve our brand positioning, assist our franchisees to improve profitability, introduce products with higher gross profit margins, and maintain effective cost controls.

Ultimately, we look forward to achieving our goal, which will result in growth and value to our investors and other stakeholders. We expect the operating cash flow to improve, along with our franchisee profitability.

INVESTOR RELATIONS

The Group values its relationships with investors. Committed to maintaining close ties to professionals from the asset management community, the Group has heightened the transparency of its operations, and has maintained open and effective communication, to enable investors and the investment community to understand our management philosophy and long-term development plans.

Throughout the Year, the Group has arranged one-on-one meetings and visits for fund managers. The Group welcomes and treasures investors' comments as they strengthen our value to the investors. The Group's effort to create value for investors will continue.

OTHERS

Capital Commitments and Contingent Liabilities

Capital commitments and contingent liabilities of the Group as at 30 June 2013 are set out in notes 32 and 37 to the consolidated financial statements.

Pledge of Assets

Pledge of assets of the Group as at 30 June 2013 is set out in note 34 to the consolidated financial statements.

Financial Risk and Exposure

Except for the financial derivatives set out in notes 15, 21, 24 and 27 to the consolidated financial statements, the Group did not have any outstanding material foreign exchange contracts, interest or currency swaps, or other financial derivatives as at 30 June 2013.

Employees and Remuneration Policy

As at 30 June 2013, the Group had 2,170 employees (2012: 2,516). 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

Background

This is the first Environmental, Social and Governance ("**ESG**") Report announced by the Company. Referenced to the ESG Reporting Guide issued by The Hong Kong Stock Exchange in mid-2012, which encourages listed companies to disclose their ESG policies and information to the public from the financial years of 2013 onwards.

The Board of HKRH has supported and has committed to a full range of Corporate Social Responsibilities ("**CSR**") activities taking our Environmental, Social and Governance ("**ESG**") standards to the next higher level, within the Group, including HKRH and its subsidiaries. Our strategy is to strengthen the infrastructure, internal engagements and external partnerships to create true and tangible values to our stakeholders through our ESG program.

Corporate Governance

HKRH has a Corporate Governance Committee ("**CG Committee**") with the majority of Committee members being non-executive directors. The Group is committed to achieving a high standard of corporate governance. The Group's CG policy is referenced to the Corporate Governance Code Provisions (the "**CP**") and Recommended Best Practices set out in Appendix 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Exchange.

In the past years, the CG Committee has developed and promoted different policies to help enhance the corporate governance standards of the Group and its operations. Policies established include "Corporate Governance Policy and Structure for HKRH and its Subsidiaries", "HKRH Shareholders Communication Policy", "Internal Code on Ethical Conducts", "External Code of Ethics", "Environmental, Social and Governance Policy" and "Privacy Statement".

During the year, the Group has organized training for both directors and staff, and has provided employees the opportunities to ensure their awareness, plus up-to-date knowledge on corporate governance standards.

Environmental Protection

Highly concerned with the environmental protection, the Group has implemented a number of measures and policies over the year to reduce energy consumption, reduce solid waste and promote recycling.

Across the Group, operating companies continue to strive to make their operations and logistics chains as energy-efficient as possible. Among the infrastructure facilities of the Group, such as offices and retail stores that are the largest energy usage divisions of the Group, energy efficiency programmes, higher-efficiency lighting solutions and the latest communication technology have been used to reduce energy consumption such as physical transport.

For the past several years, the Group has been rolling out an IT initiative to help reduce unnecessary printing by encouraging employees to delete unnecessary images, text or pages, therefore saving toner, paper and reducing greenhouse gases.

Social Involvement

The Group takes pride in giving back to the community. The Group's operating companies and employees have worked hand-in-hand with their local communities in a variety of initiatives ranging from visits to senior citizens to education for the new generations. Three companies of the Group have been named Caring Companies by the Hong Kong Council of Social Services, in recognition of their contributions to the community.

The Group encourages volunteerism. Our employees volunteer to serve our communities in a range of ways: regular blood donation, and visits to elder's organized by different charity organizations, donation to a food bank and food sales to the needy, among others.

Training

People-orientated, the Group treasures employees as the most valuable assets. The Group cares about its employees in all aspects and is highly concerned about their all-round development. Regular training sessions are organized for employees in different aspects: corporate governance, ethics, product knowledge, sales and management skills, and so on, to help improve their business capabilities and professional development. On personal development of employees, the Group has invited professionals to hold training programmes or seminars on topics such as enhancement of communication skills, EQ and stress management, among others.

Care for Employees

The Group publishes internal publications, such as the "3D-GOLD Newsletter" to keep employees abreast of the Group's latest news and activities and to enhance communications between employees and the Group. The Group also opens different communication channels to employees, such as emails, to encourage them to express their views and feedback to the management, allowing the management to keep a better understanding of our employees via two-way dialogues.

The Group organizes regular healthy group activities for employees in both Hong Kong (including Macau employees) and PRC: the Christmas Party, the Chinese New Year Party, annual sport events, management training camp, and more. These activities help foster better understanding and communication among employees from different departments and locations, therefore enhancing morale and team spirit.

Profiles of Directors

EXECUTIVE DIRECTORS

Dr. Wong, Kennedy Ying Ho, *BBS, J.P.*, Chairman, aged 50, was appointed as an Executive Director on 30 September 2008. Dr. Wong is a solicitor, China Appointed Attesting Officer and a director of the China Law Society. He is the managing partner of Philip K.H. Wong, Kennedy Y.H. Wong & Co., Solicitors & Notaries, a solicitors' firm headquartered in Hong Kong with offices in Beijing and Shanghai. Dr. Wong is also a director of China Overseas Land & Investment Limited (Stock Code: 688), Goldlion Holdings Limited (Stock Code: 533), Asia Cement (China) Holdings Corporation (Stock Code: 743), Shanghai Industrial Urban Development Group Limited (Stock Code: 563), Bohai Industrial Investment Fund Management Company Limited and Hong Kong Airlines Limited, all are listed companies or multi-national companies with substantial investments in the People's Republic of China or Asia.

Dr. Wong is a National Committee Member of the Chinese People's Political Consultative Conference. He is also a member of the Election Committee of Hong Kong responsible for electing Hong Kong's Chief Executive and a deputy convenor of the New Century Forum, an influential political think-tank in Hong Kong. He is also a co-founder of the Hong Kong Legal-Forum. Dr. Wong has served on Hong Kong legislature from 1996 to 1998 and was selected as one of the Ten Outstanding Young Persons of Hong Kong in 1998 and then one of the Ten Outstanding Young Persons of the World in 2003.

Mr. Lam Kwok Hing, Wilfred, *J.P.*, aged 54, 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. Mr. Lam holds a bachelor degree in Law with honours from the University of Hong Kong. Mr. Lam is the non-executive vice-chairman and non-executive director of National Art Holdings Limited (Stock Code: 8228), the non-executive director of The Hong Kong Building and Loan Agency Limited (Stock Code: 145) and Chinese Strategic Holdings Limited (Stock Code: 8089) and the independent non-executive director of PME Group Limited (Stock Code: 379), all of the companies are listed on the Stock Exchange of Hong Kong Limited.

Ms. Wong Wing Yan, Ella, aged 36, joined the Company as Chief Financial Officer in August 2009 and was appointed as an Executive Director on 17 August 2011. Ms. Wong is a fellow member of the CPA (Australia) and holds a bachelor degree in commerce majoring in accounting and finance from the University of Sydney, Australia in 1997. Prior to joining the Company, Ms. Wong has over 12 years of experience in accounting and auditing at an international accounting firm and has extensive experience in auditing and financial management.

Profiles of Directors

Mr. Cheung Pak To, Patrick, *BBS*, aged 64, joined the company as a Group Director of Administration on 1 June 2009 and was appointed as an Executive Director on 15 November 2012. 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 management and administrative 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 Lord Wilson, Mr. Christopher Patten and 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.

NON-EXECUTIVE DIRECTOR

Dr. Hui Ho Ming, **Herbert**, *J.P.*, aged 55, was appointed as an Executive Director in August 2002 and re-designated as a Non-executive Director on 10 August 2012. Dr. Hui holds a honorary degree of doctor of philosophy awarded by Armstrong University and bachelor degree in laws from the University of Hong Kong. Dr. Hui has over 20 years experience in merchant banking, securities regulation as well as extensive commercial and corporate finance experience. Dr. Hui serves on the boards of a number of publicly listed companies in Hong Kong as well as public bodies. He is an independent non-executive director of Citic 21 CN Company Ltd (Stock Code: 241) and Dynasty Fine Wines Group Limited (Stock Code: 828), both are listed on the main board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Dr. Hui is a member of the Hong Kong Education Bureau's start-up loan for post-secondary education providers vetting committee and selection committee for the allocation of sites to post-secondary education providers and steering committee on self-financing post-secondary education fund. Dr. Hui held the position as deputy chief executive and head of the listing division of the Stock Exchange from 1992 to 1997. He was a past chairman of the Hong Kong Institute of Directors and was appointed as a Justice of the Peace in 2004.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Fan, Anthony Ren Da, aged 53, 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 of Hong Kong Limited. 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), LT Holdings Limited (Stock Code: 112) and Raymond Industrial Limited (Stock Code: 229), all listed on the main board of the Stock Exchange of Hong Kong Limited.

Profiles of Directors

Ms. Estella Yi Kum Ng, aged 56, was appointed as an Independent Non-executive Director on 30 September 2008. Ms. Ng is the chief financial officer of Country Garden Holdings Company Limited (Stock Code: 2007), a company listed on the Stock Exchange of Hong Kong Limited. From September 2005 to November 2007, she was an executive director of Hang Lung Properties Limited (Stock Code: 101), a company listed on the Stock Exchange of Hong Kong Limited. Prior to her joining to Hang Lung Properties Limited in 2003, she was employed by the Stock Exchange of Hong Kong Limited in a number of senior positions, most recently as senior vice president of the listing division. Prior to that, she gained valuable auditing experience with Deloitte Touche Tohmatsu. Ms. Ng is a qualified accountant and holds a master of business administration degree from the Hong Kong University of Science and Technology. She is an associate of the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Secretaries and Administrators and a fellow of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. She has also contributed her time to public service appointment including being a co-opted member of the audit committee of the Hospital Authority. Ms. Ng is an independent non-executive director of Tianjin Development Holdings Limited (Stock Code: 882) and China Power New Energy Development Company Limited (Stock Code: 735), both are listed on the Stock Exchange of Hong Kong Limited. Also, Ms. Ng is an independent non-executive director of China Mobile Games and Entertainment Group Limited, a company listed on the Nasdaq Exchange in U.S.A.

Mr. Wong Kam Wing, aged 63, was appointed as an Independent Non-executive Director on 30 September 2008. Mr. Wong is a member of the Hong Kong Institute of Certified Public Accountants. He has worked for China Light and Power Group for more than 30 years. Mr. Wong has considerable professional experience in project development and financial management through his career development in the group. He had been assigned key positions in several joint venture companies including Dayabay, Huaiji and Shandong power projects.

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 Practices and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The Company principally complied with the CG Code throughout the year ended 30 June 2013, except for the following deviations:

CG Code A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company does not at present have any office with the title "chief executive". The Board is of the view that currently vesting the roles of chairman and chief executive in Dr. Wong, Kennedy Ying Ho provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long term business strategies.

CG Code A.4.1 stipulates that the non-executive directors should be appointed for a specific term, subject to re-election. The Company has not fixed the term of appointment for non-executive director and independent non-executive directors. However, all non-executive director and independent non-executive directors are subject to retirement by rotation at least every three years and re-election at the annual general meeting of the Company pursuant to the Company's bye-laws. As such, the Board considers that sufficient measures have been taken to ensure the Company's corporate governance practices are no less exacting than those in the CG Code.

CG Code E.1.3 stipulates that the issuer should arrange for the notice to shareholders to be sent for annual general meeting at least 20 clear business days before the meeting. The Company, in accordance with the requirements of its bye-laws and Section 114 of the Companies Ordinance, gave 21 clear days (or 16 clear business days) notice to the shareholders of the Company before the convening of the annual general meeting held on 7 November 2012. The Company will ensure its compliance with CG Code in the future.

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 25 to 27 of this annual report. During the Year, 15 board meetings were held and the attendance of each Director is set out below:

Executive Directors	**Attendance**
Dr. Wong, Kennedy Ying Ho, *Chairman*	15/15
Mr. Lam Kwok Hing, Wilfred	15/15
Ms. Wong Wing Yan, Ella	14/15
Mr. Cheung Pak To, Patrick *(appointed on 15 November 2012)*	9/10
Mr. Chui Chuen Shun *(resigned on 31 July 2012)*	2/2
Mr. Mung Kin Keung *(resigned on 7 November 2012)*	3/4
Non-executive Director	
Dr. Hui Ho Ming, Herbert *(re-designated as Non-executive Director on 10 August 2012)*	14/15
Independent Non-executive Directors	
Mr. Fan, Anthony Ren Da	14/15
Ms. Estella Yi Kum Ng	14/15
Mr. Wong Kam Wing	14/15

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.

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, including Dr. Wong, Kennedy Ying Ho, Mr. Lam Kwok Hing, Wilfred, Ms. Wong Wing Yan, Ella, Mr. Cheung Pak To, Patrick, Dr. Hui Ho Ming, Herbert, Mr. Fan, Anthony Ren Da, Ms. Estella Yi Kum Ng and Mr. Wong Kam Wing, a written record of his or her continuous professional development.

BOARD COMMITTEES

The Board has established six committees, namely, the Remuneration Committee, the Nomination Committee, the Audit Committee, the Corporate Governance Committee, the Special Committee and the Executive 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, 3 Remuneration Committee meetings were held and the attendance of each member is set out below:

Remuneration Committee	**Attendance**
Independent Non-executive Directors	
Mr. Fan, Anthony Ren Da, *Chairman*	3/3
Ms. Estella Yi Kum Ng	3/3
Mr. Wong Kam Wing	3/3
Executive Directors	
Dr. Wong, Kennedy Ying Ho	3/3
Mr. Chui Chuen Shun *(resigned on 31 July 2012)*	N/A

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 salaries and bonus of the executive directors and senior management, 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, 1 Nomination Committee meeting were held and the attendance of each member is set out below:

Nomination Committee	Attendance
Independent Non-executive Directors	
Mr. Wong Kam Wing, *Chairman*	1/1
Mr. Fan, Anthony Ren Da	0/1
Ms. Estella Yi Kum Ng	1/1
Executive Director	
Dr. Wong, Kennedy Ying Ho	1/1

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 appointment as executive director of Mr. Cheung Pak To, Patrick, the structure, size and composition of the Board, the re-election of retiring directors at the 2012 annual general meeting of the Company.

Based on the latest edition of the HKEx's Listing Rules updates, the Nomination Committee has taken initiative to incorporate the requirement of board diversity in its terms of reference by considering the diversity of the Board 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, 2 Audit Committee meetings were held and the attendance of each member is set out below:

Audit Committee	Attendance
Independent Non-executive Directors	
Ms. Estella Yi Kum Ng, *Chairman*	2/2
Mr. Fan, Anthony Ren Da	1/2
Mr. Wong Kam Wing	2/2
Dr. Hui Ho Ming, Herbert	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 auditor, 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 2012 and the Group's interim report for the 6 months ended 31 December 2012 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 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 2013.

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee comprises the following Directors during the Year and up to the date of this annual report. During the Year, 4 Corporate Governance Committee meetings were held and the attendance of each member is set out below:

Corporate Governance Committee	Attendance
Executive Directors	
Mr. Lam Kwok Hing, Wilfred	4/4
Mr. Mung Kin Keung *(resigned on 7 November 2012)*	N/A
Non-executive Director	
Dr. Hui Ho Ming, Herbert, Convener *(re-designated as Non-executive Director on 10 August 2012)*	4/4
Independent Non-executive Director	
Ms. Estella Yi Kum Ng	4/4

During the Year, the Corporate Governance Committee with assistance from Human Resources Department has recommended and upgraded the following internal policies to enhance the corporate governance standard of the Company:–

(i) Corporate Governance Policy and Structure for HKRH and its Subsidiaries;

(ii) HKRH Shareholders Communication Policy;

(iii) Environmental, Social and Governance Policy;

(iv) The Privacy Statement;

(v) Gift Declaration Policy; and

(vi) Human Resources Policy.

The duties of the CG Committee have been revised as follows:

- To introduce, endorse and review the corporate governance procedures and policies of the Company and to ensure that they are up to date and are in compliance with best practices prevailing in the market.

- To make recommendations from time to time to the Board and individual departments on any changes to the Company's procedures or processes which may be required to ensure that the Company complies with relevant rules and regulations.

- To ensure that the Group, which includes the Company and its subsidiaries, enforces appropriate ethical standards and corporate governance policies and procedures.

- To review, approve and keep records on employees' declarations of corporate gifts or events offered by suppliers or the Group's associates or business partners.

- To review and act on employee's declaration on conflict of interest.

- To conduct balanced and fair investigation on situation and employees, that may have breached corporate governance procedures and policies. The Committee will provide independent reports and recommendations to the Chairman and the Board of Directors.

- To handle and manage enquiries, comments and suggestions from employees and management regarding issues on corporate governance procedures and policies.

- To provide regular training sessions on corporate governance, ethics and product ownership to ensure employees' awareness and to provide up-to-date knowledge on corporate governance standards.

- To set standards and make recommendations on the Group's environmental, social and governance policies, and to issue reports on related topics.

- To issue an annual corporate governance statement for inclusion in the Group's annual and interim reports.

During the year, the Group has organized training for both directors and staff and has provided employees, to ensure their awareness and to provide up-to-date knowledge on corporate governance standards.

SPECIAL COMMITTEE AND EXECUTIVE COMMITTEE

The Board has been informed by Dr. Wong, Kennedy Ying Ho ("**Dr. Wong**"), Mr. Chui Chuen Shun ("**Mr. Chui**") and Dr. Hui Ho Ming, Herbert ("**Dr. Hui**") respectively that Dr. Wong, Mr. Chui and Dr. Hui have been requested to assist The Independent Commission Against Corruption (the "**ICAC**") in their Investigations in July 2011 and February 2012. To the best knowledge, information and belief of the Board, the Investigations relate to alleged irregular activities in (1) the restructuring of Ocean Grand Chemical Holdings Limited, the former name of the Company, and (2) the acquisition of 3D-GOLD Jewellery Holdings Limited or its related companies by the Company (the "**Investigations**"). The Board has received confirmation from Dr. Wong, Mr. Chui and Dr. Hui that the Investigations were initiated against Dr. Wong, Mr. Chui and Dr. Hui in their personal capacities and do not relate to the current affairs of the Company or its subsidiaries.

To the best knowledge, information and belief of the Board, based upon information provided by Dr. Wong, Mr. Chui and Dr. Hui, as at the date of this report, no charges had been laid by the ICAC against any of the aforesaid persons, the Company or the Company's past or existing directors, substantial shareholders and/or employees of the Company.

The Board has set up a Special Committee constituting all the Independent Non-executive Directors comprising Ms. Estella Yi Kum Ng (the chairman of the Special Committee) Mr. Fan, Anthony Ren Da and Mr. Wong Kam Wing to monitor the developments in the Investigations and to conduct an ongoing review to ensure that no actual or potential conflict of interests exist between (i) Dr. Wong and/or Mr. Chui and/or Dr. Hui as Directors of the Company and (ii) the Board of the Directors (except Dr. Wong, Mr. Chui and Dr. Hui) and/or the Company due to the on-going Investigations. To the best knowledge, information and belief of the Board, no such actual or potential conflict of interests exists at present. The Special Committee will propose appropriate action to deal with any actual or potential conflict of interest in the event that it becomes aware of such conflict of interest.

The Company has formed an Executive Committee presently comprising of Ms. Wong Wing Yan, Ella (the chairman of the Executive Committee), Mr. Lam Kwok Hing, Wilfred and Mr. Cheung Pak To, Patrick, all are Executive Directors, is responsible for the day-to-day management and operations of the Company.

The Board believes that the Executive Committee will have sufficient experience and capability to manage the business and operations of the Group. With these arrangements in place, the Board believes that the Investigations will have no material adverse impact in the current and future managerial, operational and financial position of the Company.

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	2,030
Deloitte Touche Tohmatsu	Non-audit services	1,060

ACCOUNTABILITY AND AUDIT

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.

The Board is responsible for maintaining sound and effective internal control systems for safeguarding the Group's assets and shareholders' interests, as well as for reviewing the effectiveness of such systems. Such systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to minimize risks of failure in the Group's operational system which is designed to safeguard assets from inappropriate use, maintain proper accounts and ensure compliance with regulations. The Directors reviewed the effectiveness of the system of internal control of the Group.

COMPANY SECRETARY

The company secretary of the Company, Mr. Michael Sui Wah Wong, is delegated by an external secretarial service provider, Philip K.H. Wong, Kennedy Y.H. Wong & Co., while Ms. Wong Wing Yan, Ella, an Executive Director of the Company, is the primary contact person at 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 Units 1701-11, 17/F., Peninsula Square, No. 18 Sung On Street, Hunghom, 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 2013 (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 43 to the consolidated financial statements.

RESULTS, DIVIDEND AND OTHER DISTRIBUTION

The results of the Group for the year ended 30 June 2013 are set out in the consolidated statement of comprehensive income on page 46.

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

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 29 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 42 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

Dr. Wong, Kennedy Ying Ho	
Mr. Lam Kwok Hing, Wilfred	
Ms. Wong Wing Yan, Ella	
Mr. Cheung Pak To, Patrick	*(appointed on 15 November 2012)*
Mr. Chui Chuen Shun	*(resigned on 31 July 2012)*
Mr. Mung Kin Keung	*(resigned on 7 November 2012)*

Non-executive Director

Dr. Hui Ho Ming, Herbert *(re-designated from Executive director to Non-executive Director on 10 August 2012)*

Independent Non-executive Directors

Mr. Fan, Anthony Ren Da
Ms. Estella Yi Kum Ng
Mr. Wong Kam Wing

In accordance with the Company's bye-laws, Dr. Wong, Kennedy Ying Ho, Mr. Cheung Pak To, Patrick, Dr. Hui Ho Ming, Herbert and Mr. Fan, Anthony Ren Da shall retire from office at the forthcoming annual general meeting and, being eligible, offers themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Mr. Lam Kwok Hing, Wilfred has entered into a service contract with the Company in relation to his appointment as a director of business operations (China) of the Group, prior to his appointment as an Executive Director on 17 August 2011. He is not appointed for a specific term but subject to retirement by rotation and re-election at the annual general meeting pursuant to the bye-laws of the Company.

Ms. Wong Wing Yan, Ella has entered into a service contract with the Company in relation to her appointment as chief financial officer of the Company, prior to her appointment as an Executive Director on 17 August 2011. She is not appointed for a specific term but subject to retirement by rotation and re-election at the annual general meeting pursuant to the bye-laws of the Company.

Mr. Cheung Pak To, Patrick has entered into a service contract with the Company in relation to his appointment as a director of administration of the Company, prior to his appointment as an Executive Director on 15 November 2012. He is not appointed for a specific term but subject to retirement by rotation and re-election at the annual general meeting pursuant to the bye-laws of the Company.

Other than as disclosed above, 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 2013, 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
Executive Directors					
Dr. Wong, Kennedy Ying Ho	56,780,122	336,000 (Note a)	840,494,354 (Note b)	897,610,476	30.39%
Mr. Lam Kwok Hing, Wilfred	–	560,000 (Note c)	–	560,000	0.02%
Ms. Wong Wing Yan, Ella	88,000	200,500 (Note d)	–	288,500	0.01%
Mr. Cheung Pak To, Patrick	–	–	–	–	–
Non-executive Director					
Dr. Hui Ho Ming, Herbert	19,271,900	–	–	19,271,900	0.65%
Independent Non-executive Directors					
Mr. Fan, Anthony Ren Da	–	–	–	–	–
Ms. Estella Yi Kum Ng	–	–	–	–	–
Mr. Wong Kam Wing	5,371	–	–	5,371	0.00%

Notes:

(a) The shares are held by the spouse of Dr. Wong, Kennedy Ying Ho ("Dr Wong").

(b) Of the 840,494,354 shares, 757,703,752 shares are held by Perfect Ace Investments Limited ("Perfect Ace") and 82,790,602 shares are held by Limin Corporation. Perfect Ace is wholly-owned by Ying Ho (Nominees) Limited ("YH Nominees"). YH Nominees holds 100% in trust for Limin Corporation which is wholly-owned by Dr. Wong.

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

(d) The shares are held by the spouse of Ms. Wong Wing Yan, Ella.

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

Name of Directors	Capacity	Number of shares interested	% of shareholding
Executive Directors			
Dr. Wong, Kennedy Ying Ho	Beneficial owner (Note a)	457,437	0.02%
	Beneficial owner (Note b)	1,163,380	0.04%
	Family interests (Note c)	24,000	0.00%
	Controlled corporation (Note d)	60,115,067	2.03%
	Controlled corporation (Note e)	11,678,832	0.40%
Mr. Lam Kwok Hing, Wilfred	Beneficial owner (Note b)	12,398,591	0.42%
	Family interests (Note f)	40,000	0.00%
Ms. Wong Wing Yan, Ella	Beneficial owner (Note b)	11,816,901	0.40%
Mr. Cheung Pak To, Patrick	Beneficial owner (Note b)	6,581,690	0.22%
Non-executive Director			
Dr. Hui Ho Ming, Herbert	Beneficial owner (Note b)	4,163,380	0.14%
	Beneficial owner (Note e)	5,839,416	0.20%
Independent Non-executive Directors			
Mr. Fan, Anthony Ren Da	Beneficial owner (Note b)	2,441,942	0.08%
Ms. Estella Yi Kum Ng	Beneficial owner (Note b)	2,441,942	0.08%
Mr. Wong Kam Wing	Beneficial owner (Note b)	1,916,338	0.06%
	Beneficial owner (Note g)	383	0.00%

Notes:

(a) These derivatives represent the 457,437 bonus warrant shares underlying the bonus warrants held by Dr. Wong.

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

(c) These derivatives represent the 24,000 bonus warrant shares underlying the bonus warrants held by the spouse of Dr. Wong.

(d) These derivatives represent the 54,234,692 bonus warrant shares underlying the bonus warrants held by Perfect Ace and the 5,880,375 bonus warrant shares underlying the bonus warrants held by Limin Corporation. Dr. Wong was deemed to be interested in these derivatives through his controlling interests in Perfect Ace and Limin.

(e) All interests above are in the form of convertible bonds convertible into ordinary shares of the Company.

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

(g) These derivatives represent the 383 bonus warrant shares underlying the bonus warrants held by Mr. Wong Kam Wing.

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 2013.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 30 to the consolidated financial statements.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than option holdings 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 2013, 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 shareholders	Capacity	Number of issued ordinary shares held	% of shareholding
Perfect Ace Investments Limited	Beneficial owner (Note a)	757,703,752	25.65%
Limin Corporation	Beneficial owner (Note a)	82,790,602	2.80%
Savona Limited	Beneficial owner (Note b)	115,762,000	3.92%
Dr. Liu Wangzhi	Corporate interest (Note c)	186,874,847	6.33%
	Beneficial owner	15,556,000	0.53%
Mr. Wen Jialong	Beneficial owner	162,361,957	5.50%
Mr. Sze Kai Lung	Beneficial owner	134,424,000	4.55%

Notes:

(a) Please refer to the corporate interests of Dr. Wong in the Company as disclosed under "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" section above.

(b) Savona Limited is wholly-owned by Chime Corporation Limited, which is owned as to 99.69% by the Estate of Nina Kung, also known as Nina T.H. Wang. Lam Hok Chung Ranier, Jong Yat Kit and Yu Sai Hung are the joint and several administrators of the Estate of Nina Kung, also known as Nina T.H. Wang.

(c) 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 deems to have interest in all the shares in Ming Feng.

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

Name of substantial shareholders	Capacity	Number of shares interested	% of shareholding
Perfect Ace Investments Limited	Beneficial owner (Notes a & c)	54,234,692	1.84%
Limin Corporation	Beneficial owner (Notes b & c)	5,880,375	0.20%
	Beneficial owner (Note d)	11,678,832	0.40%
Dr. Liu Wangzhi	Beneficial owner (Note d)	11,678,832	0.40%
	Corporate interest (Note e)	7,500,000	0.25%
Mr. Wen Jialong	Beneficial owner (Note f)	11,776,489	0.40%
Savona Limited	Beneficial owner (Note g)	10,125,000	0.34%
Diamond Season Limited	Beneficial owner (Notes d & h)	87,591,241	2.97%
Mr. Sze Kai Lung	Beneficial owner (Note i)	26,748,000	0.91%

Notes:

(a) These derivatives represent the 54,234,692 bonus warrant shares underlying the bonus warrants held by Perfect Ace.

(b) These derivatives represent the 5,880,375 bonus warrant shares underlying the bonus warrants held by Limin Corporation.

(c) Please refer to the bonus warrant shares underlying the bonus warrants held by Dr. Wong as disclosed under the "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" section above.

(d) All interests above are in the form of convertible bonds convertible into ordinary shares of the Company.

(e) 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 deems to have interest in all the shares in Ming Feng.

(f) These derivatives represent the 11,776,489 bonus warrant shares underlying the bonus warrants held by Mr. Wen Jialong.

(g) These derivatives represent interests in 10,125,000 underlying shares of physically settled unlisted derivatives held by Savona Limited. Savona Limited is wholly-owned by Chime Corporation Limited, which is owned as to 99.69% by the Estate of Nina Kung, also known as Nina T.H. Wang. Lam Hok Chung Ranier, Jong Yat Kit and Yu Sai Hung are the joint and several administrators of the Estate of Nina Kung, also known as Nina T.H. Wang.

(h) Diamond Season Limited is wholly-owned by Rightwood Enterprises Inc., which is wholly-owned by the Estate of Nina Kung, also known as Nina T.H. Wang. Lam Hok Chung Ranier, Jong Yat Kit and Yu Sai Hung are the joint and several administrators of the Estate of Nina Kung, also known as Nina T.H. Wang.

(i) These derivatives represent interests in 26,748,000 underlying shares of physically settled derivatives or traded on a Stock Exchange or traded on a Futures Exchange held by Mr. Sze Kai Lung.

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 2013.

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 CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company, its fellow subsidiaries or subsidiaries was a party and in which a director of the Company 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 TRANSACTION

Saved as disclosed in note 15 to the consolidated financial statements, the Group had the following significant transaction with connected persons:

On 9 April 2010, the Company entered into a legal services agreement with Philip K.H. Wong, Kennedy Y.H. Wong & Co. ("**PWKW**"), whereby PWKW shall provide secretariat and legal services to the Group from 9 April 2010 to 31 March 2013. On 5 July 2013, the Company entered into a new legal services agreement with PWKW for a further term of three years from 1 April 2013 to 31 March 2016.

During the Year, the Company paid approximately HK$1,378,000 to PWKW pursuant to the above-mentioned legal services agreements. PWKW is a law firm of which Dr. Wong is one of the founders and the managing partner.

The above transaction is regarded as connected transactions pursuant to Chapter 14A of the Listing Rules. Details of the above are set out in the announcement of the Company dated 5 July 2013.

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 "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.38. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

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.

EMOLUMENT POLICY

The emolument policies of the employees and Directors of the Group are set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

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 30 to the consolidated financial statements.

REMUNERATION PAYABLE TO MEMBERS OF SENIOR MANAGEMENT

Details of the remuneration payable to members of senior management, which are the Directors of the Company, during the Year are set out in note 9 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 2013.

CHARITABLE DONATIONS

During the Year, the Group made charitable donations amounting to HK$1.5 million.

MAJOR CUSTOMERS AND SUPPLIERS

For the Year, 77% of the total purchases were gold purchased from Shanghai Gold Exchange and the five largest suppliers of the Group accounted for 89% of the Group's purchases.

Aggregate sales attributable to the Group's five largest customers were less than 4% 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.

EVENTS AFTER THE REPORTING DATE

Details of the significant event occurring after the reporting date are set out in note 41 to the consolidated financial statements.

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 2013 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

Dr. Wong, Kennedy Ying Ho, BBS, J.P.
Chairman

Hong Kong, 30 September 2013

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)

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 46 to 123, which comprise the consolidated statement of financial position as at 30 June 2013, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY 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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 30 June 2013 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 September 2013

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2013

	Notes	2013 HK$'000	2012 HK$'000
Turnover	5	**2,886,550**	3,840,630
Cost of sales		**(2,278,645)**	(3,122,233)
Gross profit		**607,905**	718,397
Other income	6	**22,475**	13,755
Selling expenses		**(464,090)**	(509,356)
General and administrative expenses		**(136,436)**	(150,165)
Equity-settled share-based payments	30(b)	**(4,335)**	(2,222)
Impairment loss on trade receivables recognised	14	**(27,000)**	–
Other operating expenses		**(22,046)**	(16,711)
(Loss) profit from operations		**(23,527)**	53,698
Change in fair value of derivatives embedded in convertible bonds	24(ii)	**428**	1,142
Impairment loss on goodwill recognised	36	**(3,449)**	–
Impairment loss on amount due from a jointly controlled entity recognised		**(4,286)**	–
Loss on remeasurement of previously held interest in an associate	36	**(3,877)**	–
Finance costs	7	**(64,154)**	(67,621)
Share of results of associates		**(3,043)**	(2,931)
Share of results of jointly controlled entities		**(5,146)**	(3,020)
Loss before taxation	8	**(107,054)**	(18,732)
Taxation	10	**(8,748)**	(10,539)
Loss for the year		**(115,802)**	(29,271)
Other comprehensive income:			
Item that will not be reclassified subsequently to profit or loss:			
Exchange difference arising on translation		**15,248**	8,041
Total comprehensive expense for the year		**(100,554)**	(21,230)
Loss for the year attributable to:			
Owners of the Company		**(115,802)**	(29,271)
Non-controlling interests		**–**	–
		(115,802)	(29,271)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(100,554)**	(21,230)
Non-controlling interests		**–**	–
		(100,554)	(21,230)
			(Restated)
Loss per ordinary share	12		
Basic and diluted		**(HK$0.046)**	(HK$0.013)

Consolidated Statement of Financial Position

As at 30 June 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**72,570**	76,723
Deposits for acquisition of property, plant and equipment		**3,368**	8,410
Other receivable and deposits paid	14	**16,887**	8,516
Loan to related parties	15(i)	**98,746**	–
Settlement options in relation to the loan to related parties	15(ii)	**26,211**	–
Intangible assets	16	**171,186**	171,186
Interests in associates	17	**6,217**	9,260
Interests in jointly controlled entities	18	**3,539**	3,752
		398,724	277,847
Current assets			
Inventories	19	**874,618**	972,429
Trade and other receivables and deposits paid	14	**280,736**	338,041
Amount due from a jointly controlled entity	20	**1,442**	17,438
Financial assets at fair value through profit or loss	21	**–**	2,065
Tax recoverable		**10,610**	8,742
Pledged bank deposits	22	**302,171**	60,182
Bank balances and cash	22	**122,639**	161,614
		1,592,216	1,560,511
Current liabilities			
Trade and other payables, accruals and deposits received	23	**296,373**	366,819
Amount due to a jointly controlled entity	20	**3,592**	–
Derivative financial instruments	24(ii)	**–**	428
Financial liabilities at fair value through profit or loss	21	**49,923**	–
Convertible bonds	24(i)	**223,910**	150,898
Obligations under finance leases	25	**232**	541
Bank and other borrowings	26	**585,329**	350,956
Gold loans	27	**129,059**	97,613
Tax liabilities		**8,293**	7,349
		1,296,711	974,604
Net current assets		**295,505**	585,907
Total assets less current liabilities		**694,229**	863,754
Non-current liabilities			
Bank and other borrowings	26	**18,768**	30,000
Convertible bonds	24(i)	**–**	206,056
Obligations under finance leases	25	**389**	–
Deferred tax liabilities	28	**37,888**	41,063
		57,045	277,119
NET ASSETS		**637,184**	586,635

Consolidated Statement of Financial Position

As at 30 June 2013

	Note	2013 HK$'000	2012 HK$'000
CAPITAL AND RESERVES			
Share capital	29	**29,541**	19,696
Reserves		**611,089**	566,939
Equity attributable to owners of the Company		**640,630**	586,635
Non-controlling interests		**(3,446)**	–
TOTAL EQUITY		**637,184**	586,635

The consolidated financial statements on pages 46 to 123 were approved and authorised for issue by the Board of Directors on 30 September 2013 and are signed on its behalf by:

Dr. Wong, Kennedy Ying Ho
DIRECTOR

Mr. Lam Kwok Hing, Wilfred
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 30 June 2013

	Attributable to owners of the Company												
	Ordinary share capital HK$'000	Preference share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Other reserve HK$'000 (note i)	Share option reserve HK$'000	Warrant reserve HK$'000	Exchange reserve HK$'000	PRC statutory reserve HK$'000 (note ii)	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 July 2011	19,692	4	521,306	59,269	(213,605)	15,346	–	24,827	9,439	173,307	609,585	–	609,585
Loss for the year	–	–	–	–	–	–	–	–	–	(29,271)	(29,271)	–	(29,271)
Other comprehensive income for the year	–	–	–	–	–	–	–	8,041	–	–	8,041	–	8,041
Total comprehensive income (expense) for the year	–	–	–	–	–	–	–	8,041	–	(29,271)	(21,230)	–	(21,230)
Transfer between reserves	–	–	–	–	–	–	–	–	9,223	(9,223)	–	–	–
Equity-settled share-based payments	–	–	–	–	–	2,222	–	–	–	–	2,222	–	2,222
Lapse of share options	–	–	–	–	–	(1,986)	–	–	–	1,986	–	–	–
Dividends (note 11)	–	–	–	(3,942)	–	–	–	–	–	–	(3,942)	–	(3,942)
At 30 June 2012	19,692	4	521,306	55,327	(213,605)	15,582	–	32,868	18,662	136,799	586,635	–	586,635
Loss for the year	–	–	–	–	–	–	–	–	–	(115,802)	(115,802)	–	(115,802)
Other comprehensive income for the year	–	–	–	–	–	–	–	15,248	–	–	15,248	–	15,248
Total comprehensive income (expense) for the year	–	–	–	–	–	–	–	15,248	–	(115,802)	(100,554)	–	(100,554)
Transfer between reserves	–	–	–	–	–	–	–	–	2,452	(2,452)	–	–	–
Equity-settled share-based payments	–	–	–	–	–	4,335	–	–	–	–	4,335	–	4,335
Lapse of share options	–	–	–	–	–	(907)	–	–	–	907	–	–	–
Issue of new shares under rights issue	7,876	–	88,439	–	–	–	21,830	–	–	–	118,145	–	118,145
Issue of new shares by way of placing of shares, net of transaction costs	1,969	–	32,943	–	–	–	–	–	–	–	34,912	–	34,912
Transaction costs attributable to issue of new shares under rights issue	–	–	(2,843)	–	–	–	–	–	–	–	(2,843)	–	(2,843)
Conversion of preference shares	4	(4)	–	–	–	–	–	–	–	–	–	–	–
Acquisition of a subsidiary (note 36)	–	–	–	–	–	–	–	–	–	–	–	(3,446)	(3,446)
At 30 June 2013	29,541	–	639,845	55,327	(213,605)	19,010	21,830	48,116	21,114	19,452	640,630	(3,446)	637,184

Notes:

(i) Other reserve 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, a subsidiary of the Company, being acquired from the non-controlling shareholders on 14 May 2010.

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2013

	Note	2013 HK$'000	2012 HK$'000
Operating activities			
Loss before taxation		**(107,054)**	(18,732)
Adjustments for:			
Finance costs		**64,154**	67,621
Interest income		**(6,711)**	(2,465)
Depreciation of property, plant and equipment		**23,699**	20,665
Share of results of associates		**3,043**	2,931
Share of results of jointly controlled entities		**5,146**	3,020
Change in fair value of derivatives embedded in convertible bonds		**(428)**	(1,142)
Change in fair value of gold loans		**(40,733)**	(1,920)
Change in fair value of financial assets/liabilities at fair value through profit or loss		**45,539**	1,305
Loss on disposal of property, plant and equipment		**5,056**	1,433
Loss on remeasurement of previously held interest in an associate		**3,877**	–
Impairment loss on trade receivables recognised		**27,000**	–
Impairment loss on goodwill recognised		**3,449**	–
Impairment loss on other receivables recognised		**1,415**	–
Impairment loss on amount due from a jointly controlled entity recognised		**4,286**	–
Equity-settled share-based payments		**4,335**	2,222
Operating cash flows before movements in working capital		**36,073**	74,938
Decrease in inventories		**142,355**	23,905
Decrease (increase) in trade and other receivables and deposits paid		**41,541**	(87,204)
(Decrease) increase in trade and other payables, accruals and deposits received		**(103,543)**	36,038
Net receipt (settlement) on acquisition and disposal of financial assets/liabilities at fair value through profit or loss		**6,449**	(3,370)
Cash from operations		**122,875**	44,307
Income taxes paid		**(12,847)**	(36,709)
Net cash from operating activities		**110,028**	7,598
Investing activities			
Purchase of property, plant and equipment		**(18,831)**	(21,144)
Purchase of intangible assets		**–**	(3,120)
Placement of pledged bank deposits		**(298,317)**	(24,750)
Withdrawal of pledged bank deposits		**61,875**	–
Loan to related parties		**(123,085)**	–
Acquisition of a subsidiary	36	**(3,200)**	–
Net cash and cash equivalent acquired from acquisition of a subsidiary		**1,596**	–
Investments in associates		**–**	(10,714)
Investment in a jointly controlled entity		**–**	(2,000)
Advance to a jointly controlled entity		**(3,223)**	(17,438)
Proceeds from disposal of property, plant and equipment		**1,437**	1,243
Interest received		**2,727**	2,465
Deposits paid for acquisition of property, plant and equipment		**–**	(8,410)
Net cash used in investing activities		**(379,021)**	(83,868)

Consolidated Statement of Cash Flows

For the year ended 30 June 2013

	2013 HK$'000	2012 HK$'000
Financing activities		
Repayment of principal of convertible bonds	**(151,800)**	–
New bank and other borrowings	**392,958**	280,140
New gold loans	**169,792**	109,755
Repayment of bank and other borrowings	**(182,280)**	(254,612)
Repayment of gold loans	**(100,359)**	(71,552)
Interests paid	**(48,580)**	(43,627)
Advance from a jointly controlled entity	**3,592**	–
Proceeds from the issue of new shares by way of a placing	**34,912**	–
Net proceeds from the issue of new shares under rights issue	**118,145**	–
Transaction costs attributable to issue of new shares under rights issue	**(2,843)**	–
Dividends paid	**–**	(3,942)
Net cash from financing activities	**233,537**	16,162
Net decrease in cash and cash equivalents	**(35,456)**	(60,108)
Cash and cash equivalents at beginning of the year	**161,614**	224,804
Effect of foreign exchange rate changes	**(3,519)**	(3,082)
Cash and cash equivalents at end of the year, represented by bank balances and cash	**122,639**	161,614

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 Units 1701-11, 17th Floor, Peninsula Square, No. 18 Sung On Street, Hunghom, Kowloon, Hong Kong.

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries are set out in note 43.

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". All values are rounded to the nearest thousand except when otherwise indicated.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Application of amendments to HKFRSs

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

Except for described below, 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.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income" introduce new terminology for the statement of comprehensive income. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair value measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilites[2]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[2]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[2]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]
HK(IFRIC)-Int 21	Levies[2]

1 Effective for annual periods beginning on or after 1 January 2013
2 Effective for annual periods beginning on or after 1 January 2014
3 Effective for annual periods beginning on or after 1 January 2015

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

HKFRS 9 Financial Instruments

HKFRS 9 "Financial Instruments" issued in November 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in November 2011 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" 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. All other debt investments and equity investments are measured at their fair values 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.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability designated as at fair value through profit or loss attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors are in the process of assessing the financial impact of the application of HKFRS 9 on the consolidated financial statements.

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

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. However, the directors anticipate that the application of the standard may not have significant impact on amounts reported in the consolidated financial statements but may result in more extensive disclosures in the consolidated financial statements.

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

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. HK(SIC)-Int 12 Consolidation – Special Purpose Entities will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK(SIC)-Int 13 Jointly Controlled Entities – Non-monetary Contributions by Venturers will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

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

New and revised Standards on consolidation, joint arrangements, associates and disclosures *(Continued)*

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The directors anticipate that these standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 July 2013, and considered these standards have no material impact to the Group except for HKFRS 12 which will result in more extensive disclosures.

Other than disclosed above, the directors anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards 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, 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.

The significant accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if the results in the non-controlling interests having a deficit balance.

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 interests 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 based on the carrying amount of the net assets attributable to the change in interest, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified 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 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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 sold and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value – the amount for which the award credits could be sold separately. 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.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. 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.

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

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 items of property, plant and equipment 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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 in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Intangible assets acquired separately and with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Subsequent to initial recognition, intangible assets with indefinite useful lives are carried at costs less any accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

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 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 and intangible assets not yet available for use 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on tangible and intangible assets *(Continued)*

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 as income immediately.

Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transaction and events in similar circumstances. Under the equity method, interests in associates are 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 associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), 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 that associate.

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. 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 to sell) 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 its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Joint ventures

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of jointly controlled entities used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transaction and events in similar circumstances. Under the equity method, investments in jointly controlled entities are 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 jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), 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 that jointly controlled entity.

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 a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) 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 its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method or specific identification basis depending on the nature of the inventory.

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 in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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 entities are translated into the presentation currency of the Group (i.e. HK$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. 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.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

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 acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing cost eligible for capitalisation.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over vesting period or recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately 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 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 retained earnings.

Share options granted to consultants

Share options issued in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses, with a corresponding increase in equity (share option reserve), when the counterparties render services, unless the services qualify for recognition as assets.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 'profit before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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 difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other 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 associates and interests in jointly controlled entity 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 the 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 asset is realised or liability is settled, 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position 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.

Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss ("FVTPL") 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 financial asset 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 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 asset, 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.

Financial assets at fair value through profit or loss

Financial assets at FVTPL are financial assets held for trading.

A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from 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 dividend or interest earned on the financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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 loan to related parties, trade and other receivables, amount due from a jointly controlled entity, pledged bank deposits, and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

The settlement options in relation to the loan to related parties are measured at cost less impairment at each reporting date.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets, other than those of FVTPL, are considered to be impaired where 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.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as 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.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. 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, observable changes in national or local economic conditions that correlate with default on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as 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.

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.

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 losses were 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.

Financial liabilities and equity instruments

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

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 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 liability classified as at FVTPL, of which the interest expense is excluded from net gains or losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated 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 changes in fair value 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.

Other financial liabilities

Other financial liabilities including trade and other payables and deposits received, amount due to a jointly controlled entity, and bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Convertible bonds contain liability component and conversion option derivative

Convertible bonds issued by the Company 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 is 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.

Equity instruments

Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet a 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 fair value with changes in fair value recognised in profit or loss.

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 in its entirety, 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 expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. 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.

Estimated impairment of intangible assets

Determining whether intangible assets (i.e. the trademarks) are impaired requires an estimation of the recoverable amount of the trademarks. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the trademarks and a suitable discount rate in order 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 2013, the carrying amount of the Group's intangible assets is HK$171,186,000 (2012: HK$171,186,000).

Estimated impairment 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. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to changes to adversed economic conditions. As at 30 June 2013, the carrying amount of the Group's inventories is HK$874,618,000 (2012: HK$972,429,000).

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 30 June 2013, the carrying amount of the Group's trade receivables is HK$193,407,000 (2012: HK$275,259,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Estimated impairment of loan to related parties

As disclosed in note 15, the carrying amount of the loan to related parties as at 30 June 2013 is HK$98,746,000. When there is objective evidence of impairment loss, the Group takes into consideration of estimation of future cash flows. The amount of the impairment loss is measured as the difference between the carrying amount of loan to related parties and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition) of the loan to related parties. Where the actual future cash flows are less than expected, a most impairment loss may arise.

5. TURNOVER AND SEGMENT INFORMATION

(a) Turnover

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

	2013	2012
	HK$'000	HK$'000
Sales of goods	**2,827,120**	3,787,327
Franchise income	**59,430**	25,593
Royalty income	**–**	27,710
	2,886,550	3,840,630

(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;

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

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

Major products of the Group include gold products, jewellery products and other precious metal products.

Information regarding the above segments is reported below.

Segment revenues and results

For the year ended 30 June 2013

	Reportable segment				
	Retail and franchising operations for selling gold and jewellery products in Mainland China HK$'000	Retail operations for selling gold and jewellery products in Hong Kong & Macau HK$'000	Total HK$'000	Others (Note) HK$'000	Consolidated HK$'000
REVENUE					
External sales	2,648,767	229,054	2,877,821	8,729	2,886,550
RESULT					
Segment results	104,267	6,247	110,514	(32,515)	77,999
Other income					22,475
Unallocated staff related expenses					(44,939)
Other unallocated corporate expenses					(25,069)
Advertising, promotion and business development expenses					(48,243)
Equity-settled share-based payments					(4,335)
Change in fair value of derivatives embedded in convertible bonds					428
Impairment loss on goodwill recognised					(3,449)
Impairment loss on other receivables recognised					(1,415)
Impairment loss on amount due from a jointly controlled entity recognised					(4,286)
Loss on remeasurement of previously held interest in an associate					(3,877)
Finance costs					(64,154)
Share of results of associates					(3,043)
Share of results of jointly controlled entities					(5,146)
Loss before taxation					(107,054)
Taxation					(8,748)
Loss for the year					(115,802)

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

Segment revenues and results *(Continued)*

For the year ended 30 June 2012

	Reportable segment				
	Retail and franchising operations for selling gold and jewellery products in Mainland China HK$'000	Retail operations for selling gold and jewellery products in Hong Kong & Macau HK$'000	Total HK$'000	Others (Note) HK$'000	Consolidated HK$'000
REVENUE					
External sales	3,473,668	338,382	3,812,050	28,580	3,840,630
RESULT					
Segment results	151,803	4,255	156,058	22,997	179,055
Other income					13,755
Unallocated staff related expenses					(43,003)
Other unallocated corporate expenses					(29,976)
Advertising, promotion and business development expenses					(63,911)
Equity-settled share-based payments					(2,222)
Change in fair value of derivatives embedded in convertible bonds					1,142
Finance costs					(67,621)
Share of results of associates					(2,931)
Share of results of jointly controlled entities					(3,020)
Loss before taxation					(18,732)
Taxation					(10,539)
Loss for the year					(29,271)

Segment profit represents the profit earned by each segment without allocation of other income, central administration costs, advertising, promotion and business development expenses, corporate staff and directors' salaries, equity-settled share-based payments, change in fair value of derivatives embedded in convertible bonds, impairment loss on goodwill recognised, impairment loss on other receivables recognised, impairment loss on amount due from a jointly controlled entity recognised, loss on remeasurement of previously held interest in an associate, finance costs, share of results of associates and jointly controlled entities, and taxation. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

Segment assets and liabilities

As at 30 June 2013

	Reportable segment				
	Retail and franchising operations for selling gold and jewellery products in Mainland China HK$'000	Retail operations for selling gold and jewellery products in Hong Kong & Macau HK$'000	Total HK$'000	Others (Note) HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	1,079,972	99,358	1,179,330	23,965	1,203,295
Loan to related parties					98,746
Intangible assets					171,186
Interests in associates					6,217
Interests in jointly controlled entities					3,539
Amount due from a jointly controlled entity					1,442
Settlement options in relation to the loan to related parties					26,211
Tax recoverable					10,610
Pledged bank deposits					302,171
Bank balances and cash					122,639
Other corporate assets					44,884
Consolidated assets					1,990,940
LIABILITIES					
Segment liabilities	211,160	56,530	267,690	689	268,379
Amount due to a jointly controlled entity					3,592
Bank and other borrowings					604,097
Gold loans					129,059
Financial liabilities at fair value through profit or loss					49,923
Convertible bonds					223,910
Obligations under finance leases					621
Tax liabilities					8,293
Deferred tax liabilities					37,888
Other corporate liabilities					27,994
Consolidated liabilities					1,353,756

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

Segment assets and liabilities *(Continued)*

As at 30 June 2012

	Reportable segment				
	Retail and franchising operations for selling gold and jewellery products in Mainland China HK$'000	Retail operations for selling gold and jewellery products in Hong Kong & Macau HK$'000	Total HK$'000	Others (Note) HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	1,186,830	154,626	1,341,456	29,830	1,371,286
Intangible assets					171,186
Interests in associates					9,260
Interests in jointly controlled entities					3,752
Amount due from a jointly controlled entity					17,438
Financial assets at fair value through profit or loss					2,065
Tax recoverable					8,742
Pledged bank deposits					60,182
Bank balances and cash					161,614
Other corporate assets					32,833
Consolidated assets					1,838,358
LIABILITIES					
Segment liabilities	291,977	55,227	347,204	1,502	348,706
Bank and other borrowings					380,956
Gold loans					97,613
Derivative financial instruments					428
Convertible bonds					356,954
Obligations under finance leases					541
Tax liabilities					7,349
Deferred tax liabilities					41,063
Other corporate liabilities					18,113
Consolidated liabilities					1,251,723

(Note) Others represent other operating segments that are not reportable, which include the trading of other precious metals in Hong Kong, royalty income, and online marketing and e-commerce.

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

Segment assets and liabilities *(Continued)*

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

- all assets are allocated to reportable segments other than loan to related parties, intangible assets, interests in associates, interests in jointly controlled entities, amount due from a jointly controlled entity, settlement options in relation to the loan to related parties, financial assets at fair value through profit or loss, pledged bank deposits, bank balances and cash, tax recoverable and other corporate assets; and

- all liabilities are allocated to reportable segments other than amount due to a jointly controlled entity, bank and other borrowings, gold loans, financial liabilities at fair value through profit or loss, derivative financial instruments, convertible bonds, obligations under finance leases, tax liabilities, deferred tax liabilities and other corporate liabilities.

Other entity-wide segment information

For the year ended 30 June 2013

	Retail and franchising operations for selling gold and jewellery products in Mainland China HK$'000	Retail operations for selling gold and jewellery products in Hong Kong & Macau HK$'000	Others HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or segment assets:					
Capital additions	13,239	1,685	168	9,206	24,298
Depreciation	17,582	3,913	88	2,116	23,699
Loss on disposal of property, plant and equipment	3,235	1,264	120	437	5,056

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

Other entity-wide segment information *(Continued)*

For the year ended 30 June 2012

	Retail and franchising operations for selling gold and jewellery products in Mainland China HK$'000	Retail operations for selling gold and jewellery products in Hong Kong & Macau HK$'000	Others HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or segment assets:					
Capital additions	19,274	1,730	–	140	21,144
Depreciation	15,472	3,690	84	1,419	20,665
Loss on disposal of property, plant and equipment	766	667	–	–	1,433

Geographical information

Information about the Group's revenue from external customers is presented based on the location of the operation. Information about the non-current assets of the Group (excluding other receivable and deposits paid, loan to related parties, settlement options in relation to the loan to related parties, intangible assets, interests in associates and interests in jointly controlled entities) is presented based on geographical location of the assets.

For the year ended 30 June 2013

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

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

Geographical information *(Continued)*

For the year ended 30 June 2012

	Non-current assets HK$'000	Revenue from external customers HK$'000
Mainland China	63,869	3,501,378
Hong Kong & Macau	21,264	339,252
	85,133	3,840,630

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

6. OTHER INCOME

	2013 HK$'000	2012 HK$'000
Bank interest income	**2,727**	2,465
Exchange gains, net	**8,976**	6,579
Effective interest income from loan to related parties (note 15(i))	**3,984**	–
Other income	**6,788**	4,711
	22,475	13,755

7. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Interests on:		
Bank borrowings wholly repayable within 5 years	**24,561**	19,205
Gold loans	**9,156**	4,938
Obligations under finance leases	**42**	35
Other finance costs	**216**	1,272
Effective interest on convertible bonds (note 24(i))	**30,179**	42,171
	64,154	67,621

8. LOSS BEFORE TAXATION

	2013 HK$'000	2012 HK$'000
Loss before taxation has been arrived at after charging (crediting):		
Advertising, promotion and business development expenses	**48,243**	63,911
Auditor's remuneration	**2,030**	1,880
Change in fair value of gold loans	**(40,733)**	(1,920)
Change in fair value of financial assets/liabilities at fair value through profit or loss	**45,539**	1,305
Cost of inventories recognised as an expense	**2,273,839**	3,122,848
Depreciation of property, plant and equipment	**23,699**	20,665
Impairment loss on other receivables recognised (included in other operating expenses)	**1,415**	–
Loss on disposal of property, plant and equipment	**5,056**	1,433
Staff cost, including directors' emoluments:		
– Wages and salaries	**202,643**	216,414
– Retirement benefit costs	**18,582**	16,180
– Equity-settled share-based payments	**4,335**	2,222

9. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' emoluments

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

		For the year ended 30 June 2013					
Name of director	Notes	**Fees** **HK$'000**	**Salaries** **HK$'000**	**Bonuses** **HK$'000** **(note h)**	**Retirement benefit costs** **HK$'000**	**Equity-settled share-based payments** **HK$'000**	**Total** **HK$'000**
Executive directors							
Dr. Wong, Kennedy Ying Ho		**–**	**3,760**	**1,000**	**15**	**–**	**4,775**
Mr. Chui Chuen Shun	(a)	**–**	**100**	**–**	**1**	**–**	**101**
Dr. Hui Ho Ming, Herbert	(b)	**–**	**129**	**–**	**3**	**–**	**132**
Mr. Mung Kin Keung	(c)	**–**	**1,050**	**–**	**6**	**–**	**1,056**
Mr. Lam Kwok Hing, Wilfred		**–**	**2,567**	**300**	**15**	**333**	**3,215**
Ms. Wong Wing Yan, Ella		**–**	**2,000**	**600**	**15**	**333**	**2,948**
Mr. Cheung Pak To, Patrick	(d)	**–**	**1,129**	**171**	**19**	**333**	**1,652**
Non-executive director							
Dr. Hui Ho Ming, Herbert	(b)	**1,071**	**–**	**–**	**–**	**166**	**1,237**
Independent non-executive directors							
Mr. Fan Anthony Ren Da		**267**	**–**	**–**	**–**	**100**	**367**
Ms. Estella Yi Kum Ng		**267**	**–**	**–**	**–**	**100**	**367**
Mr. Wong Kam Wing		**267**	**–**	**–**	**–**	**100**	**367**
		1,872	**10,735**	**2,071**	**74**	**1,465**	**16,217**

9. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

(a) Directors' emoluments *(Continued)*

		For the year ended 30 June 2012					
Name of director	Notes	Fees HK$'000	Salaries HK$'000	Bonus HK$'000	Retirement benefit costs HK$'000	Equity-settled share-based payments HK$'000	Total HK$'000
Executive directors							
Dr. Wong, Kennedy Ying Ho		–	3,360	–	12	–	3,372
Mr. Chui Chuen Shun		–	2,850	–	12	–	2,862
Dr. Hui Ho Ming, Herbert		–	2,700	–	12	–	2,712
Mr. Mung Kin Keung		–	3,000	–	12	–	3,012
Mr. Lam Kwok Hing, Wilfred	(e)	–	2,242	–	11	–	2,253
Ms. Wong Wing Yan, Ella	(e)	–	1,747	–	11	–	1,758
Dr. Liu Wangzhi	(f)	–	2,339	–	–	–	2,339
Non-executive director							
Mr. Kung Ho	(g)	259	–	–	–	–	259
Independent non-executive directors							
Mr. Fan Anthony Ren Da		250	–	–	–	–	250
Ms. Estella Yi Kum Ng		250	–	–	–	–	250
Mr. Wong Kam Wing		250	–	–	–	–	250
		1,009	18,238	–	70	–	19,317

Notes:

(a) Resigned on 31 July 2012

(b) Re-designated as non-executive director on 10 August 2012

(c) Resigned on 7 November 2012

(d) Appointed on 15 November 2012

(e) Appointed on 17 August 2011

(f) Resigned on 31 March 2012

(g) Resigned on 12 April 2012

(h) The bonuses are discretionary and are determined by reference to the individual performance

Dr. Wong, Kennedy Ying Ho is also the Chief Executive of the Company and his emoluments disclosed above include the services rendered by him as the Chief Executive.

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' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

(b) Five highest paid employees

Of the five individuals with the highest emoluments in the Group, 5 (2012: five) were directors of the Company whose emoluments are included in note 9(a) above.

10. TAXATION

	2013	2012
	HK$'000	HK$'000
Current tax:		
Hong Kong Profits Tax	**2,658**	895
PRC Enterprise Income Tax	**9,265**	10,190
Macau Complementary Tax	**–**	86
	11,923	11,171
Deferred taxation (note 28)	**(3,175)**	(632)
	8,748	10,539

Hong Kong Profits Tax is calculated at 16.5% (2012: 16.5%) on the estimated assessable profits for the year.

Pursuant to the Enterprise Income Tax Law and Implementation Rules of the PRC, a subsidiary of the Company established in the PRC is subject to an income tax rate of 25% (2012: preferential income tax rate of 24% to 25%) for the year ended 30 June 2013. According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guoshuifa [2007] No. 39), the tax rate of the entity that previously enjoyed the tax preferential treatment is increased progressively to 25% over a five-year period up to 2012.

In addition, according to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion With Respect to Taxes on Income, royalties derived by a subsidiary of the Group incorporated in Hong Kong is entitled to a reduced withholding PRC Enterprises Income Tax at 7% provided that it is the "beneficial owner" of the payment as required under Guoshuihan [2009] 601.

No provision for the Macau Complementary Tax has been made as the Group has no assessable profit in Macau for the current year. The Macau Complementary Tax was calculated progressively at rates ranging from 9% to 12% of the estimated assessable profit for the prior year.

10. TAXATION *(Continued)*

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:

	2013 **HK$'000**	2012 HK$'000
Loss before taxation	**(107,054)**	(18,732)
Tax at domestic rates applicable to profits of taxable entities in the respective jurisdictions (Note)	**(16,672)**	(8,665)
Tax effect of income not taxable for tax purpose	**(842)**	(1,855)
Tax effect of expenses not deductible for tax purpose	**14,952**	9,132
Tax effect of tax deductible temporary difference not recognised	**1,890**	–
Income tax on concessionary rate	**–**	(213)
Reversal of deferred tax provided for withholding tax on income derived in the PRC	**(3,000)**	–
Tax effect of tax losses not recognised	**11,726**	11,549
Tax effect of share of results of associates	**502**	484
Tax effect of share of results of jointly controlled entities	**849**	498
Others	**(657)**	(391)
Taxation for the year	**8,748**	10,539

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

	2013 **HK$'000**	2012 HK$'000
Dividends recognised as distribution during the year:		
Ordinary shares		
Final dividend paid for the fifteen months ended 30 June 2011 of HK0.20 cent per share	**–**	3,938
Preference shares		
Final dividend paid for the fifteen months ended 30 June 2011 of HK0.875 cent per share	**–**	4
	–	3,942

The Board has resolved not to recommend a final dividend in respect of the year ended 30 June 2013 and 30 June 2012 to the holders of ordinary shares of the Company.

12. LOSS PER ORDINARY SHARE

	2013 HK$'000	2012 HK$'000
Loss:		
Loss for the year attributable to owners of the Company	**(115,802)**	(29,271)
Dividends on preference shares	**(2)**	(3)
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per ordinary share	**(115,804)**	(29,274)

	2013 '000	2012 '000 (Restated)
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per ordinary share	**2,494,647**	2,290,794

Note:

The weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per ordinary share for the year ended 30 June 2013 and 30 June 2012 had been adjusted for the effect of bonus element in connection with rights issue as set out in note 29(a).

The computation of diluted loss per ordinary share for the year ended 30 June 2013 and 30 June 2012 did not assume the exercise of the share options because their exercise price is higher than the average share price and the conversion of the Company's outstanding convertible bonds and preference shares since their conversion would result in a decrease in loss per ordinary share.

In addition, the computation for the year ended 30 June 2013 did not assume the exercise of the bonus warrants because their exercise price is higher than the average share price.

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 2011	28,886	60,117	3,482	92,485
Exchange realignment	266	901	–	1,167
Additions	1,601	19,543	–	21,144
Disposals	(3,163)	(2,059)	–	(5,222)
As at 30 June 2012	27,590	78,502	3,482	109,574
Exchange realignment	399	2,008	–	2,407
Additions	8,812	14,511	975	24,298
Disposals	(4,296)	(8,677)	(81)	(13,054)
As at 30 June 2013	32,505	86,344	4,376	123,225
Depreciation				
As at 1 July 2011	5,272	9,084	208	14,564
Exchange realignment	61	107	–	168
Provided for the year	5,685	14,461	519	20,665
Eliminated on disposals	(1,711)	(835)	–	(2,546)
As at 30 June 2012	9,307	22,817	727	32,851
Exchange realignment	144	522	–	666
Provided for the year	6,612	16,409	678	23,699
Eliminated on disposals	(2,478)	(4,002)	(81)	(6,561)
As at 30 June 2013	13,585	35,746	1,324	50,655
Carrying values				
As at 30 June 2013	18,920	50,598	3,052	72,570
As at 30 June 2012	18,283	55,685	2,755	76,723

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%

The carrying values of furniture, fixtures and equipment and motor vehicles held under finance leases as at 30 June 2013 were HK$578,000 (2012: HK$890,000).

14. TRADE AND OTHER RECEIVABLES AND DEPOSITS PAID

	2013 HK$'000	2012 HK$'000
Non-current other receivable and deposits paid:		
Rental and utility deposits	**4,775**	8,516
Other receivable from a jointly controlled entity	**10,000**	–
Interest receivables from related parties	**2,112**	–
	16,887	8,516
Current trade and other receivables and deposits paid comprise:		
Trade receivables	**220,407**	275,259
Less: allowance for doubtful debts	**(27,000)**	–
	193,407	275,259
Other receivables and deposits paid	**87,329**	62,782
	280,736	338,041

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 at 30 June 2013 is trade receivable from a jointly controlled entity amounting to HK$4,485,000 (2012: HK$4,345,000). Included in trade receivables at 30 June 2012 were trade receivables from associates amounting to HK$13,937,000.

Included in current other receivables at 30 June 2013 is other receivable from an associate amounting to HK$10,347,000 (2012: HK$3,647,000).

In addition, included in other receivables at 30 June 2012 was prepayment to a related company, which is 60% owned by Dr. Liu Wangzhi, a then director of the Company, for sourcing of gold from the Shanghai Gold Exchange on behalf of the Group, amounting to HK$6,380,000.

The following is an aged analysis of trade receivables presented based on the invoice date, net of allowance, at the end of the reporting period.

	2013 HK$'000	2012 HK$'000
0-30 days	**176,494**	225,271
31-60 days	**6,602**	27,858
61-90 days	**978**	2,496
Over 90 days	**9,333**	19,634
	193,407	275,259

Included in the Group's trade receivables balance are debtors with aggregate amount of HK$16,464,000 (2012: HK$49,881,000) which are past due as at reporting date 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:

	2013 HK$'000	2012 HK$'000
31-60 days	6,163	27,858
61-90 days	968	2,486
Over 90 days	9,333	19,537
	16,464	49,881

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

	2013 HK$'000	2012 HK$'000
As at 1 July	–	–
Impairment loss recognised	27,000	–
As at 30 June	27,000	–

Included in the allowance for doubtful debts are individually impaired trade receivables from an independent customer of HK$27,000,000. During the year, the Group took legal action against this debtor and made full impairment loss of HK$27,000,000 based on the court finding on 22 September 2013. The Group does not hold any collateral over these balances.

In determining the recoverability of trade and other receivables, the Group considers any change in the credit quality of the debtors from the date credit was initially granted up to the reporting date. As at 30 June 2013, other than the concentration of credit risk in respect of trade receivables from a jointly controlled entity of HK$4,485,000 and other receivables from a jointly controlled entity and an associate of HK$10,000,000 and HK$10,347,000 respectively (2012: trade receivables from an independent customer of HK$27,710,000, an associate of HK$13,937,000 and a jointly controlled entity of HK$4,345,000 and other receivable from an associate of HK$3,647,000), there is no concentration of credit risk due to the customer base being large and unrelated. Accordingly, the directors believe that there is no allowance required. The Group does not hold any collateral over these balances.

15. LOAN TO RELATED PARTIES

(i) Loan to related parties

As announced by the Company on 5 March 2013, 17 April 2013 and 29 May 2013, the Group advanced a loan to Mr. Wen Jialong ("Mr. Wen"), a substantial shareholder of the Company, and 深圳市福緣家庭服務有限公司 (Shenzhen Fuyuan Family Services Company Limited) ("Fuyuan"), a company established in the PRC with limited liability which is beneficially owned as to 76% by Mr. Wen and 24% by the spouse of Mr. Wen (Mr. Wen and Fuyuan are collectively referred to as the "Borrowers") amounting to RMB98,000,000 (equivalent to approximately HK$123,085,000) for financing the Borrowers' acquisition in June 2013 of the entire equity interest in深圳市川湖實業有限公司(Shenzhen Chuan Hu Industrial Company Limited), a company established in the PRC with limited liability (the "Target Company"). Pursuant to Rule 14A.31 of the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited, this loan constitutes a connected transaction for the Company.

15. LOAN TO RELATED PARTIES *(Continued)*

(i) Loan to related parties *(Continued)*

The principal asset of the Target Company is a property located in Chuan Hu Industrial District, 24 He Ping Road, Qinghu Community, Longhua Street, Longhua New Zone, Shenzhen, the PRC (the "Property"). Subject to obtaining approval from the relevant government authorities, the Borrowers intend to re-develop the Property from an industrial building into a commercial and residential complex with shopping malls, offices and residential units.

The principal amount of the loan of RMB98,000,000 is repayable after 42 months from the date of drawndown of the first installment of the loan (i.e. 8 March 2013).

The loan is secured by 100% equity interest in the Target Company and bears interest at 6.765% per annum. The Group shall have discretion to select one of the following three methods ("Settlement Options") for repayment of the loan together with the interests accrued thereon:

Option 1:
In the event that the re-development of the Property is not successful, the loan together with the interest accrued thereon shall be settled and repaid to the Group in cash.

Option 2:
In the event that the re-development of the Property is successful, the loan together with the interest accrued thereon shall be treated as the consideration for purchase of the property interest in the Property at the discretion of the Group (based on the size of the gross area of the Property and after taking into account of the deduction of the relevant construction costs (including the original purchase costs of the Target Company by the Borrowers) for the Property). The Group shall be entitled to buy 70% of the aforesaid property interest in the Property. In addition, the Group shall also enjoy the naming rights, management rights and the rights over the advertising income of the Property.

Option 3:
When the Group considers appropriate, the loan together with the interests accrued thereon shall be treated as consideration for the acquisition of 70% of the equity interest in the Target Company from the Borrowers by the Group (or its nominee(s)). If the loan together with the interests accrued thereon is settled by this method, the Borrowers shall, within reasonable time after the Group issues the relevant request, provide assistance with regard to the transfer of such 70% ownership of the Target Company. Otherwise, the Borrowers shall be considered to have breached the loan and cooperation agreement. In this case, the Group shall have the right to request for early repayment of the loan together with the interests accrued thereon from the Borrowers, together with an additional charge of 5% as calculated based on the principal amount of the loan provided.

On initial recognition of the loan, based on the effective interest rate of loan to related parties of 13.78%, an amount of HK$96,874,000 and HK$26,211,000 were recognised as loan to related parties and Settlement Options (note 15(ii)).

The movement of loan to related parties for the current year is set out as below:

	Loan to related parties HK$'000
At 1 July 2012	–
Provision of loan	96,874
Interest earned during the year based on the effective interest	3,984
Interest accrued at 30 June 2013	(2,112)
At 30 June 2013	98,746

15. LOAN TO RELATED PARTIES *(Continued)*

(ii) Settlement Options

	Settlement Options HK$'000
At 1 July 2012	–
At initial recognition	26,211
At 30 June 2013	26,211

The Settlement Options are measured at cost less impairment at each reporting date as management of the Group believes that the fair value of the Settlement Options cannot be measured reliably.

Since management of the Group believes that the principal of loan will not be settled within one year, both the loan to related parties and Settlement Options are classified as non-current assets.

16. INTANGIBLE ASSETS

	Trademarks HK$'000
Cost and carrying values	
Balance at 1 July 2011	168,066
Acquired separately during the year	3,120
Balance at 30 June 2012 and 30 June 2013	171,186

The trademarks have contractual lives of 10 years commencing in December 2008, April 2009 and February 2012, respectively, 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 the trademarks continuously. As a result, the 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 2013, 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 five-year period and a discount rate of 17% (2012: 17%). The cash flows beyond the five-year period are extrapolated using a 3% (2012: 3%) 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.

17. INTERESTS IN ASSOCIATES

	2013 HK$'000	2012 HK$'000
Unlisted investments, at cost	**10,714**	10,718
Share of post-acquisition losses	**(4,497)**	(1,458)
	6,217	9,260

As at 30 June 2013 and 30 June 2012, the Group had interests in the following associates:

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
			2013	2012	**2013**	2012	
Rise Rich International Limited ("Rise Rich") (Note 2)	Hong Kong	Ordinary	**–**	36%	**–**	36%	Retailing of gold and jewellery products in Hong Kong
A Stars Entertainment Group Limited ("A Stars") (Note 3)	British Virgin Islands	Ordinary	**30%**	30%	**30%**	30%	Productions of television programs and apps

Notes:

1) The principal place of operation of the above companies are in Hong Kong.

2) The Company acquired an additional 32% interest in Rise Rich on 21 November 2012. Upon completion of the acquisition, the Company's interest in Rise Rich increased from 36% to 68% and Rise Rich has became a subsidiary of the Company since then.

3) The Group is able to exercise significant influence over A Stars because it has the power to appoint four out of nine directors of that company under the memorandum and Articles of Association of that company.

Included in the interests in associates as at 30 June 2013 is goodwill of HK$3,827,000 (2012: HK$3,827,000) arising from the acquisition of an associate in prior year.

The summarised financial information in respect of the Group's associates is set out below:

	2013 HK$'000	2012 HK$'000
Total assets	**21,377**	44,281
Total liabilities	**(13,410)**	(33,086)
Net assets	**7,967**	11,195
Group's share of net assets of associates	**2,390**	5,433

17. INTERESTS IN ASSOCIATES *(Continued)*

	2013 HK$'000	2012 HK$'000
Revenue	**14,895**	5,230
Loss for the year	**(10,143)**	(8,485)
Group's share of losses of associates for the year	**(3,043)**	(2,931)

For the year ended 30 June 2012, the Group has discontinued recognition of its share of loss of Rise Rich. The amount of unrecognised share of the associate, extracted from the relevant management account of the associate for the year ended 30 June 2012 is as follows:

	2013 HK$'000	2012 HK$'000
Unrecognised share of loss of the associate for the year	**N/A**	24
Accumulated unrecognised share of loss of the associate	**N/A**	42

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2013 HK$'000	2012 HK$'000
Unlisted investments, at cost	**6,745**	6,745
Share of post-acquisition losses	**(3,206)**	(2,993)
	3,539	3,752

As at 30 June 2013 and 30 June 2012, the Group had interests in the following jointly controlled entities:

Name of entity	Issued and paid-up share capital/ registered capital	Attributable interest to the Group 2013	Attributable interest to the Group 2012	Principal activity
金至尊珠寶(成都)有限公司 (Note 1)	Registered capital RMB8,000,000 Paid-up capital RMB6,000,000	**50%**	50%	Trading of jewellery in the PRC
La Milky Way International Company Limited (Note 2)	Issued and paid-up capital HK$10,000,000	**50%**	50%	Holding of trademark

Notes:

1) The entity is a sino-foreign joint venture established in the PRC.
2) The place of incorporation and the principal place of operation of the entity are in Hong Kong.

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

The summarised financial information in respect of the Group's interests in jointly controlled entities which are accounted for using the equity method is set out below:

	2013 HK$'000	2012 HK$'000
Current assets	**10,778**	10,475
Non-current assets	**6,506**	9,045
Current liabilities	**(17,637)**	(14,490)
Non-current liabilities	**(8,250)**	(10,000)
Revenue	**4,388**	2,291
Expenses	**(9,534)**	(5,311)

19. INVENTORIES

	2013 HK$'000	2012 HK$'000
Raw materials	**182,398**	129,092
Finished goods	**692,220**	843,337
	874,618	972,429

20. AMOUNT DUE FROM/TO A JOINTLY CONTROLLED ENTITY

The amount is unsecured, interest free and repayable on demand.

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

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

	2013 HK$'000	2012 HK$'000
Gold bullion contract through margin account (note a)	(148)	2,065
Bullion forward contracts (note b)	(49,775)	–
	(49,923)	2,065
Analysed for reporting purposes as:		
Current assets	–	2,065
Current liabilities	(49,923)	–
	(49,923)	2,065

Notes:

(a) The amount represents the fair value of the open position of gold bullion contracts through margin account with an aggregated notional value of United States dollar ("USD") 2,147,000 (30 June 2012: USD6,299,000). The contracts contain terms enabling the Group either to take delivery of the gold bullion or closing out the position and settling net in cash at the Group's discretion. The fair value is determined based on the quoted market price at the end of the reporting period.

(b) During the current year, the Group used bullion forward contracts to reduce its exposure to fluctuations in the gold prices. The Group does not currently designate any hedging relationship on the bullion forward contracts for the purpose of hedge accounting.

The bullion forward contracts are measured at fair value at the end of the reporting period. The fair values are determined based on the quoted market prices at the end of the reporting period. The total notional value of the outstanding bullion forward contracts as at 30 June 2013 amounted to USD23,117,000 which have maturity period up to 6 to 12 months since date of inception.

22. 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$302,171,000 (2012: HK$60,182,000) have been pledged to secure short-term bank loans and are therefore classified as current assets. Pledged bank deposits will be released upon the settlement of relevant bank borrowings.

Bank balances carry interest at market rates which range from 0.01% to 0.35% (2012: 0.01% to 0.4%) per annum. Pledged bank deposits carry interest at fixed rates ranging from 2.85% to 3.25% (2012: 3.1% to 3.5%) per annum.

Included in the bank balances and cash of the Group as at 30 June 2013 are bank balances amounting to HK$31,743,000 (2012: HK$3,134,000) which are denominated in currencies other than the functional currency of the respective group entity.

23. TRADE AND OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	2013 HK$'000	2012 HK$'000
Trade payables	**72,752**	74,892
Deposits received from customers (note a)	**46,359**	103,807
Franchisee guarantee deposits (note b)	**58,494**	49,198
Other payables, accruals and other deposits	**118,768**	138,922
	296,373	366,819

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

	2013 HK$'000	2012 HK$'000
0-30 days	**42,480**	53,154
31-60 days	**7,987**	9,537
61-90 days	**4,976**	2,477
Over 90 days	**17,309**	9,724
	72,752	74,892

24. CONVERTIBLE BONDS

(i) Convertible bonds

Convertible bonds due 2012 ("CB 2012")

On 23 July 2010, the Company entered into a subscription agreement with independent third parties (the "subscribers") for the issue of convertible bonds at par value with aggregate principal amount of HK$138,000,000. Each convertible bond bears interest at the rate of 5% per annum which is due every six months, and the convertible bond matures on the date falling on the second anniversary from the date of issue of such convertible bond.

The conversion can be made at anytime on or after 3 August 2010 up to and including 2 August 2012 at a conversion price of HK$1.58 per ordinary share, subject to anti-dilutive adjustments.

During the year, the Company redeemed the CB 2012 at HK$151,800,000, representing 110% of the outstanding principal amount on maturity date of 2 August 2012 in accordance with the term of the relevant subscription agreement for the issue of CB 2012.

24. CONVERTIBLE BONDS *(Continued)*

(i) Convertible bonds *(Continued)*

Convertible bonds due 2013 ("CB 2013")

On 3 August 2010, the Company entered into a subscription agreement with third parties (the "subscribers") for the issue of convertible bonds at par value with aggregate principal amount of HK$216,000,000. Each convertible bond bears interest at the rate of 5% per annum which is due every six months, and the convertible bond matures on the date falling on the third anniversary from the date of issue of such convertible bond. CB 2013 with principal amount of HK$56,000,000 were granted to related parties of the Company, including Dr. Liu Wangzhi, a then director of the Company, and Dr. Hui Ho Ming, Herbert, a director of the Company, Ace Captain Investments Limited, a company wholly-owned by Mr. Martin Lee Ka Shing who is an associate of Mr. Chui Chuen Shun, a then director of the Company and Limin Corporation which is wholly-owned by Dr. Wong, Kennedy Ying Ho, a director and the Chairman of the Company.

The conversion can be made at anytime on or after 15 September 2010 up to and including 14 September 2013 at a conversion price of HK$1.58 per ordinary share, subject to anti-dilutive adjustments. The conversion price was adjusted from the initial conversion price of HK$1.58 per ordinary share to HK$1.37 per ordinary share upon the completion of right issue as disclosed in note 29.

As at 30 June 2013, a total of 157,664,234 (2012: 136,708,861) ordinary shares in the Company will be allotted and issued upon the conversions in full of the convertible bonds.

Upon issue of CB 2013, an amount of HK$191,488,000 and HK$24,512,000 were recognised as liability and derivative embedded in CB 2013, respectively.

At 30 June 2013, CB 2013 with a carrying amount of HK$223,910,000 (2012: HK$206,056,000) (principal amount of HK$216,000,000) remained outstanding.

The Company redeemed the CB 2013 at 110% of the respective outstanding principal amount subsequent to the reporting period.

24. CONVERTIBLE BONDS *(Continued)*

(i) Convertible bonds *(Continued)*

The movement of the liability component of the CB 2012 and CB 2013 for the current year and prior year are set out as below:

	Liability component		
	CB 2012	CB 2013	Total
	HK$'000	HK$'000	HK$'000
At 1 July 2011	141,133	191,399	332,532
Coupon interest accrued at 1 July 2011 and included in other payables	2,817	3,224	6,041
Interest charged during the year	16,684	25,487	42,171
Payment of coupon interest	(6,900)	(10,829)	(17,729)
Coupon interest accrued at 30 June 2012 and included in other payables	(2,836)	(3,225)	(6,061)
At 30 June 2012	150,898	206,056	356,954
Coupon interest accrued at 1 July 2012 and included in other payables	2,836	3,225	6,061
Interest charged during the year	1,525	28,654	30,179
Repayment of principal	(151,800)	–	(151,800)
Payment of coupon interest	(3,459)	(10,800)	(14,259)
Coupon interest accrued at 30 June 2013 and included in other payables	–	(3,225)	(3,225)
At 30 June 2013	–	223,910	223,910

	2013	2012
	HK$'000	HK$'000
Analysed for reporting purposes as:		
Current liabilities	**223,910**	150,898
Non-current liabilities	**–**	206,056
	223,910	356,954

During the year ended 30 June 2013 and 30 June 2012, the effective interest rates of CB 2012 and CB 2013 were 10.74% and 12.02%, respectively.

24. CONVERTIBLE BONDS *(Continued)*

(ii) Derivative financial instruments

	Embedded derivatives		
	CB 2012	CB 2013	Total
	HK$'000	HK$'000	HK$'000
At 1 July 2011	23	1,547	1,570
Change in fair value	(23)	(1,119)	(1,142)
At 30 June 2012	–	428	428
Change in fair value	–	(428)	(428)
At 30 June 2013	–	–	–

The fair values of the derivatives embedded in CB 2012 at 30 June 2012 and the fair values of the derivatives embedded in CB 2013 at 30 June 2012 and at 30 June 2013 are based on valuation carried out on those dates by an independent valuer. The change in fair value of HK$428,000 (2012: HK$1,142,000) has been credited to profit or loss for the year ended 30 June 2013.

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 2012		**At 30 June 2013**	
	CB 2012	CB 2013	**CB 2012**	**CB 2013**
Share price	HK$0.42	HK$0.42	**N/A**	**HK$0.18**
Exercise price	HK$1.58	HK$1.58	**N/A**	**HK$1.37**
Expected dividend yield	0.48%	0.48%	**N/A**	**0.00%**
Volatility	66.81%	63.70%	**N/A**	**43.51%**

25. OBLIGATIONS UNDER FINANCE LEASES

	2013 HK$'000	2012 HK$'000
Analysed for reporting purposes as:		
Current liabilities	**232**	541
Non-current liabilities	**389**	–
	621	541

It is the Group's policy to lease certain property, plant and equipment under finance leases. The average lease term is 4 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 3.0% to 3.5%. These leases have no terms of renewal or purchase options and escalation clauses.

	Minimum lease payments		Present value of minimum lease payments	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Amounts payable under finance leases				
Within one year	**252**	552	**232**	541
In more than one year but not more than two years	**222**	–	**210**	–
In more than two years but not more than five years	**183**	–	**179**	–
	657	552	**621**	541
Less: Future finance charges	**(36)**	(11)	**–**	–
Present value of lease obligations	**621**	541	**621**	541
Less: Amount due from settlement within 12 months (shown under current liabilities)			**(232)**	(541)
Amount due for settlement after 12 months			**389**	–

26. BANK AND OTHER BORROWINGS

	2013 HK$'000	2012 HK$'000
Bank borrowings	**597,132**	350,956
Other borrowings	**6,965**	30,000
	604,097	380,956
Secured	**466,834**	248,456
Unsecured	**137,263**	132,500
	604,097	380,956
Carrying amounts repayable:		
On demand or within one year*	**447,352**	93,000
More than one year, but not exceeding two years*	**18,768**	15,000
More than two years but not exceeding five years*	**–**	15,000
	466,120	123,000
Carrying amount of bank loans that contain a repayment on demand clause (shown under current liabilities)		
– repayable within one year*	**125,477**	122,728
– repayable after more than one year, but not exceeding two years*	**12,500**	122,728
– repayable after more than two years but not exceeding five years*	**–**	12,500
	137,977	257,956
	604,097	380,956
Less: Amounts due within one year and shown under current liabilities	**(585,329)**	(350,956)
Amounts shown under non-current liabilities	**18,768**	30,000

* 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 2013	Effective interest rate 2012	Carrying amount 2013 HK$'000	Carrying amount 2012 HK$'000
Floating-rate bank borrowings:						
Secured RMB bank loan	(a)	August 2013	**6.77%**	6.04%	**100,477**	195,456
Secured HK$ bank loans	(b)	December 2013	**2.46%**	2.02%	**33,000**	33,000
Unsecured HK$ bank loan	(c)	July 2014	**1.75%**	1.70%	**37,500**	62,500
Unsecured HK$ bank loan	(d)	March 2015	**2.21%**	2.35%	**30,000**	40,000
Secured HK$ bank loans	(e)	July to September 2013	**3.13%**	3.10%	**47,000**	20,000
Secured US$ bank loan	(f)	July 2013	**2.84%**	–	**148,200**	–
Secured RMB bank loan	(g)	November 2013	**7.26%**	–	**62,798**	–
Unsecured RMB bank loan	(h)	June 2014	**6.00%**	–	**62,798**	–
Secured RMB bank loan	(i)	January 2014	**7.26%**	–	**75,359**	–
Total bank borrowings					**597,132**	350,956
Other borrowing:						
Perfect Ace Investments Limited	(j)	On demand	**–**	–	**–**	30,000
Non-controlling shareholder of a subsidiary	(k)	On demand	**–**	–	**3,197**	–
An independent third party	(l)	December 2014	**2.4%**	–	**3,768**	–
Total other borrowing					**6,965**	30,000
Total bank and other borrowings					**604,097**	380,956

Notes:

(a) The bank loan is secured by inventories with a carrying amount of HK$439,588,000 (2012: HK$427,559,000) as at 30 June 2013, and is interest bearing at 110% of People's Bank of China Prescribed Rate ("PBOC").

(b) The bank loans are secured by pledged bank deposits, interest bearing at 3-month Hong Kong Interbank Offered Rate ("HIBOR") plus 2% to 2.25%.

(c) As at 30 June 2013, the bank loan which is denominated in Hong Kong dollars, a foreign currency of the relevant group entity, is interest bearing at the lower of HIBOR plus 1.5% or 3% per annum. The relevant subsidiary undertakes a negative pledge on its assets with a carrying amount of HK$116,168,000 as at 30 June 2013 (2012: HK$134,706,000) for the bank borrowings.

(d) The bank loan is interest bearing at HIBOR plus 2%.

(e) The bank loans are secured by pledged bank deposits, interest bearing at 3-month HIBOR plus 2.75% and repayable within 1 year.

(f) The bank loan is secured by pledged bank deposits, interest bearing at 3-month London Interbank Offered Rate ("LIBOR") plus 2.6%.

(g) The bank loan is secured by pledged bank deposits, interest bearing at 110% of 1 year PBOC.

(h) The bank loan is interest bearing at 1 year PBOC.

(i) The bank loan is secured by trade receivables of HK$184,609,000 and other receivables of HK$28,067,000, interest bearing at 110% of 1 year PBOC.

26. BANK AND OTHER BORROWINGS *(Continued)*

Notes: *(Continued)*

(j) Perfect Ace Investments Limited is a substantial shareholder of the Company. The amount is denominated in Hong Kong dollars, a foreign currency of the relevant group entity. The loan is unsecured, interest-free and repayable on demand.

(k) The loan is unsecured, interest-free and repayable on demand.

(l) The loan is secured by inventories with a carrying amount of RMB4,000,000 (equivalent to HK$5,024,000) as at 30 June 2013, and is interest bearing at a fixed rate of 2.4% per annum.

27. GOLD LOANS

Gold loans are borrowed to reduce the impact on 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 2013 and 30 June 2012, the gold loans are denominated in RMB, interest bearing at a fixed rate of 5.13% (2012: 4.8%) per annum with original maturity of 12 months, and secured by inventories with a carrying amount of HK$439,588,000 (2012:HK$427,559,000).

The gain arising from change in fair value of gold loans of HK$40,733,000 (2012: HK$1,920,000) has been recognised in the profit or loss for the year ended 30 June 2013. 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 reporting period.

28. DEFERRED TAXATION

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

	Fair value adjustment on inventories HK$'000 (Note)	**Fair value adjustment on intangible assets** HK$'000 (Note)	**Fair value adjustment on gold loans** HK$'000	**Fair value adjustments on forward contracts** HK$'000	**Provision on social benefits in the PRC** HK$'000	**Withholding tax on income derived in the PRC** HK$'000	**Others** HK$'000	**Total** HK$'000
At 1 July 2011	678	42,016	–	–	(2,360)	3,000	(1,639)	41,695
(Credit) charge to profit or loss (note 10)	(329)	–	2,700	–	(1,500)	–	(1,503)	(632)
As at 30 June 2012	349	42,016	2,700	–	(3,860)	3,000	(3,142)	41,063
(Credit) charge to profit or loss (note 10)	(97)	–	8,517	(12,426)	1,632	(3,000)	2,199	(3,175)
As at 30 June 2013	252	42,016	11,217	(12,426)	(2,228)	–	(943)	37,888

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.

28. DEFERRED TAXATION *(Continued)*

The deferred tax assets and liabilities have been offset for the purpose of consolidated statement of financial position presentation.

As at 30 June 2013, the Group has unused tax losses of HK$255,241,000 (2012: HK$184,177,000) available to offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of HK$27,000,000 (2012: nil). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT 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$191,527,000 as at 30 June 2013 (2012: HK$154,522,000) 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 reverse in the foreseeable future.

29. SHARE CAPITAL

	Notes	**Number of shares** '000	**Amount** HK$'000
Authorised:			
At 1 July 2011, 30 June 2012 and 30 June 2013			
Ordinary shares of HK$0.01 each		4,000,000	40,000
Preference shares of HK$0.01 each		3,000,000	30,000
		7,000,000	70,000
Ordinary shares issued and fully paid:			
Ordinary shares of HK$0.01 each			
At 1 July 2011 and 30 June 2012		1,969,085	19,692
Issue of new shares under rights issue	(a)	787,635	7,876
Exercise of warrants	(a)	1	–
Issue of new shares by way of a placing	(b)	196,909	1,969
Issue upon conversion of preference shares	(c)	469	4
At 30 June 2013		2,954,099	29,541
Preference shares issued and fully paid:			
Preference shares of HK$0.01 each			
At 1 July 2011 and 30 June 2012		404	4
Conversion of preference shares	(c)	(404)	(4)
At 30 June 2013		–	–
Total:			
At 1 July 2012		1,969,489	19,696
At 30 June 2013		2,954,099	29,541

29. SHARE CAPITAL *(Continued)*

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

Each preference share shall confer on its holder the right to be paid out of the profits of the Company available for dividend and resolved to be distributed pari passu with ordinary shares but otherwise in priority to any payment of dividend or any distribution in respect of any other class of shares, a fixed cumulative preferential dividend at the rate of 5% per annum on the paid-up value of the reference amount attributable to each preference share. The preference shares rank in priority to the ordinary shareholders as to a return of the nominal amount paid up on the preference shares and thereafter ranks pari passu with the ordinary shares on liquidation.

There is no undeclared cumulative preferential share dividend as at 30 June 2013 (2012: HK$3,000).

Notes:

(a) The Company issued 787,634,411 ordinary shares on 30 January 2013 by way of a rights issue on the basis of two rights shares for every five ordinary shares of the Company held on 8 January 2013 at the subscription price of HK$0.15 per rights share. The cash proceeds of the rights issue, before share issue expenses of HK$2,843,000 are HK$118,145,000.

The rights issue also included the issue of bonus warrants on the basis of one bonus warrant for every four rights shares taken up under the rights issue. On the basis of 787,634,411 rights shares, the total number of bonus warrants issued was 196,908,602. Each of the bonus warrants will entitle the holder(s) thereof to subscribe for one ordinary share of the Company at the exercise price of HK$0.245 per share (subject to adjustments), at any time between 31 January 2013 and 30 January 2018.

During the year ended 30 June 2013, the Company issued 1,231 ordinary shares of HK$0.01 at the exercise price of HK$0.245 per share pursuant to the exercise of the bonus warrants granted.

(b) The Company issued 196,908,603 ordinary shares in June 2013 by way of a placing at the placing price of HK$0.18 per placing share.

(c) As a result of the rights issue, the conversion multiple upon exercise of the conversion right attaching to the outstanding convertible preference shares was adjusted from 1 to 1.16338. During the year ended 30 June 2013, 403,374 preference shares of HK$0.01 each were converted into 469,277 ordinary shares of HK$0.01 each.

30. 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 granted. 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.

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

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 2013, the number of options which remain outstanding under the 2009 Share Option Scheme was 135,072,145 (2012: 37,421,580) which, if exercise in full, representing 0.44% (2012: 1.87%) 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.

There is no specific requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. 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.

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

(a) The following table sets out the movements of the Company's share options during the year:

				Number of options					
Eligible person	Date of grant	Exercise period	Exercise price HK$ (Note c)	Outstanding as at 1.7.2012	Reclassification during the year (Note a)	Granted during the year	Lapsed during the year	Adjustment in respect of rights issue (Note c)	Outstanding as at 30.6.2013
Directors	23.1.2009	23.1.2009 to 22.1.2019	0.428	903,580	–	–	–	147,628	1,051,208
	20.7.2009	20.7.2009 to 19.7.2019	1.298	5,800,000	(500,000)	–	(1,000,000)	702,534	5,002,534
	26.7.2011	26.7.2011 to 25.7.2021	0.481	2,000,000	–	–	–	326,760	2,326,760
	26.7.2011	26.7.2012 to 25.7.2021	0.481	3,000,000	–	–	–	490,140	3,490,140
	26.7.2011	26.7.2013 to 25.7.2021	0.481	4,000,000	–	–	–	653,522	4,653,522
	25.1.2013	28.2.2013 to 24.1.2023	0.229	–	–	8,800,000	–	–	8,800,000
	25.1.2013	28.2.2014 to 24.1.2023	0.229	–	–	8,800,000	–	–	8,800,000
	25.1.2013	28.2.2015 to 24.1.2023	0.229	–	–	8,800,000	–	–	8,800,000
				15,703,580	(500,000)	26,400,000	(1,000,000)	2,320,584	42,924,164
Employees	20.7.2009	20.7.2009 to 19.7.2019	1.298	1,000,000	500,000	–	–	245,070	1,745,070
	25.1.2013	28.2.2013 to 24.1.2023	0.229	–	–	11,700,000	(500,000)	–	11,200,000
	25.1.2013	28.2.2014 to 24.1.2023	0.229	–	–	11,700,000	(500,000)	–	11,200,000
	25.1.2013	28.2.2015 to 24.1.2023	0.229	–	–	11,700,000	(500,000)	–	11,200,000
	27.2.2013	28.2.2013 to 24.1.2023	0.229	–	–	10,000,000	–	–	10,000,000
	27.2.2013	28.2.2014 to 24.1.2023	0.229	–	–	10,000,000	–	–	10,000,000
	27.2.2013	28.2.2015 to 24.1.2023	0.229	–	–	10,000,000	–	–	10,000,000
				1,000,000	500,000	65,100,000	(1,500,000)	245,070	65,345,070
Consultants	20.7.2009	20.7.2009 to 19.7.2019	1.298	700,000	–	–	–	114,366	814,366
	13.4.2010	13.4.2010 to 12.4.2020	1.203	2,000,000	–	–	–	326,761	2,326,761
	13.4.2010	13.7.2010 to 12.4.2020	1.203	5,000,000	–	–	–	816,901	5,816,901
	13.4.2010	13.10.2010 to 12.4.2020	1.203	5,000,000	–	–	–	816,901	5,816,901
	13.4.2010	13.1.2011 to 12.4.2020	1.203	5,768,000	–	–	–	942,377	6,710,377
	26.7.2011	26.7.2011 to 25.7.2021	0.481	500,000	–	–	–	81,690	581,690
	26.7.2011	26.7.2012 to 25.7.2021	0.481	750,000	–	–	–	122,535	872,535
	26.7.2011	26.7.2013 to 25.7.2021	0.481	1,000,000	–	–	–	163,380	1,163,380
	25.1.2013	28.2.2013 to 24.1.2023	0.229	–	–	900,000	–	–	900,000
	25.1.2013	28.2.2014 to 24.1.2023	0.229	–	–	900,000	–	–	900,000
	25.1.2013	28.2.2015 to 24.1.2023	0.229	–	–	900,000	–	–	900,000
				20,718,000	–	2,700,000	–	3,384,911	26,802,911
				37,421,580	–	94,200,000	(2,500,000)	5,950,565	135,072,145
Exercisable at the end of the year				28,671,580					67,455,243
Weighted average exercise price				0.985	–	0.229	–	–	0.464

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

(a) The following table sets out the movements of the Company's share options during the year: *(Continued)*

				Number of options				
Eligible person	**Date of grant**	**Exercise period**	**Exercise price** HK$	**Outstanding as at 1.7.2011**	**Reclassification during the year** (Note b)	**Granted during the year**	**Lapsed during the year**	**Outstanding as at 30.6.2012**
Directors	23.1.2009	23.1.2009 to 22.1.2019	0.498	903,580	–	–	–	903,580
	20.7.2009	20.7.2009 to 19.7.2019	1.510	5,300,000	1,500,000	–	(1,000,000)	5,800,000
	13.4.2010	13.4.2010 to 12.4.2020	1.400	1,000,000	–	–	(1,000,000)	–
	26.7.2011	26.7.2011 to 25.7.2021	0.560	–	2,000,000	–	–	2,000,000
	26.7.2011	26.7.2012 to 25.7.2021	0.560	–	3,000,000	–	–	3,000,000
	26.7.2011	26.7.2013 to 25.7.2021	0.560	–	4,000,000	–	–	4,000,000
				7,203,580	10,500,000	–	(2,000,000)	15,703,580
Employees	20.7.2009	20.7.2009 to 19.7.2019	1.510	2,500,000	(1,500,000)	–	–	1,000,000
	26.7.2011	26.7.2011 to 25.7.2021	0.560	–	(2,000,000)	2,000,000	–	–
	26.7.2011	26.7.2012 to 25.7.2021	0.560	–	(3,000,000)	3,000,000	–	–
	26.7.2011	26.7.2013 to 25.7.2021	0.560	–	(4,000,000)	4,000,000	–	–
				2,500,000	(10,500,000)	9,000,000	–	1,000,000
Consultants	20.7.2009	20.7.2009 to 19.7.2019	1.510	1,300,000	–	–	(600,000)	700,000
	13.4.2010	13.4.2010 to 12.4.2020	1.400	2,000,000	–	–	–	2,000,000
	13.4.2010	13.7.2010 to 12.4.2020	1.400	5,000,000	–	–	–	5,000,000
	13.4.2010	13.10.2010 to 12.4.2020	1.400	5,000,000	–	–	–	5,000,000
	13.4.2010	13.1.2011 to 12.4.2020	1.400	5,768,000	–	–	–	5,768,000
	26.7.2011	26.7.2011 to 25.7.2021	0.560	–	–	500,000	–	500,000
	26.7.2011	26.7.2012 to 25.7.2021	0.560	–	–	750,000	–	750,000
	26.7.2011	26.7.2013 to 25.7.2021	0.560	–	–	1,000,000	–	1,000,000
				19,068,000	–	2,250,000	(600,000)	20,718,000
				28,771,580	–	11,250,000	(2,600,000)	37,421,580
Exercisable at the end of the year				28,771,580				28,671,580
Weighted average exercise price				1.406	–	0.560	–	1.148

Notes:

a. Mr. Chui Chuen Shun, a holder of 1,000,000 share options, was resigned as a director of the Company and become an employee on 31 July 2012. Mr. Cheung Pak To, Patrick, a holder of 500,000 share options, was appointed as director of the Company on 15 November 2012.

b. Mr. Lam Kwok Hing Wilfred, a holder of 5,500,000 share options, was appointed as director of the Company on 17 August 2011. Ms. Wong Wing Yan Ella, a holder of 5,000,000 share options, was appointed as director of the Company on 17 August 2011.

c. The number and exercise price of the outstanding share options were adjusted as a result of completion of the rights issue.

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

(b) The fair value of the options granted in current year at the date of grant was HK$7,162,000 (2012: HK$2,892,000). The Group recognised the total expense of HK$4,335,000 (2012: HK$2,222,000) in the profit or loss during the year in relation to share options granted by the Company.

The variables and assumptions used in computing the fair value of the share options are based on the management's best estimate. The value of an option varies with different variables of a number of subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

The fair value of the options granted was calculated using binomial option pricing model. The key inputs into the model were as follows:

	Granted during the year ended 30 June 2013		Granted during the year ended 30 June 2012
Date of grant	27 February 2013	25 January 2013	26 July 2011
Number of options granted	30,000,000	64,200,000	11,250,000
Grant date share price	HK$0.185	HK$0.21	HK$0.56
Exercise price	HK$0.2288	HK$0.2288	HK$0.56
Risk-free rate	1.19%	0.98%	2.28%
Nature of the share options	Call	Call	Call
Life of the options	9.91 years	10 years	10 years
Expected volatility	52.90%	52.68%	50.30%
Expected dividend yield	0%	0%	0.63%

31. OPERATING LEASES

The Group as lessee

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

	2013 **HK$'000**	2012 HK$'000
Operating lease rentals in respect of retail shops, offices and warehouses		
Minimum lease payments	**47,347**	51,562
Contingent rental	**182,036**	201,645
	229,383	253,207

31. OPERATING LEASES *(Continued)*

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:

	2013 HK$'000	2012 HK$'000
Within one year	**34,568**	44,028
In the second to five years inclusive	**10,801**	32,913
	45,369	76,941

Leases are negotiated for lease terms of 1 to 5 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.

32. CAPITAL COMMITMENTS

	2013 HK$'000	2012 HK$'000
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements	**5,375**	7,522
Commitment for further capital injection in an associate	**–**	32,400

33. 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$20,000 per month (increases to HK$25,000 per month with effect from 1 June 2012).

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 2012 and 30 June 2013, the Group had no significant obligation apart from the contribution as stated above.

34. PLEDGE OF ASSETS

At 30 June 2013, the Group's inventories, bank deposits, trade receivables and other receivables with a carrying amount of HK$439,588,000 (2012: HK$427,559,000), HK$302,171,000 (2012: HK$60,182,000), HK$184,609,000 (2012: nil) and HK$28,067,000 (2012: nil), respectively were pledged to banks as securities to obtain the banking facilities granted to subsidiaries of the Group.

In addition, the Group's inventories with a carrying amount of RMB4,000,000 (equivalent to HK$5,024,000) (2012: nil) was pledged to an independent third party as securities for other borrowing of HK$3,768,000 (2012: nil) to the Group.

35. RELATED PARTY DISCLOSURES

(a) Related party transactions

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

Relationship	Nature of transactions	2013 HK$'000	2012 HK$'000
A solicitors firm in which a director of the Company is a partner	Company secretariat and legal services fee	**1,378**	1,067
Associates	Business promotion income	**4**	–
	Business promotion expenses	**426**	–
	Server rental income	**5**	–
	Purchase of jewellery	**–**	28
A jointly controlled entity	Sales of jewellery	**–**	4,287
	Purchase of jewellery	**553**	127
	Management fee income	**141**	–
Related parties	Interest income	**3,984**	–

During the year, the Group advanced a loan to related parties amounting to RMB98,000,000. Details are set out in the note 15.

As at 30 June 2012 and 30 June 2013, the Group had an outstanding financial guarantee issued to a bank in respect of a banking facility granted to a jointly controlled entity as disclosed in note 37.

(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, 15, 20, 24 and 26.

(c) Compensation of key management personnel

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

36. ACQUISITION OF A SUBSIDIARY

On 21 November 2012, the Group acquired an additional 32% shareholding in Rise Rich, a then associate of the Group, and the shareholder's loan to Rise Rich of HK$3,197,000 at a consideration of HK$3,200,000. Upon completion of the acquisition, the Group owns 68% shareholding in Rise Rich and the transaction has been accounted for as business combination using the acquisition method. Rise Rich is engaged in retailing of gold and jewellery products in Hong Kong.

Acquisition-related costs relating to the above acquisition are immaterial and excluded from the cost of acquisition and have been recognised as an expense in the profit or loss.

Assets and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Inventories	20,426
Trade and other payables and accruals	(24,801)
Other borrowings	(3,197)
Shareholder's loan	(3,197)
Net liabilities at the date of acquisition	(10,769)
Assignment of shareholder's loan	3,197
	(7,572)

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	3,200
Plus: Non-controlling interests (32% in Rise Rich)	(3,446)
Plus: Fair value of previously held interest	(3,877)
Less: Net liabilities acquired	7,572
Goodwill arising on acquisition and impairment loss recognised	3,449

Non-controlling interests

The non-controlling interests (32%) in Rise Rich recognised at the acquisition date were measured by reference to the proportionate share of recognised amounts of net liabilities of Rise Rich and amounted to HK$3,446,000.

	HK$'000
Remeasurement of previously held interest	
Fair value of previously held interest	(3,877)
Less: carrying amount	–
Loss on remeasurement of previously held interest in an associate	(3,877)
Net cash outflow arising on acquisition	
Consideration paid in cash	3,200

36. ACQUISITION OF A SUBSIDIARY *(Continued)*

From the date of acquisition to 30 June 2013, Rise Rich does not have material contribution to the revenue and loss of the Group.

During the year, impairment loss on goodwill of HK$3,449,000 was recognised in profit or loss.

37. CONTINGENT LIABILITIES

As at 30 June 2013, the Group had an outstanding financial guarantee amounting to HK$3,000,000 (2012: HK$3,000,000) issued to a bank in respect of a banking facility granted to a jointly controlled entity. The directors of the Company considered that the fair value of this financial guarantee contract at their initial recognition is insignificant.

38. MAJOR NON-CASH TRANSACTION

During the current year, the Group entered into financial lease arrangements for acquisition of certain property, plant and equipment with a total capital value of HK$425,000 (2012: nil).

39. CAPITAL RISK MANAGEMENT

The 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 24, the bank and other borrowings disclosed in note 26, gold loans disclosed in note 27, 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 2013, the net gearing ratio of the Group is 84% (2012: 105%). The directors closely monitor the net gearing ratio and balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

40. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2013 **HK$'000**	2012 HK$'000
Financial assets		
Financial assets at fair value through profit or loss	–	2,065
Settlement options in relation to the loan to related parties	**26,211**	–
Loans and receivables (including cash and cash equivalents)	**775,308**	556,010
Financial liabilities		
Financial liabilities at fair value through profit or loss	**178,982**	98,041
Amortised costs	**1,030,742**	935,481

40. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The Group's major financial instruments include loan to related parties, trade and other receivables, amount due from a jointly controlled entity, settlement options in relation to the loan to related parties, financial assets/liabilities at fair value through profit or loss, pledged bank deposits, bank balances and cash, trade and other payables and deposits received, amount due to a jointly controlled entity, derivative financial instruments, convertible bonds, bank and other borrowings, and gold loans. 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. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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 loan to related parties, fixed-rate convertible bonds (see note 24), other borrowing (see note 26) and gold loans (see note 27). 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 PBOC, HIBOR and LIBOR arising from the Group's RMB denominated borrowings, Hong Kong dollar denominated borrowings and USD denominated borrowings, respectively.

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 the 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 (2012: 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 (2012: 50 basis points) higher and all other variables were held constant, the result of the Group would have been impacted as follows:

	2013	2012
	HK$'000	HK$'000
Increase in loss for the year	**(2,986)**	(1,755)

40. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

Interest rate risk sensitivity analysis (Continued)

If interest rates had been 50 basis points (2012: 50 basis points) lower and all other variables were held constant, the result of the Group would have been impacted as follows:

	2013 HK$'000	2012 HK$'000
Decrease in loss for the year	**2,986**	1,755

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 HK$, RMB or MOP 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 loan to related parties, trade and other receivables, bank balances and cash, bank and other borrowings 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	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
HK$	**37,499**	10,020	**(262,330)**	(449,953)
RMB	**16,198**	28,390	**–**	–
MOP	**470**	776	**–**	–
USD	**273**	273	**(148,200)**	–

Currency risk sensitivity analysis

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.

The foreign currency risk of the Group is mainly concentrated on the fluctuations of RMB against HK$ and USD. The sensitivity analysis below includes currency risk related to HK$ and USD 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 USD.

40. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

Currency risk sensitivity analysis (Continued)

The following table details the sensitivity of the Group to a 5% increase and decrease in RMB against HK$ and USD 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 (negative) number below indicates decrease (increase) in loss where RMB strengthens against HK$ and USD. For a 5% weakening of RMB against HK$ and USD, there would be an equal and opposite impact and the balances below would be negative (positive).

	2013	2012
	HK$'000	HK$'000
Loss for the year		
RMB against HK$	**12,051**	23,416
RMB against USD	**7,396**	(14)

Price risk

The Group is exposed to equity price risk arising from changes in the Company's own share price in relation to derivative financial instruments.

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.

Price risk sensitivity analysis

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$6,445,000 (2012: HK$1,140,000), arising from the changes in fair value of gold loans and financial assets/liabilities at fair value through profit or loss.

40. 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; and
- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 37.

In order to minimise the credit risk, the management of the Group has monitoring procedures to ensure that appropriate actions are taken to recover overdue debts. In addition, the 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. The Group also monitors the financial position of the jointly controlled entity in order to minimise the credit risk for the financial guarantee issued by the Group as disclosed in note 37. 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, except for as of 30 June 2013 where the loan to related parties of HK$98,746,000, trade receivables from a jointly controlled entity of HK$4,485,000, and other receivables from a jointly controlled entity and an associate of HK$10,000,000 and HK$10,347,000 respectively (2012: trade receivables from an independent customer of HK$27,710,000, an associate of HK$13,937,000 and a jointly controlled entity of HK$4,345,000 and other receivable from an associate of HK$3,647,000).

Liquidity risk

Regarding the liquidity risk, the management monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. As at 30 June 2013, the Group has available unutilised revolving banking facilities of HK$75,202,000 (2012: HK$30,000,000). The 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 (inflows) and outflows on derivative instruments that settle on a net basis, and the undiscounted gross (inflows) 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 the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

40. 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$'000	1-2 years HK$'000	2-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
As at 30 June 2013								
Non-derivative financial liabilities								
Trade and other payables	–	140,649	–	–	–	–	140,649	140,649
Amount due to a jointly controlled entity	–	3,592	–	–	–	–	3,592	3,592
Franchise guarantee deposits	–	58,494	–	–	–	–	58,494	58,494
Bank and other borrowings								
– fixed rate	2.40	–	–	106	3,843	–	3,949	3,768
– variable rate	4.54	287,732	90,359	213,254	15,084	–	606,429	597,132
– interest-free	–	3,197	–	–	–	–	3,197	3,197
Convertible bonds	5.00	–	226,301	–	–	–	226,301	223,910
Obligations under finance leases	3.85	16	31	205	222	183	657	621
		493,680	316,691	213,565	19,149	183	1,043,268	1,031,363
Financial guarantee contract (note 37)	–	3,000	–	–	–	–	3,000	–
Derivative								
Gold loans	5.13	–	97,201	34,200	–	–	131,401	129,059
Financial liabilities at fair value through profit and loss – net settlement	–	147	34,230	15,546	–	–	49,923	49,923
		147	131,431	49,746	–	–	181,324	178,982

40. 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$'000	1-2 years HK$'000	2-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
As at 30 June 2012								
Non-derivative financial liabilities								
Trade and other payables	–	148,373	–	–	–	–	148,373	148,373
Franchise guarantee deposits	–	49,198	–	–	–	–	49,198	49,198
Bank and other borrowings								
– variable rate	4.62	269,057	27,219	26,039	15,510	15,173	352,998	350,956
– interest-free	–	30,000	–	–	–	–	30,000	30,000
Convertible bonds	11.51	3,798	171,553	21,749	257,023	–	454,123	356,954
Obligations under finance leases	1.94	49	97	406	–	–	552	541
		500,475	198,869	48,194	272,533	15,173	1,035,244	936,022
Financial guarantee contract (note 37)	–	3,000	–	–	–	–	3,000	–
Derivative								
Gold loans	4.80	–	98,394	–	–	–	98,394	97,613

40. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(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 2013, the aggregate amounts of these bank loans amounted to HK$137,977,000 (2012: HK$257,956,000). 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, the 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$'000	1-2 years HK$'000	2-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
As at 30 June 2013							
Bank borrowings with a repayment on demand clause	**13,395**	**100,607**	**12,719**	**12,609**	**–**	**139,330**	**137,977**

	On demand or in 30 days HK$'000	31 to 90 days HK$'000	91 to 365 days HK$'000	1-2 years HK$'000	2-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
As at 30 June 2012							
Bank borrowings with a repayment on demand clause	12,500	27,535	93,215	127,153	12,609	273,012	257,956

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.

(c) Fair values

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market bid prices.

- The fair value of derivative embedded in the convertible bonds was based on the binomial option pricing model using prices or rates of similar instruments with key inputs such as weighted average share price, exercise price, expected dividend yield, and expected volatility. Details are set out in note 24.

- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

40. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair values *(Continued)*

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

Financial instruments that are measured subsequent to initial recognition at fair value, based on the degree to which the fair value is observable, were grouped into Levels 1 to 3.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of financial assets measured in different levels recognised in the consolidated statement of financial position is as follows:

	2013			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial liabilities at FVTPL				
Gold loans	**129,059**	**–**	**–**	**129,059**
Financial liabilities held for trading	**49,923**	**–**	**–**	**49,923**
	178,982	**–**	**–**	**178,982**

	2012			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at FVTPL				
Financial assets held for trading	2,065	–	–	2,065
Financial liabilities at FVTPL				
Gold loans	97,613	–	–	97,613
Derivative financial instruments	–	428	–	428
	97,613	428	–	98,041

These were no transfers between Level 1 and 2 in the current year or prior year.

41. EVENTS AFTER THE REPORTING PERIOD

(a) On 26 August 2013, the Company entered into a subscription agreement with an independent third party (the "Subscriber") and China Gold Silver Group Company Limited ("CGS"), a wholly-owned subsidiary of the Company, in respect of the issue of convertible bonds by CGS in the aggregate principal amount of US$5,000,000 due four years from the issue date (or as extended once by one year by mutual agreement of the parties thereto) convertible into ordinary shares in CGS at a conversion rate of 5.78% of the enlarged issued share capital of CGS on a fully-diluted basis at the date of conversion.

Further details of this transaction are set out in the Company's announcement dated 26 August 2013.

(b) On 11 September 2013, the Company entered into a placing agreement and the subscription agreement with Perfect Ace Investments Limited ("Perfect Ace"), which is indirect wholly-owned by Dr. Wong, Kennedy Ying Ho, a director and the Chairman of the Company, and a placing agent, whereby Perfect Ace under the placing agreement agreed to place, through the placing agent, on a best effort basis, the aggregate of up to 217,000,000 existing ordinary shares in the Company (the "Placing Shares") held by Perfect Ace to selected individual, corporate or institutional investors at a price of HK$0.18 per Placing Share, and thereafter to subscribe for such number of top-up subscription shares equivalent to the number of Placing Shares actually sold by Perfect Ace under the placing at a price of HK$0.18 per top-up subscription shares.

The placing of 217,000,000 existing ordinary shares in the Company was completed on 12 September 2013 and the top-up subscription was completed on 24 September 2013.

Further details of this transaction are set out in the Company's announcements dated 12 September 2013 and 24 September 2013.

(c) Subsequent to the reporting period, the Company redeemed the CB 2013 upon maturity as disclosed in note 24(i).

(d) In September 2013, a subsidiary of the Company entered into a facility agreement with a bank for an amount of RMB300 million. The amount, which is denominated in RMB, is secured by a floating charge on the Group's inventories in PRC with a carrying amount of RMB500 million, repayable in one year from the draw down date and interest bearing at PBOC plus 0.6%.

42. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY

	2013 **HK$'000**	2012 HK$'000
Investments in subsidiaries	**640,299**	640,296
Amounts due from subsidiaries	**222,000**	282,797
Other assets	**27,221**	4,784
Total assets	**889,520**	927,877
Total liabilities	**(229,919)**	(368,854)
Net assets	**659,601**	559,023
Share capital	**29,541**	19,696
Reserves (Note)	**630,060**	539,327
Total equity	**659,601**	559,023

42. 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	Retained earnings (accumulated losses) HK$'000	Total HK$'000
At 1 July 2011	521,306	59,269	15,346	–	11,917	607,838
Lapse of share options	–	–	(1,986)	–	1,986	–
Equity-settled share-based payments	–	–	2,222	–	–	2,222
Dividends paid	–	(3,942)	–	–	–	(3,942)
Loss for the year and total comprehensive expense for the year	–	–	–	–	(66,791)	(66,791)
At 30 June 2012	521,306	55,327	15,582	–	(52,888)	539,327
Issue of new shares under rights issue	88,439	–	–	21,830	–	110,269
Issue of new shares by way of placing of shares, net of transaction costs	32,943	–	–	–	–	32,943
Transaction costs attributable to issue of new shares under rights issue	(2,843)	–	–	–	–	(2,843)
Lapse of share options	–	–	(907)	–	907	–
Equity-settled share-based payments	–	–	4,335	–	–	4,335
Loss for the year and total comprehensive expense for the year	–	–	–	–	(53,971)	(53,971)
At 30 June 2013	639,845	55,327	19,010	21,830	(105,952)	630,060

43. PARTICULARS OF THE SUBSIDIARIES

Particulars of the Company's subsidiaries as at 30 June 2013 and 30 June 2012 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)		Attributable equity interest held		Principal activities
				2013	2012	**2013**	2012	
3D-GOLD Business Development Limited	Hong Kong	HK$ 10,000	HK$ 100	**70%**	–	**70%**	–	Investment holding
3D-GOLD Company Limited	Hong Kong	HK$10,000	HK$100	**100%**	100%	**100%**	100%	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	USD60,000,000	US$60,000,000	**100%**	100%	**100%**	100%	Retailing and franchising operations of gold and jewellery products in Mainland China
3D-GOLD International Company Limited	Hong Kong	HK$10,000	HK$2	**100%**	100%	**100%**	100%	Holding of trademark
3D-GOLD Jewellery (HK) Limited	Hong Kong	HK$10,000	HK$100	**100%**	100%	**100%**	100%	Retailing of gold and jewellery products in Hong Kong
3D-GOLD Jewellery (Taiwan) Limited	Hong Kong	HK$ 10,000	HK$ 100	**100%**	–	**100%**	–	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%	**100%**	100%	Sale of jewellery
3D-GOLD Management Services Limited	Hong Kong	HK$5,000,000	HK$1	**100%**	100%	**100%**	100%	Provision of management services
3D-GOLD Online Limited	Hong Kong	HK$10,000	HK$100	**91%**	100%	**73%**	80%	Online marketing and E-commerce
3D-GOLD (PRC Holding) Company Limited	Hong Kong	HK$10,000	HK$100	**100%**	100%	**100%**	100%	Investment holding
3D-GOLD Properties (HK) Limited	Hong Kong	HK$10,000	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
China Gold Silver Group Company Limited	British Virgin Islands	US$50,000	US$3,333	**100%**	100%	**100%**	100%	Investment holding
Elite Art International Limited	Hong Kong	HK$10,000	HK$1	**100%**	100%	**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%	**80%**	80%	Investment holding
Great Tactic Limited	British Virgin Islands	US$50,000	US$1	**100%**	100%	**100%**	100%	Rental holding

43. PARTICULARS OF THE SUBSIDIARIES *(Continued)*

Particulars of the Company's subsidiaries as at 30 June 2013 and 30 June 2012 are as follows: *(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)		Attributable equity interest held		Principal activities
				2013	2012	2013	2012	
Gold Ocean Jewellery Company Limited	Macau	MOP500,000	MOP500,000	**100%**	100%	**100%**	100%	Retailing of gold and jewellery products in Macau
Golden Zone International Limited	British Virgin Islands	US$50,000	US$1	**100%**	100%	**100%**	100%	Investment holding
Rise Rich International Limited (Note 4)	Hong Kong	HK$ 10,000	HK$10,000	**68%**	N/A	**68%**	N/A	Trading of jewellery
Special Link Limited	Hong Kong	HK$ 10,000	HK$1	**100%**	–	**100%**	–	Investment holding
Trump Power Limited	Hong Kong	HK$10,000	HK$100	**100%**	100%	**100%**	100%	Trading of precious metals related products
淘至尊數碼科技(深圳)有限公司 (Note 2)	PRC	RMB500,000	RMB500,000	**100%**	100%	**73%**	80%	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%	**100%**	100%	Sales of jewellery
金至尊珠寶股份有限公司	Taiwan	NTD10,000,000	NTD5,000,000	**100%**	–	**100%**	–	Inactive
至尊金業(深圳)有限公司	PRC	RMB1,000,000	RMB1,000,000	**100%**	–	**100%**	–	Inactive

Notes:

1. The Company directly holds the interest in Brand New Management Limited, China Gold Silver Group Company Limited, Rise Rich International 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.

4. Rise Rich International Limited was an associate of the Company as at 30 June 2012 as disclosed in note 17.

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 2013 HK$'000	Year ended 30 June 2012 HK$'000	15 months ended 30 June 2011 HK$'000	Year ended 31 March 2010 HK$'000 (Restated)	Year ended 31 March 2009 HK$'000
Turnover	**2,886,550**	3,840,630	3,223,377	1,290,110	95,138
(Loss) Profit before taxation	**(107,054)**	(18,732)	73,907	228,793	275,246
Taxation	**(8,748)**	(10,539)	(35,395)	(21,247)	(13)
(Loss) Profit for the year/period	**(115,802)**	(29,271)	38,512	207,546	275,233
Total comprehensive (expense) income for the year/period attributable to owners of the Company	**(100,554)**	(21,230)	63,264	113,803	275,664

ASSETS AND LIABILITIES

	As at 30 June 2013 HK$'000	As at 30 June 2012 HK$'000	As at 30 June 2011 HK$'000	As at 31 March 2010 HK$'000 (Restated)	As at 31 March 2009 HK$'000
Total assets	**1,990,940**	1,838,358	1,749,600	1,239,091	219,354
Total liabilities	**(1,353,756)**	(1,251,723)	(1,140,015)	(552,643)	(3,596)
Non-controlling interests	**3,446**	–	–	(226,612)	(32,902)
Equity attributable to owners of the Company	**640,630**	586,635	609,585	459,836	182,856