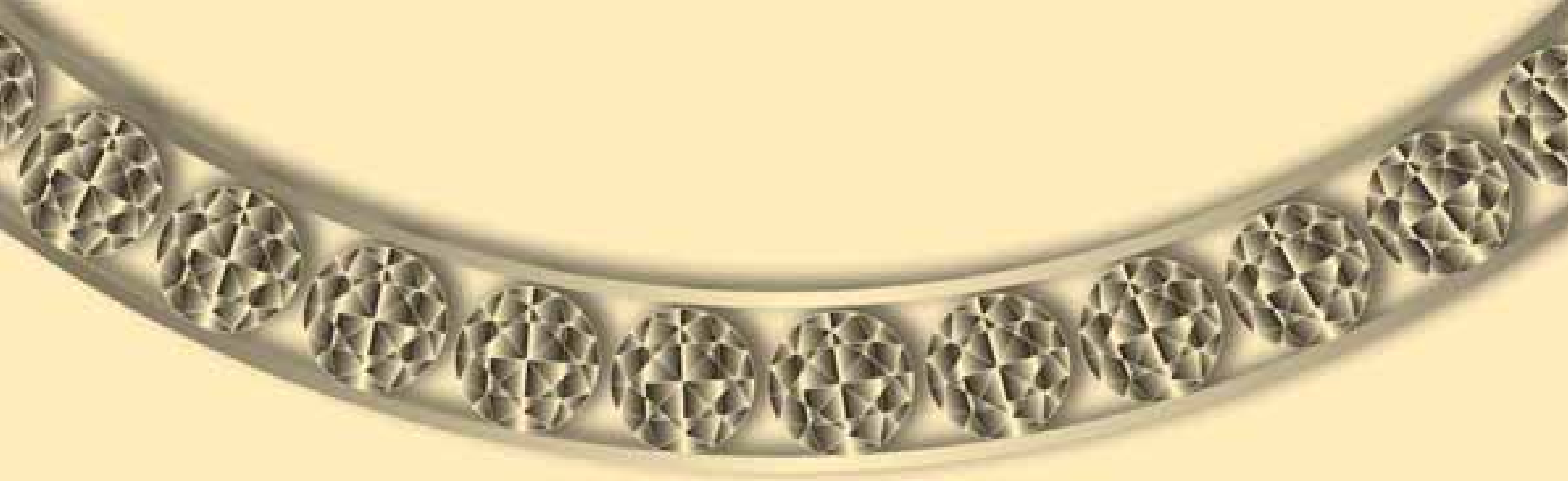
香港資源控股
HONG KONG RESOURCES HOLDINGS
(Stock Code: 2882)

Annual Report 2012

investing for tomorrow

HKRH is poised to take advantage of excellent opportunities ahead.

CONTENTS



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. Mung Kin Keung[d]

Mr. Lam Kwok Hing[d], Wilfred, J.P. *(appointed on 17 August 2011)*

Ms. Wong Wing Yan, Ella *(appointed on 17 August 2011)*

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

Dr. Liu Wangzhi *(resigned on 31 March 2012)*

Non-executive Directors

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

Mr. Kung Ho[c] *(resigned on 12 April 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

Corporate Information

PRINCIPAL OFFICE IN HONG KONG

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

PRINCIPAL BANKERS

Shanghai Commercial Bank Limited
China Construction Bank Corporation

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

01
JULY 2011

3D-GOLD Jewellery was the title sponsor of the "3D-GOLD Cup Super League 2011", a local basketball match organized by Hong Kong Basketball Association, for the 2nd consecutive year.

02
AUGUST 2011

Being the prize sponsor of the "International KamCha Competition 2011 (HK Style Milk Tea)", 3D-GOLD Jewellery has specially produced and presented the "Golden KamCha Cup" to the champions of the Hong Kong and International Competition.

03
OCTOBER 2011

In order to commemorate the 100th anniversary of the Revolution of 1911, 3D-GOLD Jewellery was the title sponsor of the movie, "The Woman Knight of Mirror Lake-Qiu Jin".

04
OCTOBER 2011

Mr. Eric Tsang, "Supreme Star" of 3D-GOLD Jewellery, attended the opening event of the 50th shop in Shandong Province. At the event, 3D-GOLD Jewellery announced that the "Desire Design Service" would be extended to China and Eric was the first artist to experience this service.

05
OCTOBER 2011

3D-GOLD Jewellery was honored to be the crown sponsor of “Miss Chinese Cosmos Pageant 2011” organized by Phoenix Satellite TV, adding the glow of happiness to the enterprise of beauty.

06
NOVEMBER 2011

3D-GOLD Jewellery and Bank of Beijing formed strategic relationship to develop the high-end consumer market for gifts.

07
NOVEMBER 2011

3D-GOLD Jewellery was once again the diamond sponsor of the world tour concert of Sun Nan, the top singer, in Beijing and Guangzhou.

08
DECEMBER 2011

3D-GOLD Jewellery sponsored Alan Tam’s Beijing concert at which the “Lucky Gold Dragon” ornament was presented to him.

Major Events

09
JANUARY 2012

3D-GOLD Jewellery was the title sponsor of the musical drama, “The Liaisons”, to promote cultural activities in Hong Kong.

10
JANUARY 2012

3D-GOLD Jewellery was the title, scepter and crown sponsor of “Miss Chinese International Pageant 2012”.

11
FEBRUARY 2012

The masterpiece, “Soaring Dragon”, which had won the “Best of Show” award at the 13th Hong Kong Jewellery Design Competition, received full accolade for the effort of the Product Development & Design Department of 3D-GOLD Jewellery.

12
FEBRUARY 2012

3D-GOLD Jewellery cooperated with the “Gold Label” of Goldlion to develop the high-end accessories market.

13

APRIL 2012

3D-GOLD Jewellery was the title sponsor of the "Sam Hui Live in Concert 2012" and had organized an exclusive concert costume exhibition.

14

APRIL 2012

3D-GOLD Jewellery donated HK$500,000 this year to support a two-year charity conservation project, "National Treasures • We Conserve", of the Ocean Park Conservation Foundation, Hong Kong. Numerous celebrities and guests attended the charity dinner to support the conservation of endangered wildlife and their natural habitats.

15

JUNE 2012

The latest "3D-GOLD x Dorian Ho Wedding Collection", a collaboration between 3D-GOLD Jewellery and Mr. Dorian Ho, the famous fashion designer, was launched at a media luncheon.

16

JULY 2012

Ms. Christine Kuo, the ambassador of 3D-GOLD Jewellery, attended the kick-off ceremony of the 2012 China Tour of "Happy Women Collection" in Wuhan.

17

AUGUST 2012

3D-GOLD Jewellery sponsored the "Jonathan Wong Rising 2012", the 1st concert of Jonathan in Hong Kong.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Chairman's Statement

Discerning the promising market potential and increasing popularity of corporate gifts in China.

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 2012 (the "**Current Year**").

The Current Year was a year of mixed challenges. The Group was able to capture the growth from the increases in demand of gold products in Mainland China economy as published in the report by the World Gold Council, and the increase in purchasing power and passion for luxury products, which has stimulated domestic consumption, as well as the Group's retail sales of gold and silver jewellery to expand to HK$3.8 billion for the Current Year from HK$3.2 billion for the 15 months ended 30 June 2011 (the "**Last Period**").

As at 30 June 2012, the Group has 8 points-of-sale in Hong Kong, 2 points-of-sale in Macau and 393 points-of-sale in Mainland China under the brandname "3D-GOLD", plus 2 points-of-sale in Hong Kong and 10 points-of-sale in Mainland China under the brandname "La Milky Way". Of the points-of-sale in Mainland China, 159 are self-operated points-of-sale and 244 are franchise points-of-sale. For the Current Year, the Group has a net increase of 80 points-of-sale from the same time Last Period, over 90% of the Group's revenue was generated from Mainland China, and the rest from Hong Kong and Macau. The Group plans to increase the total number of points-of-sale to 800 by the end of fiscal year 2015.

Growth in market share in Mainland China has been a key target for the Current Year. Expansion of the Group's retail network inland and into lower-tier cities in Mainland China was carried out in a cautious yet aggressive manner. Over 90% of our self-operated points-of-sales are located at department stores in Mainland China at prime shopping districts and are subject to turnover rent. On the other hand, the Group's Hong Kong and Macau points-of-sale are subject to fixed rent. In particular, our rental expenses have increased to HK$253 million for the Current Year, (Last Period: HK$227 million), due to an increased number of self-operated points-of-sale, our rental as a percentage of total turnover has decreased from 7.0% of Last Period to 6.6% in the Current Year, however.

Our strategy in Mainland China is to focus on the growth of franchisee store, with a target of 30% self-operated stores and 70% franchise stores in the long run. Our model gives us the option to leverage on the capital, local knowledge and premises of our franchisees: a flexible and fast roll-out strategy that requires minimal capital outlay from the Group. Our model enables the management to make critical decisions at times of market changes with minimal adverse impact on the Group.

The opening, renewal and closing of our points-of-sale in Hong Kong, Macau, and Mainland China will be reviewed continually to ensure consistence with our overall business plan and strategies.

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Chairman's Statement

The Group's revenue from the main-line gold and platinum business recorded a 45% year on year growth, with contribution of 80% to total turnover for the Current Year. As at 30 June 2012, approximately 30% of the gold inventory position was hedged. The trend in international gold prices over the past year has been vacillating. These fluctuations in gold prices during the year have resulted in a decline in the Group's gross profit margin on gold products, as well as a reduced overall gross profit margin to 18.7%.

In addition to adopting more conservative approach for hedging the Group's future gold positions, we are also expanding our product range, especially customized designer collections, and to gradually increase the proportion of revenue from gem-set jewellery, which provide higher margins than pure gold products. This higher margin strategy will reduce the impact of fluctuations in international gold prices on the gross profit margin of the Group in the future. Our collections include: Crisscut x 3D-Gold, Dorian Ho Collection, etc.

In the Current Year, the Group has further diversified its product portfolio to include watches, including the acquisition of two Swiss watch brands: "Soret" and "Lardet". As at 30 June 2012, the Group is the authrosied dealer of the following watch brands: ALFEX, Memorigin, Soret and Lardet. The Group will continue to enlarge its watch collections.

Discerning the promising market potential and increasing popularity of corporate gifts in China, the Group has expanded into the corporate gifts market, while fulfilling the strategic plan for our main-line retail operation.

At the same time, the Group has continued its investment into an e-commerce platform "Zun1.com" to capture the fast emerging cyber market in Mainland China by broadening out to this new sales channel.

While steadfastly pursuing market opportunities ahead, we have also being mindful of factors which may adversely affect the world, the economy as well as the jewellery industry, especially the demand side and operating cost of the supply side.

The Group has a solid infrastructure with the 3D-GOLD's operations headquarters in Shenzhen, Mainland China and regional offices in Mainland China. During the Current Year, the Group has raised operating efficiency and effectiveness by reorganizing the pre-existing seven regional offices to five. In addition, the previous three operating offices in Hong Kong have been merged into a new Hunghom office, with reduced rental expenses.

The Group's convertible bond 2012 matured and was repaid in August 2012. The Group has since achieved a capital structure with lower financing costs, through support from commercial banks, among other sources.

The global economic environment remains challenging to date. The jewellery market in Mainland China has continued to grow, however, and will soon become the largest in the world. The Group will continue to focus its resources on capturing this expanding market. Together, with the stronger cost control measures, management expects the result of the Group to improve.

In closing, on behalf of the Board, I extend my sincere appreciation to the management team and staff of the Group for their contribution. I also express our gratitude to all our shareholders for their continuous support. I also take this opportunity to thank Mr. Chui Chuen Shun, Dr. Liu Wangzhi, and Mr. Kung Ho for their valuable contribution during their tenure of directorship. 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, 26 September 2012

Management Discussion and Analysis

The board of directors (the "**Board**") of Hong Kong Resources Holdings Company Limited (the "**Company**") announces the audited financial results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 30 June 2012 (the "**Current Year**").

CHANGE OF FINANCIAL YEAR END DATE IN LAST FINANCIAL YEAR

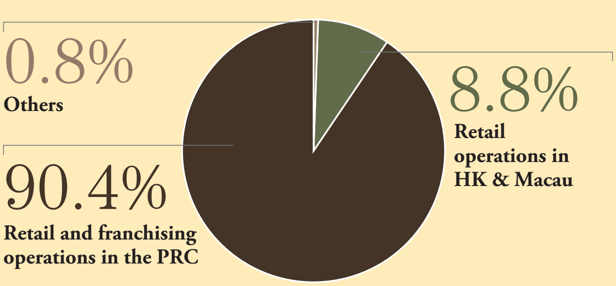
During the 15-month period from 1 April 2010 to 30 June 2011, the financial year end date of the Group has been changed from 31 March to 30 June as the directors consider such change would make the financial year end date of the Company consistent with the business and marketing of the Group and will enable the Company to better utilize its resources and facilitate better planning and operation of the Group. Accordingly, the current financial period covers a 12-month period from 1 July 2011 to 30 June 2012 and the comparative financial period covers a 15-month period from 1 April 2010 to 30 June 2011 and are therefore not comparable.

OVERVIEW

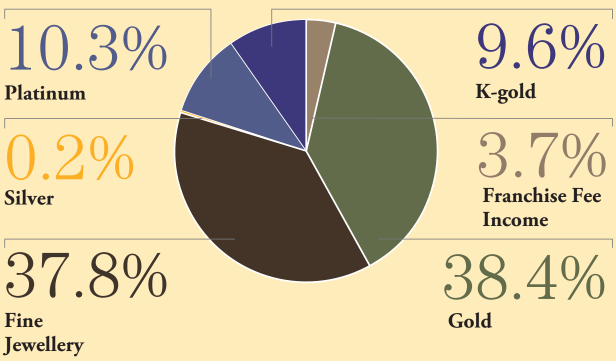
The Group is principally engaged in retailing and franchising operations for selling gold and jewellery products in Hong Kong, Macau and other regions ("**Mainland China**") in the People's Republic of China (the "**PRC**").

The Group's growth momentum continues from that of 2010. For the Current Year, the Group has recorded a turnover of HK$3,841 million, representing an increase of 19% as compared to the turnover of HK$3,223 million for the 15 months ended 30 June 2011 (the "**Last Period**"). The profit from operation of HK$54 million for the Current Year decreased 50% as compared to HK$107 million for the Last Period. The Current Year has recorded a loss attributable to shareholders of HK$29 million, as compared to a profit of HK$38 million for the Last Period.

Turnover Breakdown by Business



Gross Profit Analysis by Products



over

400

shops in China

403 shops in Mainland China
10 shops in Hong Kong
2 shops in Macau

22	Anhui
23	Beijing
8	Chongqing
10	Fujian
3	Gansu
54	Guangdong
10	Guangxi
1	Guizhou
4	Hainan
18	Hebei
6	Heilongjiang
16	Henan
10	Hong Kong
22	Hubei
12	Hunan
4	Inner Mongolia
38	Jiangsu
7	Jiangxi
6	Jilin
8	Liaoning
2	Macau
1	Ningxia
1	Qinghai
12	Shaanxi
59	Shandong
12	Shanghai
9	Shanxi
9	Sichuan
11	Tianjin
1	Tibet
4	Xinjiang
7	Yunnan
5	Zhejiang

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LMW★銀河明星 明星時尚飾品專門店

Management Discussion and Analysis

Sales from retailing and franchising of gold and jewellery products in Mainland China have continued to be the major source of income. The turnover from Mainland China of HK$3,501 million, has grown 25% from that of the Last Period, while that from Hong Kong and Macau has recorded HK$339 million, a decrease of 21% from that of the Last Period. Mainland China has continued to be the major source of revenue for our Group, accounting for over 90% of the Group's turnover. We achieved overall same-store-growth of 6.0% (Last Period: 13.9%), of which same-store-growth in Mainland China was 8% (Last Period: 11.6%) and same-store-growth in Hong Kong and Macau was 5.6% (Last Period: 50.2%).

Sales of our principal products, gold products and gem-set jewellery, consisted of 69.7% (Last Period: 67.4%) and 15.5% (Last Period: 19.3%), respectively of total turnover. The gross profit decreased 3.5% to HK$718 million (Last Period: HK$744 million) while the gross profit margin decreased from 23.1% to 18.7%.

The decrease in the Group's overall gross profit margin mainly reflects of unusually volatile in the international gold prices during the Current Year, which have reduced our gross profit margin on gold bullion, still the main line business of the Group. A more conservative approach is to be adopted for hedging the Group's future gold positions. As at 30 June 2012, 30% of the gold inventory position was hedged, but will steadily increase in the 2012/2013 financial year. The Group will also increase the proportion of revenue from gem-set jewellery sales, which will yield a higher margin than the sales of gold jewellery. Hedging the Group's position of gold, and changing our product portfolio to emphasis gem-sets will reduce 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 increased to HK$509 million (Last Period: HK$467 million), but with the percentage of total turnover decreased from 14% Last Period to 13%. Further, the Group's administrative expenses have decreased to HK$150 million (Last Period: HK$158 million). The percentage of administrative expenses to total turnover decreased from 5% to 4%, however. This is mainly due to the cost control policy adopted and the efficiency gained from economies of scale.

The Group has a solid infrastructure with the 3D-GOLD's operations headquarters in Shenzhen and regional offices in other key cities in China. During the Current Year, the Group has raised operating efficiency and effectiveness by reorganizing the pre-existing seven regional offices to five. In addition, the previous three operating offices in Hong Kong have been merged into a new Hunghom office, with reduced rental expenses.

The Group's convertible bond 2012, which yielded effective interest of 10.74% p.a., matured and was repaid in August 2012. The Group has since achieved a capital structure with lower financing costs, through support from commercial banks, among other sources.

The Group will continue to focus its resources on capturing the expanding market in Mainland China. Together, with effective cost control measures as stated above, management expects the result of the Group to improve.

DIVIDEND

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

BUSINESS REVIEW AND PROSPECTS

Operation

The Group's five-year strategic plan has stayed on track, particularly in line with the expansion plan for Mainland China. Overall turnover from the Hong Kong and Macau retail operations has reached to HK$339 million (Last Period: HK$430 million) and HK$3,501 million (Last Period: HK$2,793 million) from the Mainland China operations.

During the Current Year, 80 new shops and counters have opened in Hong Kong, Macau and Mainland China. As at 30 June 2012, the Group has 8 points-of-sale in Hong Kong, 2 points-of-sale in Macau and 393 points-of-sale in Mainland China under the brandname “3D-GOLD”, plus 2 points-of-sale in Hong Kong and 10 points-of-sale in Mainland China under the brandname “La Milky Way”. Of the points-of-sale in Mainland China, 159 are self-operated points-of-sale and 244 are franchise points-of-sale.

Over 90% of our self-operated points-of-sale are located at department stores in Mainland China at prime shopping districts and are subject to turnover rent. The Hong Kong and Macau operations are, on the other hand, subject to fixed rentals. In particular, our rental expenses have risen to HK$253 million for the Current Year. (Last Period: HK$227 million), due to an increased number of self-operated points-of-sale, our rental as a percentage of total turnover has decreased from 7.0% of Last Period to 6.6% in the Current Year, however.

Our strategy in Mainland China is to focus on the growth of franchisee stores, with a target of 30% self-operated stores and 70% franchise stores in the long run. Our model gives us the option to leverage on the capital, local knowledge and premises of our franchisees: a flexible and fast roll out strategy that requires minimal capital outlay from the Group. Our model enables the management to make critical decisions at times of market changes with minimal adverse impact on the Group.

The opening, renewal and closing of our points-of-sales in Hong Kong, Macau, and Mainland China will be reviewed continually to ensure consistence with our overall business plan and strategies.

The Group has tapped into the fast developing cities in various parts of Mainland China. Our growth plans will be continuously adjusted, based on the financial returns, marketing benefits and strategic advantages. Prospectively, the Mainland China market will remain the key growth driver in the future. In accordance with the report “Gold Demand Trends Second Quarter 2012” released by World Gold Council, China’s demand of gold continues to grow. Together, the increase in demand for luxury products and growth in per capita disposal income in China will continue to drive the growth of the Group’s retail business.

The Group has a solid infrastructure with the 3D-GOLD’s operations headquarters in Shenzhen and regional offices in key cities in Mainland China. During the Current Year, the Group has raised the efficiency and effectiveness of our infra-structure by reorganizaing the seven pre-existing regional offices to five, which are situated at Beijing, Guangzhou, Jinan, Shanghai and Wuhan. The Group is confident of its strategy of expanding the retail network and business in Mainland China.

Products

During the Current Year, the Group has enlarged its product portfolio to cover different market segments. New launched jewellery products include:

– Crisscut x 3D-Gold;
– 3D-GOLD x Dorian Ho wedding collection;
– “Eternal Love” 18K gold diamond pendant, charity product of Ocean Park Conservation Fund, HK;
– “Precious Love” pendant collection by Mr. Sun Nan;
– “Love Journey” wedding band collection;
– “Happiness in Hand” wedding band collection;
– Series of “Lucky Gold Dragon” ornament;
– “Les fleurs” collection;
– “Only Gold” collection, 3D-GOLD x World Gold Council.

Watch

The Group has further diversified its product portfolio into watches via the acquisition of two Swiss watch brands: “Soret” and “Lardet”. As at 30 June 2012, the Group is the authrosied dealer of the following watch brands: ALFEX, Memorigin, Soret and Lardet.

Management Discussion and Analysis

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 to present a corporate image of superior quality.

The Group's marketing programme includes joint promotion, sponsorship and exhibition as follows:

– appointing Mr. Eric Tsang as the worldwide spokesman for 3D-GOLD's corporate gifts
– Retaining 3D-GOLD's spokeswoman Ms. Kelly Chen as the spokeswoman of 3D-GOLD for the 8th year;
– Retaining Ms. Christine Kuo, Ms. Oceane Zhu and Ms. Kayi Cheung as the ambassadors of 3D-GOLD for the 3rd year;
– Title sponsoring a local basketball match for the 2nd consecutive year, "3D-GOLD Cup Super League 2011";
– Sponsoring the "Golden KamCha Cup" award to the champions of the "International KamCha Competition 2011 (HK Style Milk Tea)";
– Sponsoring and participating in the "Hong Kong Airlines Flying Machine Competition 2011" to celebrate the 100th anniversary of aviation development in Hong Kong;
– Title sponsoring the movie, "The Woman Knight of Mirror Lake-Qiu Jin";
– Sponsoring and participating the 7th Caring For Children Foundation Limited Tug-of-War Charity Tournament;
– Inviting the "Supreme Star", Mr. Eric Tsang, to attend the opening event of the 50th shop in Shandong Province;
– Sponsoring the crown for "Miss Chinese Cosmos Pageant 2011" organized by Phoenix Satellite TV;
– Forming strategic relationship with the Bank of Beijing to develop the high-end consumer gifts market;
– Being the diamond sponsor of the World Tour Concert of Mr. Sun Nan, a top singer in China, in Beijing and Guangzhou;
– Sponsoring Mr. Alan Tam's Beijing concert at which the "Lucky Gold Dragon" ornament was presented to him;
– Sponsoring an international sport events, "The 6th Cheerleading World Championships 2011";
– Sponsoring the "46th Creative Advertising Video Award" for the 2nd consecutive year;
– Being the title sponsor of the musical drama, "The Liaisons";
– Being the title, scepter and crown sponsor of "Miss Chinese International Pageant 2012";
– Presenting the masterpiece, "Soaring Dragon", which had won the "Best of Show" award at the 13th Hong Kong Jewellery Design Competition;
– Cooperating with the "Gold Label" of Goldlion to develop the high-end accessories market;
– Organizing successful Investment Promotion Fairs in Shenzhen, Hangzhou and Xi'an;
– Being the product sponsor the 2012 Chinese New Year movie, "All's Well, End's Well";
– Being the title sponsor of the "Sam Hui Live in Concert 2012" and organizing an exclusive concert costume exhibition;

Management Discussion and Analysis

- Supporting a two-year charity conservation project, "National Treasures – We Conserve", of the Ocean Park Conservation Foundation, Hong Kong;
- Organizing a media preview of the latest "3D-GOLD x Dorian Ho wedding collection";
- Inviting the ambassador of 3D-GOLD Jewellery, Ms. Christine Kuo, to attend the kick-off ceremony of the 2012 China Tour of "Happy Women Collection" in Wuhan;
- Sponsoring the "Jonathan Wong Rising 2012", the 1st concert of Mr. Jonathan Wong in Hong Kong.

Awards and Achievements

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

Hong Kong

- Hong Kong Brand Development Council presented the "Hong Kong Premier Brand" and "Hong Kong Top Service Brand" to 3D-GOLD Jewellery;
- "Caring Company Scheme" awarded to the Company by The Hong Kong Council of Social Service for the 2nd year;
- "The 7th Prime Award for Brand Excellence" awarded to 3D-GOLD Jewellery by MetroBOX for the 3rd year.

China

- 3D-GOLD ranked 167th in the "China's 500 Most Valuable Brands 2012", with a brand value of Renminbi 9.3 billion.

Design

Our products are the brainchildren of our design team. The design team works closely with our sales management team to ensure that the product designs are well aligned with market trends. Our design experts have assisted the Group in positioning the "3D-GOLD" brand that creates trendy, attractive and stylish products.

The design team has received recognition from the jewellery industries in various contests:

- "Soaring Dragon" won the "Best of Show" award at the 13th Hong Kong Jewellery Design Competition;
- "Love Path" was shortlisted in the "Open Group – Love" of the Chuk Kam Jewellery Design Competition 2012.

E-Commerce and Corporate Gifts

To further broaden the sales channel, the Group has launched an e-commerce platform "Zun1" (www.zun1.com) to capture the high ground in the fast emerging cyber market for consumer goods in Greater China and other regions. This initiatives should generate positive returns to the Group in the future.

Discerning the promising market potential and increasing popularity of corporate gifts in China, the Group has expanded into the corporate gift market, while fulfilling on the strategic plan for our main-line retail operation.

Management Discussion and Analysis

Investor Relation

The Group values its relationships with investors. Committed to maintaining close ties to professionals from the asset management community, the Group has heightened the transparency of its operations and openness of its corporate communications, to enable investors and the investment community to understand our management philosophy and development plans. The Board maintains an on-going dialogue with shareholders and in particular, uses annual general meetings or other general meetings to communicate with them and encourage their participation.

Throughout the year, the Group has arranged one-on-one meetings and visits for fund managers. The Group welcomes and treasures investors' comments for continually strengthening our operations and market value. Create shareholder value has always been the Group's principle.

Prospects

Rising personal income among Mainland Chinese and still low consumption of jewellery imply room for growth. According to the National Bureau of Statistics, the total retail sales of gold and silver jewellery in PRC for the first six months of 2012 increased by 16.6% compared with the same period in 2011. Growth in the PRC economy has continued to stimulate domestic consumption. Rising spending power, coupled with the trust in gold as a store of value, has resulted in Mainland consumers' increasing purchases of gold products. 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 and will continue to enlarge its retail network in Mainland China.

Up to the date of report, 3D-GOLD has approximately 60 new franchisee stores to be opened before the Chinese New Year 2013. These new franchise points-of-sale reaffirm our confidence in the growth opportunities in the jewellery for the Group.

Looking ahead, we remain confident that enlarging our portfolio to include higher gross profit products, collection offerings, and designer collections, gem-set jewellery and watches, refining our hedging policy, strengthening our cost control and optimizing our capital structure, will together improve the results of the Group.

The Group will continue to develop closer relations with strategic investors and business associates or partners in the industry. Closer relations with these groups will enable the Group to leverage on resources and strengths of partners to garner larger shares in both the Hong Kong and Mainland China markets.

Management Discussion and Analysis

FINANCIAL REVIEW

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 2012, the Group had total cash and cash equivalents amounting to HK$222 million (30 June 2011: HK$261 million) whilst total net assets were HK$587 million (30 June 2011: HK$610 million). The Group's net gearing ratio as at 30 June 2012 was 105% (30 June 2011: 80%), being a ratio of total borrowing of HK$836 million (30 June 2011: HK$748 million) less pledged bank deposits and bank balances and cash of HK$222 million (30 June 2011: HK$261 million) to total equity of HK$587 million (30 June 2011: HK$610 million). After taking into account the gold inventories of HK$474 million (30 June 2011: HK$464 million), the Group's adjusted net gearing ratio as at 30 June 2012 was 24% (30 June 2011: 4%), being a ratio of total borrowing less pledged bank deposits, bank balances and cash and gold inventories to total equity. As at 30 June 2012, the Group has available unutilised revolving banking facilities of HK$30 million (30 June 2011: HK$5 million).

Capital Commitments and Contingent Liabilities

Capital commitments and contingent liabilities of the Group as at 30 June 2012 are set out in notes 31 and 35 to the consolidated financial statements.

Pledge of Assets

Pledge of assets of the Group as at 30 June 2012 is set out in note 33 to the consolidated financial statements.

Financial Risk and Exposure

Except for the financial derivatives set out in notes 23, 25 and 26 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 2012.

Employees and Remuneration Policy

As at 30 June 2012, the Group had 2,516 employees (30 June 2011: 2,153). The Group's remuneration policy is periodically reviewed by the Remuneration Committee and the Board. Remuneration is determined with reference to market conditions, company performance, and individual qualifications and performance.

Corporate Social Responsibilities

As a responsible corporate citizen, the Group is committed to contributing to the society through our Corporate Social Responsibilities ("CSR") program: care for employees, service to community and protection of the environment; while developing the Group's business. During the year, the Group has sponsored and has participated in various charitable events. The subsidiaries under the Group, including Hong Kong Resources Holdings Company Limited, 3D-GOLD Management Services Limited, 3D-GOLD Jewellery (HK) Limited and La Milky Way Jewellery Limited were awarded the "2012 Caring Company" Logo, nominated by St. James' Settlement and The Hong Kong Federation of Youth Groups.

HK$500,000 Donated to Support "National Treasures • We Conserve" Charity Conservation Project of Ocean Park Conservation Foundation

Hong Kong dollars 500,000 were donated to Ocean Park Conservation Foundation, Hong Kong ("OPCFHK") for the launch of the two-year "National Treasures • We Conserve" (自然瓕珍 • 幸福傳承) Charity Conservation Project in April 2012. The project aims to sponsor the scientific research and conservation efforts for endangered wildlife and their natural habitats. At the same time, 3D-GOLD Jewellery also launched charity jewellery sales, with endangered species of wildlife as the design theme, to further promote the awareness of protecting threatened wildlife and fulfill the Group's commitment to corporate social responsibility.

Long-term corporate sponsor and charity participant of The Hong Kong Federation of Youth Group and St. James Settlement

Implementing our genuine wish to serve the community, the Group is a long-term corporate sponsor and charity participant of The Hong Kong Federation of Youth Group ("HKFYG") and St. James Settlement ("SJS"). During the year, the staff volunteers of the Group and its subsidiaries took part in various social and charitable functions organized by the two non-government organizations ("NGOs"), such as SJS People's Food Bank donation and voluntary services, "Heart to Heart Projects" by HKFYG and Kindergarten voluntary services and visits arranged by HKFYG, among others. The Group is also a corporate member of Hong Kong Red Cross. Blood donation activities are regularly organized by the CSR team for staff participation on a quarterly basis.

School and Education Developments

During the year, the Group and staff were also involved in two school building and education development programs in PRC, namely "深圳羅湖區蓮塘小學" and "廣東清遠陽山市杜步鎮小學".

Profiles of Directors

EXECUTIVE DIRECTORS

Dr. Wong, Kennedy Ying Ho, *BBS, J.P.*, Chairman, aged 49, 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. Mung Kin Keung, aged 52, was appointed as a Non-executive Director on 30 September 2008 and re-designated as an Executive Director on 31 October 2008. Mr. Mung holds a conferment of honorary doctoral degree from Sinte Gleska University of California. In November 2007, Mr. Mung was awarded the 9th World Outstanding Chinese Award by the World Chinese Business Investment Foundation. He has over 10 years' experience in areas of business management, strategic planning and development. Mr. Mung was appointed as an executive director of Mastermind Capital Limited (Stock Code: 905) in March 2007 and Shougang Concord Technology Holdings Limited (Stock Code: 521) in February 2009. He was re-designated as the vice-chairman of Shougang Concord Technology Holdings Limited in May 2010.

Mr. Lam Kwok Hing, Wilfred, *J.P.*, aged 53, 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 the independent non-executive director of Value Convergence Holdings Limited (Stock Code: 821), and 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 35, 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

NON-EXECUTIVE DIRECTOR

Dr. Hui Ho Ming, Herbert, *J.P.*, aged 54, 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 executive director and deputy chairman of Cypress Jade Agricultural Holdings Limited (Stock Code: 875), an independent non-executive director of Citic 21 CN Company Ltd (Stock Code: 241) and Dynasty Fine Wines Group Limited (Stock Code: 828), all are listed on the main board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Dr. Hui is the chairman of the finance and administration committee of the Automotive Parts and Accessory Systems Research and Development Centre and 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 52, 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) and Raymond Industrial Limited (Stock Code: 229), all are listed on the Stock Exchange of Hong Kong Limited.

Ms. Estella Yi Kum Ng, aged 55, was appointed as an Independent Non-executive Director on 30 September 2008. Ms. Ng is the chief financial officer and qualified accountant 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 Cypress Jade Agricultural Holdings Limited (Stock Code: 875), both are listed on the Stock Exchange of Hong Kong Limited.

Mr. Wong Kam Wing, aged 62, 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 (the "**CG Code**") and the revised code provisions on Corporate Governance Code and Corporate Governance Report (the "**Revised CG Code**" effective on 1 April 2012) 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 and the Revised CG Code throughout the year ended 30 June 2012, except for the following deviations:

CG Code A.2.1 and Revised CG Code A.2.1 stipulate 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 and Revised CG Code A.4.1 stipulate that the non-executive directors should be appointed for a specific term, subject to re-election. The Company has not fixed the term of appointment for non-executive directors and independent non-executive directors. However, all non-executive directors and independent non-executive directors are subject to retirement by rotation at least every three years and re-election at the annual general meeting of the Company pursuant to the Company's bye-laws. As such, the Board considers that sufficient measures have been taken to ensure the Company's corporate governance practices are no less exacting than those in the CG Code and the Revised CG Code.

The current corporate governance practices of the Company will be reviewed and updated in a timely manner in order to comply with the Listing Rules.

Corporate Governance Report

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 Current Year.

BOARD OF DIRECTORS

The Board comprises the following Directors during the Current Year and up to the date of this annual report. Brief profiles of the Directors are set out on pages 21 to 22 of this annual report. During the Current Year, 13 board meetings were held and the attendance of each Director is set out below:

Executive Directors		**Attendance**
Dr. Wong, Kennedy Ying Ho, *Chairman*		12/13
Dr. Hui Ho Ming, Herbert	*(re-designated as Non-executive Director on 10 August 2012)*	12/13
Mr. Mung Kin Keung		8/13
Mr. Lam Kwok Hing, Wilfred	*(appointed on 17 August 2011)*	9/9
Ms. Wong Wing Yan, Ella	*(appointed on 17 August 2011)*	9/9
Mr. Chui Chuen Shun	*(resigned on 31 July 2012)*	11/13
Dr. Liu Wangzhi	*(resigned on 31 March 2012)*	5/9
Non-executive Director		
Mr. Kung Ho	*(resigned on 12 April 2012)*	6/9
Independent Non-executive Directors		
Mr. Fan, Anthony Ren Da		12/13
Ms. Estella Yi Kum Ng		12/13
Mr. Wong Kam Wing		12/13

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 Revised 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. Chui Chuen Shun, Dr. Hui Ho Ming, Herbert, Mr. Mung Kin Keung, Mr. Lam Kwok Hing, Wilfred, Ms. Wong Wing Yan, Ella, 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 Current Year and up to the date of this annual report. During the Current Year, 1 Remuneration Committee meeting was held and the attendance of each member is set out below:

Remuneration Committee		**Attendance**
Independent Non-executive Directors		
Mr. Fan, Anthony Ren Da, *Chairman*		1/1
Ms. Estella Yi Kum Ng		1/1
Mr. Wong Kam Wing		1/1
Executive Directors		
Dr. Wong, Kennedy Ying Ho		1/1
Mr. Chui Chuen Shun	*(resigned on 31 July 2012)*	1/1

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 Current 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 Current Year and up to the date of this annual report. During the Current Year, 1 Nomination Committee meeting was 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		1/1
Ms. Estella Yi Kum Ng		1/1
Non-executive Director		
Mr. Kung Ho	*(resigned on 12 April 2012)*	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 Current Year, the Nomination Committee had considered matters relating to the appointments of executive director of Mr. Lam Kwok Hing, Wilfred and Ms. Wong Wing Yan, Ella, the structure, size and composition of the Board, the re-election of retiring directors at the 2011 annual general meeting of the Company, and the re-designation of Dr. Hui Ho Ming, Herbert from executive director to non-executive director.

AUDIT COMMITTEE

The Audit Committee comprises the following Directors during the Current Year and up to the date of this annual report. During the Current 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		2/2
Mr. Wong Kam Wing		2/2
Dr. Hui Ho Ming, Herbert	*(appointed on 10 August 2012)*	N/A

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 Current Year, the Audit Committee had:

(i) reviewed the Group's annual report for the 15 months ended 30 June 2011 and the Group's interim report for the 6 months ended 31 December 2011 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 2012.

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee comprises the following Directors during the Current Year and up to the date of this annual report. During the Current Year, 5 Corporate Governance Committee meetings were held and the attendance of each member is set out below:

Corporate Governance Committee		Attendance
Executive Directors		
Mr. Mung Kin Keung		5/5
Dr. Hui Ho Ming, Herbert, Convener	*(re-designated as Non-executive Director on 10 August 2012)*	5/5
Mr. Lam Kwok Hing, Wilfred		4/4
Independent Non-executive Director		
Ms. Estella Yi Kum Ng		5/5

The main duties of the Corporate Governance Committee are to (i) review and make recommendations of the corporate governance procedures of the Company and to ensure that they are up to date and are complied with relevant rules and regulations; and (ii) ensure the Group has appropriate ethical standards and corporate governance policies and procedures.

During the Current Year, the Corporate Governance Committee recommended an internal code on ethical conduct to the Board for the purpose of promoting:

(i) the honest and ethical conduct of all staff, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

(ii) all employees are required to maintain a basic level of personal integrity;

(iii) full, fair, accurate, timely and understandable disclosure in periodic reports required to be filed by the prevailing regulations; and

(iv) compliance with all rules and regulations that apply to the Company and its officers.

In particular, a separate section on sexual harassment has been incorporated into the internal code on ethical conduct to reflect the view of the Company's serious commitment to this issue. The internal code on ethical conduct has been approved by the Board and implemented in February 2012.

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 Mr. Mung Kin Keung (the chairman of the Executive Committee), Ms. Wong Wing Yan, Ella and Mr. Lam Kwok Hing, Wilfred, 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 Financial 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	1,880
Deloitte Touche Tohmatsu	Non-audit services	906

Corporate Governance Report

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, 17th Floor, 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 Current 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 2012 (the "**Current Year**").

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries are set out in note 41 to the consolidated financial statements.

RESULTS, DIVIDEND AND OTHER DISTRIBUTION

The results of the Group for the year ended 30 June 2012 are set out in the consolidated statement of comprehensive income on page 41.

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

PROPERTY, PLANT AND EQUIPMENT

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

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders of approximately HK$2 million at 30 June 2012 comprised contributed surplus of approximately HK$55 million and accumulated losses of approximately HK$53 million.

Directors' Report

DIRECTORS

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

Executive Directors

Dr. Wong, Kennedy Ying Ho	
Mr. Mung Kin Keung	
Mr. Lam Kwok Hing, Wilfred	*(appointed on 17 August 2011)*
Ms. Wong Wing Yan, Ella	*(appointed on 17 August 2011)*
Mr. Chui Chuen Shun	*(resigned on 31 July 2012)*
Dr. Liu Wangzhi	*(resigned on 31 March 2012)*

Non-executive Directors

Dr. Hui Ho Ming, Herbert	*(re-designated from Executive Director to Non-executive Director on 10 August 2012)*
Mr. Kung Ho	*(resigned on 12 April 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, Mr. Mung Kin Keung, Ms. Estella Yi Kum Ng and Mr. Wong Kam Wing shall retire from office at the forthcoming annual general meeting, Ms. Estella Yi Kum Ng and Mr. Wong Kam Wing, being eligible, offers themselves for re-election whilst Mr. Mung Kin Keung has indicated that he will not offer himself 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.

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 2012, 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	4,574,373	240,000 (Note a)	599,564,805 (Note b)	604,379,178	30.69%
Mr. Chui Chuen Shun	6,099,473	–	–	6,099,473	0.31%
Dr. Hui Ho Ming, Herbert	19,271,900	–	–	19,271,900	0.98%
Mr. Mung Kin Keung	4,517,900	–	–	4,517,900	0.23%
Mr. Lam Kwok Hing, Wilfred	–	400,000 (Note c)	–	400,000	0.02%
Ms. Wong Wing Yan, Ella	88,000	200,500 (Note d)	–	288,500	0.01%
Independent Non-executive Directors					
Mr. Fan, Anthony Ren Da	–	–	–	–	–
Ms. Estella Yi Kum Ng	–	–	–	–	–
Mr. Wong Kam Wing	3,790	–	–	3,790	0.00%

Notes:

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

(b) Of the 599,564,805 shares, 540,761,055 shares are held by Perfect Ace Investments Limited ("Perfect Ace") and 58,803,750 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	Controlled corporation (Note a)	403,374	0.02%
	Beneficial owner (Note b)	1,000,000	0.05%
	Controlled corporation (Note c)	10,126,582	0.51%
Mr. Chui Chuen Shun	Beneficial owner (Note b)	1,000,000	0.05%
Dr. Hui Ho Ming, Herbert	Beneficial owner (Note b)	1,000,000	0.05%
	Beneficial owner (Note c)	5,063,291	0.26%
Mr. Mung Kin Keung	Beneficial owner (Note b)	1,000,000	0.05%
Mr. Lam Kwok Hing, Wilfred	Beneficial owner (Note b)	5,500,000	0.28%
Ms. Wong Wing Yan, Ella	Beneficial owner (Note b)	5,000,000	0.25%
Independent Non-executive Directors			
Mr. Fan, Anthony Ren Da	Beneficial owner (Note b)	551,790	0.03%
Ms. Estella Yi Kum Ng	Beneficial owner (Note b)	551,790	0.03%
Mr. Wong Kam Wing	Beneficial owner (Note b)	100,000	0.01%

Notes:

(a) These derivatives are convertible preference shares of the Company. Dr. Wong was deemed to be interested in 403,374 convertible preference shares through his controlling interests in Perfect Ace and Limin Corporation. Of the 403,374 convertible preference shares, 3,374 and 400,000 convertible preference shares are held by Perfect Ace and Limin Corporation respectively. Each preference share is convertible to one ordinary share of the Company at any time from a date not earlier than one year from 3 October 2008.

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

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

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 2012.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 29 to the consolidated financial statements.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than option holdings disclosed above, at no time during the Current 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 2012, 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)	540,761,055	27.46%
Limin Corporation	Beneficial owner (Note a)	58,803,750	2.99%
Savona Limited	Beneficial owner (Note b)	101,250,000	5.14%
Dr. Liu Wangzhi	Corporate interest (Note c)	156,874,847	7.97%
	Beneficial owner	15,556,000	0.79%
Wen Jialong	Beneficial owner	114,232,000	5.80%

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 controlled as to 99.69% by the Estate of Nina Kung, also known as Nina T.H. Wang. Lam Hok Chung Ranier, Jong Yat Kit, Joseph Lo Kin Ching and Lai Kar Yan, Derek 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 is deemed 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 & b)	3,374	0.00%
Limin Corporation	Beneficial owner (Notes a & b)	400,000	0.02%
	Beneficial owner (Note c)	10,126,582	0.51%
Dr. Liu Wangzhi	Beneficial owner (Note c)	10,126,582	0.51%
Diamond Season Limited	Beneficial owner (Notes c & d)	75,949,367	3.85%

Notes:

(a) Each preference share is convertible to one ordinary share of the Company at any time from a date not earlier than one year from 3 October 2008.

(b) Please refer to the convertible preference shares in the Company held by Dr. Wong as disclosed under the "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" section above.

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

(d) 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, Joseph Lo Kin Ching and Lai Kar Yan, Derek are the joint and several administrators of the Estate of Nina Kung also known as Nina T.H. Wang.

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 Jun 2012.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Current 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 Current 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

The Group had the following significant transaction with connected persons:

On 9 April 2010, the Company entered into a revised legal service 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. During the Current Year, the Company paid approximately HK$1,067,000 to PWKW pursuant to the legal service agreement. 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 9 April 2010.

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.

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 29 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 Current 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 2012.

CHARITABLE DONATIONS

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

MAJOR CUSTOMERS AND SUPPLIERS

For the Current Year, 77% of the total purchases were gold purchased from Shanghai Gold Exchange and the five largest suppliers of the Group accounted for 84% of the Group's purchases.

Aggregate sales attributable to the Group's five largest customers were less than 30% of the total turnover.

At no time during the Current 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 39 to the consolidated financial statements.

EXPOSURE TO BORROWERS AND OTHER SPECIFIC CIRCUMSTANCES THAT REQUIRE DISCLOSURE

Details of which are set out in notes 25 and 26 to the consolidated financial statements.

AUDITORS

The consolidated financial statements for the year ended 30 June 2012 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, 26 September 2012

Independent Auditor's Report

Deloitte.
德勤

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

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 41 to 115, which comprise the consolidated statement of financial position as at 30 June 2012, and the consolidated statement of 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 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.

Independent Auditor's Report

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 2012 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
26 September 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2012

	NOTES	**1.7.2011 to 30.6.2012 HK$'000**	1.4.2010 to 30.6.2011 HK$'000
Turnover	5	**3,840,630**	3,223,377
Cost of sales		**(3,122,233)**	(2,479,826)
Gross profit		**718,397**	743,551
Other income	6	**13,755**	21,357
Selling expenses		**(509,356)**	(466,976)
General and administrative expenses		**(150,165)**	(157,838)
Equity-settled share-based payments	29(b)	**(2,222)**	(7,304)
Other operating expenses		**(16,711)**	(25,578)
Profit from operations		**53,698**	107,212
Change in fair value of derivatives embedded in convertible bonds	23(ii)	**1,142**	26,006
Finance costs	7	**(67,621)**	(54,396)
Share of results of associates		**(2,931)**	(4,728)
Share of results of jointly controlled entities		**(3,020)**	(187)
(Loss) profit before taxation	8	**(18,732)**	73,907
Taxation	10	**(10,539)**	(35,395)
(Loss) profit for the year/period		**(29,271)**	38,512
Other comprehensive income:			
Exchange difference arising on translation		**8,041**	24,827
Total comprehensive (expense) income for the year/period		**(21,230)**	63,339
(Loss) profit for the year/period attributable to:			
Owners of the Company		**(29,271)**	38,437
Non-controlling interests		**–**	75
		(29,271)	38,512
Total comprehensive (expense) income for the year/period attributable to:			
Owners of the Company		**(21,230)**	63,264
Non-controlling interests		**–**	75
		(21,230)	63,339
(Loss) earnings per ordinary share	12		
Basic		**(HK$0.015)**	HK$0.020
Diluted		**(HK$0.015)**	HK$0.020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	NOTES	2012 HK$'000	2011 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**76,723**	77,921
Deposits for acquisition of property, plant and equipment		**8,410**	–
Deposits paid	14	**8,516**	10,733
Intangible assets	15	**171,186**	168,066
Interests in associates	16	**9,260**	–
Interests in jointly controlled entities	17	**3,752**	1,532
		277,847	258,252
Current assets			
Inventories	18	**972,429**	982,399
Trade and other receivables and deposits paid	14	**338,041**	248,105
Amount due from a jointly controlled entity	19	**17,438**	–
Financial assets at fair value through profit or loss	20	**2,065**	–
Tax recoverable		**8,742**	–
Pledged bank deposits	21	**60,182**	36,040
Bank balances and cash	21	**161,614**	224,804
		1,560,511	1,491,348
Current liabilities			
Trade and other payables, accruals and deposits received	22	**366,819**	324,659
Derivative financial instruments	23	**428**	1,570
Convertible bonds	23	**150,898**	–
Obligations under finance leases	24	**541**	432
Bank and other borrowings	25	**350,956**	312,390
Gold loans	26	**97,613**	62,055
Tax liabilities		**7,349**	24,145
		974,604	725,251
Net current assets		**585,907**	766,097
Total assets less current liabilities		**863,754**	1,024,349
Non-current liabilities			
Bank and other borrowings	25	**30,000**	40,000
Convertible bonds	23	**206,056**	332,532
Obligations under finance leases	24	**–**	537
Deferred tax liabilities	27	**41,063**	41,695
		277,119	414,764
NET ASSETS		**586,635**	609,585

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	NOTE	**2012** **HK$'000**	2011 HK$'000
CAPITAL AND RESERVES			
Share capital	28	**19,696**	19,696
Reserves		**566,939**	589,889
Equity attributable to owners of the Company		**586,635**	609,585
Non-controlling interests		**–**	–
TOTAL EQUITY		**586,635**	609,585

The consolidated financial statements on pages 41 to 115 were approved and authorised for issue by the Board of Directors on 26 September 2012 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 2012

	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	**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 April 2010	15,770	1,504	224,049	66,162	–	8,042	–	2,051	142,258	459,836	226,612	686,448
Profit for the period	–	–	–	–	–	–	–	–	38,437	38,437	75	38,512
Other comprehensive income for the period	–	–	–	–	–	–	24,827	–	–	24,827	–	24,827
Total comprehensive income for the period	–	–	–	–	–	–	24,827	–	38,437	63,264	75	63,339
Conversion of preference shares	1,500	(1,500)	–	–	–	–	–	–	–	–	–	–
Bonus issue	197	–	(197)	–	–	–	–	–	–	–	–	–
Acquisition of additional interest in a subsidiary (note iii)	2,225	–	304,767	–	(213,605)	–	–	–	–	93,387	(226,687)	(133,300)
Transaction costs arising from acquisition of additional interest in a subsidiary	–	–	(7,313)	–	–	–	–	–	–	(7,313)	–	(7,313)
Transfer between reserves	–	–	–	–	–	–	–	7,388	(7,388)	–	–	–
Equity-settled share-based payments	–	–	–	–	–	7,304	–	–	–	7,304	–	7,304
Dividends (note 11)	–	–	–	(6,893)	–	–	–	–	–	(6,893)	–	(6,893)
At 30 June 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

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.

(iii) On 14 May 2010, the Company completed the acquisition of additional interest in China Gold Silver Company Limited, a then 60% owned subsidiary of the Company, and the amounts due to non-controlling shareholders of China Gold Silver Company Limited amounting to HK$48,183,000, for a consideration of HK$543,906,000, which was satisfied by cash of HK$181,300,000 and issuance of 222,457,669 ordinary shares of HK$0.01 in the Company at a price of HK$1.63 based on the terms of the sales and purchase agreement. The fair value of the ordinary shares of the Company issued in connection with such acquisition of additional interest in China Gold Silver Group Company Limited was HK$1.38 per ordinary share, which was determined based on the quoted market price of the ordinary shares at the date when the ordinary shares were issued.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2012

	1.7.2011 to 30.6.2012 HK$'000	1.4.2010 to 30.6.2011 HK$'000
Operating activities		
(Loss) profit before taxation	**(18,732)**	73,907
Adjustments for:		
Finance costs	**67,621**	54,396
Interest income	**(2,465)**	(1,060)
Depreciation of property, plant and equipment	**20,665**	19,388
Share of results of associates	**2,931**	4,728
Share of results of jointly controlled entities	**3,020**	187
Change in fair value of derivatives embedded in convertible bonds	**(1,142)**	(26,006)
Change in fair value of gold loans	**(1,920)**	7,610
Change in fair value of financial assets at fair value through profit or loss	**1,305**	–
Loss on disposal of property, plant and equipment	**1,433**	7,079
Equity-settled share-based payments	**2,222**	7,304
Operating cash flows before movements in working capital	**74,938**	147,533
Decrease (increase) in inventories	**23,905**	(214,517)
Increase in trade and other receivables and deposits paid	**(87,204)**	(123,843)
Increase in trade and other payables, accruals and deposits received	**36,038**	101,699
Net settlement on acquisition of financial assets at fair value through profit or loss	**(3,370)**	–
Cash from (used in) operations	**44,307**	(89,128)
Income taxes paid	**(36,709)**	(32,301)
Net cash from (used in) operating activities	**7,598**	(121,429)
Investing activities		
Purchase of property, plant and equipment	**(21,144)**	(56,808)
Purchase of intangible assets	**(3,120)**	–
Placement of pledged bank deposits	**(24,750)**	(35,018)
Acquisition of business (note)	**–**	(15,994)
Investments in associates	**(10,714)**	(3,004)
Investment in a jointly controlled entity	**(2,000)**	(2,367)
Advance to a jointly controlled entity	**(17,438)**	–
Proceeds from disposal of property, plant and equipment	**1,243**	4,604
Interest received	**2,465**	1,060
Deposits paid for acquisition of property, plant and equipment	**(8,410)**	–
Net cash used in investing activities	**(83,868)**	(107,527)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2012

	1.7.2011 to 30.6.2012 HK$'000	1.4.2010 to 30.6.2011 HK$'000
Financing activities		
Proceeds from the issue of convertible bonds	–	354,000
New bank and other borrowings	**280,140**	344,404
New gold loans	**109,755**	53,622
Acquisition of additional interest in a subsidiary and loan assignment	–	(181,303)
Repayment of bank and other borrowings	**(254,612)**	(218,821)
Repayment of gold loans	**(71,552)**	–
Interest paid	**(43,627)**	(36,209)
Expenses on issue of convertible bonds	–	(10,800)
Transaction cost arising from acquisition of additional interest in a subsidiary	–	(7,313)
Dividends paid	**(3,942)**	(6,893)
Net cash from financing activities	**16,162**	290,687
Net (decrease) increase in cash and cash equivalents	**(60,108)**	61,731
Cash and cash equivalents at beginning of the year/period	**224,804**	156,260
Effect of foreign exchange rate changes	**(3,082)**	6,813
Cash and cash equivalents at end of the year/period, represented by bank balances and cash	**161,614**	224,804

Note:

The amount of HK$15,994,000 represented the additional consideration paid during the period from 1 April 2010 to 30 June 2011 in relation to the acquisition of the 100% equity interest in the restructured group (as defined in the Company's circular dated 12 June 2009) of 3D-GOLD Jewellery Holdings Limited (provisional liquidators appointed) (Subject to Scheme of Arrangement) ("3D-GOLD PLA", a listed entity which is suspended from trading on The Stock Exchange of Hong Kong Limited) and its subsidiaries and its business during the year ended 31 March 2010.

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 41.

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.

Change of financial year end date in last financial year

During the fifteen-month period from 1 April 2010 to 30 June 2011, the financial year end date of the Group was changed from 31 March to 30 June as the directors consider such change would make the financial year end date of the Company consistent with the business and marketing of the Group and will enable the Company better utilise its resources and facilitate better planning and operation of the Group. Accordingly, the current financial period covers a twelve-month period from 1 July 2011 to 30 June 2012 and the comparative financial period covers a fifteen-month period from 1 April 2010 to 30 June 2011 and are therefore not comparable.

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

New and revised HKFRSs applied in the current year

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

HKFRSs (Amendments)	Amendments to HKAS 1, HKAS 34, HKFRS 7 and HK(IFRIC)-Int 13 as part of improvements to HKFRSs issued in 2010
HKFRS 7 (Amendments)	Disclosures – Transfer of Financial Assets
HKAS 24 (Revised in 2009)	Related Party Disclosures
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

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

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:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle[1]
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
HKFRS 9	Financial Instruments[2]
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 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Revised)	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 19 (Revised 2011)	Employee Benefits[1]
HKAS 27 (Revised 2011)	Separate Financial Statements[1]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[1]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after 1 January 2013
2 Effective for annual periods beginning on or after 1 January 2015
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2012
5 Effective for annual periods beginning on or after 1 January 2014

HKFRS 9 "Financial Instruments" issued in November 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in November 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") – continued

New and revised HKFRSs issued but not yet effective – continued

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.

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.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of 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 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.

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 sale of goods is recognised when the goods are delivered and title has passed.

Sales of goods that result in award credits for customers are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue recognition – continued

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.

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).

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Impairment on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets 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.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset 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 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 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. 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Interests in associates – continued

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.

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. 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/period. Taxable profit differs from profit as reported in the consolidated statement of 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, associates and 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 liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

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

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 trade and other receivables, 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).

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either 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 other 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial liabilities and equity instruments – continued

Financial liabilities at fair value through profit or loss – continued

Gold loans, which are designated at fair value through profit or loss, are stated at the market price of the gold 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, and bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

Convertible bonds contain liability component and conversion option derivative

Convertible bonds issued by the Company that contain both liability and conversion option derivative components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

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 and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity 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 value in use 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 2012, the carrying amount of the Group's intangible assets is HK$171,186,000 (2011: HK$168,066,000).

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 2012, the carrying amount of the Group's inventories is HK$972,429,000 (2011: HK$982,399,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

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 2012, the carrying amount of the Group's trade receivables is HK$275,259,000 (2011: HK$200,987,000).

5. TURNOVER AND SEGMENT INFORMATION

(a) Turnover

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

	1.7.2011 to 30.6.2012 HK$'000	1.4.2010 to 30.6.2011 HK$'000
Sales of goods	**3,787,327**	3,203,108
Franchise income	**25,593**	20,269
Royalty income	**27,710**	–
	3,840,630	3,223,377

(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.

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

Information regarding the above segments is reported below.

5. TURNOVER AND SEGMENT INFORMATION – continued

(b) Segment information – continued

Segment revenues and results

For the year ended 30 June 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)

5. TURNOVER AND SEGMENT INFORMATION – continued

(b) Segment information – continued

Segment revenues and results – continued

For the period from 1 April 2010 to 30 June 2011

	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	2,793,265	421,568	3,214,833	8,544	3,223,377
RESULT					
Segment results	207,538	41,581	249,119	(2,565)	246,554
Other income					21,357
Unallocated staff related expenses					(49,096)
Other unallocated corporate expenses					(32,185)
Advertising, promotion and business development expenses					(72,114)
Equity-settled share-based payments					(7,304)
Change in fair value of derivatives embedded in convertible bonds					26,006
Finance costs					(54,396)
Share of results of associates					(4,728)
Share of result of a jointly controlled entity					(187)
Profit before taxation					73,907
Taxation					(35,395)
Profit for the period					38,512

Segment profit represents the profit earned by each segment without allocation of other income, central administration costs, marketing and promotion expenses, corporate staff and directors' salaries, equity-settled share-based payments, change in fair value of derivatives embedded in convertible bonds, 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 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

5 TURNOVER AND SEGMENT INFORMATION – continued

(b) Segment information – continued

Segment assets and liabilities – continued

As at 30 June 2011

	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	1,092,303	197,550	1,289,853	1,434	1,291,287
Intangible assets					168,066
Interest in a jointly controlled entity					1,532
Pledged bank deposits					36,040
Bank balances and cash					224,804
Other corporate assets					27,871
Consolidated assets					1,749,600
LIABILITIES					
Segment liabilities	270,416	40,099	310,515	1,342	311,857
Bank and other borrowings					352,390
Gold loans					62,055
Derivative financial instruments					1,570
Convertible bonds					332,532
Obligations under finance leases					969
Tax liabilities					24,145
Deferred tax liabilities					41,695
Other corporate liabilities					12,802
Consolidated liabilities					1,140,015

(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

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

- all assets are allocated to reportable segments other than intangible assets, interests in associates, interests in jointly controlled entities, amount due from a jointly controlled entity, 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 bank and other borrowings, gold loans, 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 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**	**–**	**3,260**	**24,264**
Depreciation	**15,472**	**3,690**	**84**	**1,419**	**20,665**
Loss on disposal of property, plant and equipment	**766**	**667**	**–**	**–**	**1,433**

5. TURNOVER AND SEGMENT INFORMATION – continued

(b) Segment information – continued

Other entity-wide segment information – continued

For the period from 1 April 2010 to 30 June 2011

	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 loss or segment assets:					
Capital additions	50,893	10,609	261	4,075	65,838
Depreciation	14,636	3,278	21	1,453	19,388
Loss (gain) on disposal of property, plant and equipment	7,110	56	–	(87)	7,079

Geographical information

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

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**

5. TURNOVER AND SEGMENT INFORMATION – continued

(b) Segment information – continued

Other entity-wide segment information – continued

For the period from 1 April 2010 to 30 June 2011

	Non-current assets HK$'000	Revenue from external customers HK$'000
Mainland China	59,180	2,793,265
Hong Kong & Macau	18,741	430,112
	77,921	3,223,377

6. OTHER INCOME

	1.7.2011 to 30.6.2012 HK$'000	1.4.2010 to 30.6.2011 HK$'000
Bank interest income	**2,465**	1,060
Exchange gains, net	**6,579**	13,653
Government grants	**–**	1,737
Management fee income from an associate	**–**	1,978
Other income	**4,711**	2,929
	13,755	21,357

7. FINANCE COSTS

	1.7.2011 to 30.6.2012 HK$'000	1.4.2010 to 30.6.2011 HK$'000
Interests on:		
Bank borrowings wholly repayable within 5 years	**19,205**	14,310
Other borrowings wholly repayable within 5 years	**–**	5,914
Gold loans	**4,938**	2,035
Obligations under finance leases	**35**	52
Other finance costs	**1,272**	350
Effective interest on convertible bonds (note 23(i))	**42,171**	31,735
	67,621	54,396

8. (LOSS) PROFIT BEFORE TAXATION

	1.7.2011 to 30.6.2012 HK$'000	1.4.2010 to 30.6.2011 HK$'000
(Loss) profit before taxation has been arrived at after charging (crediting):		
Advertising, promotion and business development expenses	**63,911**	72,114
Auditor's remuneration	**1,880**	1,880
Change in fair value of gold loans	**(1,920)**	7,610
Change in fair value of financial assets at fair value through profit or loss	**1,305**	–
Cost of inventories recognised as an expense	**3,122,848**	2,472,216
Depreciation of property, plant and equipment	**20,665**	19,388
Loss on disposal of property, plant and equipment	**1,433**	7,079
Staff cost, including directors' emoluments:		
–Wages and salaries	**216,414**	207,268
–Retirement benefit costs	**16,180**	11,553
–Equity-settled share-based payments	**2,222**	613

9. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' emoluments

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

		For the year ended 30 June 2012				
Name of director	Notes	**Fees**	**Salaries**	**Retirement benefit costs**	**Equity-settled share-based payments**	**Total**
		HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Executive directors						
Dr. Wong, Kennedy Ying Ho		–	3,360	12	–	3,372
Mr. Chui Chuen Shun	(a)	–	2,850	12	–	2,862
Dr. Hui Ho Ming, Herbert	(b)	–	2,700	12	–	2,712
Mr. Mung Kin Keung		–	3,000	12	–	3,012
Mr. Lam Kwok Hing, Wilfred	(c)	–	2,242	11	–	2,253
Ms. Wong Wing Yan, Ella	(c)	–	1,747	11	–	1,758
Dr. Liu Wangzhi	(d)	–	2,339	–	–	2,339
Non-executive director						
Mr. Kung Ho	(e)	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

9. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES – continued

(a) Directors' emoluments – continued

		For the period from 1 April 2010 to 30 June 2011				
Name of director	Notes	Fees HK$'000	Salaries HK$'000	Retirement benefit costs HK$'000	Equity-settled share-based payments HK$'000	Total HK$'000
Executive directors						
Dr. Wong, Kennedy Ying Ho		–	4,200	15	–	4,215
Mr. Chui Chuen Shun		–	3,750	15	–	3,765
Dr. Hui Ho Ming, Herbert		–	3,750	15	–	3,765
Mr. Mung Kin Keung		–	3,750	15	–	3,765
Dr. Liu Wangzhi	(d)	–	3,781	–	–	3,781
Non-executive directors						
Mr. Yin Richard Yingneng	(f)	99	–	–	–	99
Mr. Kung Ho	(e)	402	–	–	613	1,015
Independent non-executive directors						
Mr. Fan Anthony Ren Da		313	–	–	–	313
Ms. Estella Yi Kum Ng		313	–	–	–	313
Mr. Wong Kam Wing		313	–	–	–	313
		1,440	19,231	60	613	21,344

Notes:

(a) Resigned on 31 July 2012

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

(c) Appointed on 17 August 2011

(d) Appointed on 12 July 2010 and resigned on 31 March 2012

(e) Appointed on 13 April 2010 and resigned on 12 April 2012

(f) Resigned on 19 July 2010

9. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES – continued

(a) Directors' emoluments – continued

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 period.

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

(b) Five highest paid employees

Of the five individuals with the highest emoluments in the Group, five (1.4.2010 to 30.6.2011: five) were directors of the Company whose emoluments are included in note 9(a) above.

10. TAXATION

	1.7.2011 to 30.6.2012 HK$'000	1.4.2010 to 30.6.2011 HK$'000
Current tax:		
Hong Kong Profits Tax	**895**	9,593
PRC Enterprise Income Tax	**10,190**	26,190
Macau Complementary Tax	**86**	893
	11,171	36,676
Deferred taxation (note 27)	**(632)**	(1,281)
	10,539	35,395

Hong Kong Profits Tax is calculated at 16.5% (1.4.2010 to 30.6.2011: 16.5%) on the estimated assessable profits for the year/period.

Pursuant to the Enterprise Income Tax Law and Implementation Rules of the PRC, a subsidiary of the Company established in the PRC is entitled to a preferential income tax rate of 24% to 25% (1.4.2010 to 30.6.2011: 22% to 24%) for the year ended 30 June 2012. 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] No. 601.

The Macau Complementary Tax is calculated progressively at rates ranging from 9% to 12% of the estimated assessable profit for the year/period.

10. TAXATION – continued

The taxation for the year/period can be reconciled to the (loss) profit before taxation per the consolidated statement of comprehensive income as follows:

	1.7.2011 to 30.6.2012 HK$'000	1.4.2010 to 30.6.2011 HK$'000
(Loss) profit before taxation	**(18,732)**	73,907
Tax at domestic rates applicable to profits of taxable entities in the respective jurisdictions (Note)	**(8,665)**	20,427
Tax effect of income not taxable for tax purpose	**(1,855)**	(6,235)
Tax effect of expenses not deductible for tax purpose	**9,132**	9,401
Income tax on concessionary rate	**(213)**	(2,462)
Deferred tax provided for withholding tax on income derived in the PRC	**–**	3,000
Tax effect of tax losses not recognised	**11,549**	11,105
Utilisation of tax loss not recognised	**–**	(125)
Tax effect of share of results of associates	**484**	780
Tax effect of share of results of jointly controlled entities	**498**	47
Others	**(391)**	(543)
Taxation for the year/period	**10,539**	35,395

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

	1.7.2011 to 30.6.2012 HK$'000	1.4.2010 to 30.6.2011 HK$'000
Dividends recognised as distribution during the year/period:		
Ordinary shares		
Final dividend paid for the fifteen months ended 30 June 2011 of HK0.20 cent per share (1.4.2010 to 30.6.2011: for the year ended 31 March 2010 of HK0.35 cent per share)	**3,938**	6,811
Preference shares		
Final dividend paid for the fifteen months ended 30 June 2011 of HK0.875 cent per share (1.4.2010 to 30.6.2011: for the year ended 31 March 2010 of HK0.35 cent per share)	**4**	82
	3,942	6,893

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

12. (LOSS) EARNINGS PER ORDINARY SHARE

	1.7.2011 to 30.6.2012 HK$'000	1.4.2010 to 30.6.2011 HK$'000
(Loss) earnings:		
(Loss) profit for the year/period attributable to owners of the Company	**(29,271)**	38,437
Dividends on preference shares	**(3)**	(201)
(Loss) profit for the year/period attributable to owners of the Company for the purpose of basic (loss) earnings per ordinary share	**(29,274)**	38,236
Effect of dilutive potential ordinary shares:		
Dividends on preference shares	**3**	201
(Loss) profit for the year/period attributable to owners of the Company for the purpose of diluted (loss) earnings per ordinary share	**(29,271)**	38,437

	1.7.2011 to 30.6.2012 '000	1.4.2010 to 30.6.2011 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per ordinary share	**1,969,085**	1,923,965
Effect of dilutive potential ordinary shares:		
Preference shares	**404**	23,139
Share options	**–**	497
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per ordinary share	**1,969,489**	1,947,601

Note:

The weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per ordinary share for the period from 1 April 2010 to 30 June 2011 had been adjusted for the effect of the bonus issue as set out in note 28(a).

The computation of diluted loss per ordinary share for the year ended 30 June 2012 did not assume the exercise of the share options because their exercise price is higher than the average share price. The computation of diluted earnings per ordinary share for the period from 1 April 2010 to 30 June 2011 did not assume the exercise of certain share options because their exercise price is higher than the average share price. In addition, the computation did not assume the conversion of the Company's outstanding convertible bonds since their conversion would result in a decrease in loss (1.4.2010 to 30.6.2011: an increase in profit) per ordinary share.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost				
As at 1 April 2010	4,717	39,530	59	44,306
Exchange realignment	–	1,991	–	1,991
Additions	25,049	37,198	3,591	65,838
Disposals	(880)	(18,602)	(168)	(19,650)
As at 30 June 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
Depreciation				
As at 1 April 2010	62	2,374	59	2,495
Exchange realignment	–	97	–	97
Provided for the period	6,005	13,066	317	19,388
Eliminated on disposals	(795)	(6,453)	(168)	(7,416)
As at 30 June 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
Carrying values				
As at 30 June 2012	18,283	55,685	2,755	76,723
As at 30 June 2011	23,614	51,033	3,274	77,921

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 or the term of the lease, if shorter
Furniture, fixtures and equipment	10% to 33%
Motor vehicles	20%

The carrying value of furniture, fixtures and equipment and motor vehicles held under a finance lease as at 30 June 2012 was HK$890,000 (2011: HK$1,203,000).

14. TRADE AND OTHER RECEIVABLES AND DEPOSITS PAID

	2012 HK$'000	2011 HK$'000
Non-current deposits paid:		
Rental and utility deposits	**8,516**	10,733
Current trade and other receivables and deposits paid comprise:		
Trade receivables	**275,259**	200,987
Other receivables and deposits paid	**62,782**	47,118
	338,041	248,105

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 2012 are trade receivables from associates and a jointly controlled entity amounting to HK$13,937,000 (2011: HK$27,200,000) and HK$4,345,000 (2011: HK$7,043,000) respectively.

Included in other receivables at 30 June 2012 are other receivable from an associate amounting to HK$3,647,000 (2011: HK$3,596,000). 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 (2011: HK$13,113,000).

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.

	2012 HK$'000	2011 HK$'000
0-30 days	**225,271**	155,255
31-60 days	**27,858**	6,442
61-90 days	**2,496**	4,079
Over 90 days	**19,634**	35,211
	275,259	200,987

Included in the Group's trade receivables balance are debtors with aggregate amount of HK$49,881,000 (2011: HK$45,732,000) 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:

	2012 HK$'000	2011 HK$'000
31-60 days	**27,858**	6,442
61-90 days	**2,486**	4,079
Over 90 days	**19,537**	35,211
Total	**49,881**	45,732

Trade receivables that were past due but not impaired relate to certain independent customers that have a good repayment record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. 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. Other than the concentration of credit risk in respect of trade receivables from an independent customer of HK$27,710,000 (2011: nil), associates of HK$13,937,000 (2011: HK$27,200,000) and a jointly controlled entity of HK$4,345,000 (2011: HK$7,043,000), 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. INTANGIBLE ASSETS

	Trademarks HK$'000
Cost and carrying values	
Balance at 1 April 2010 to 30 June 2011	168,066
Acquired separately during the year	3,120
Balance at 30 June 2012	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.

15. INTANGIBLE ASSETS – continued

On 30 June 2012, 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% (2011: 17%). The cash flows beyond the five-year period are extrapolated using a 3% (2011: 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.

16. INTERESTS IN ASSOCIATES

	2012	2011
	HK$'000	HK$'000
Unlisted investments, at cost	**10,718**	3,004
Share of post-acquisition losses	**(1,458)**	(3,004)
	9,260	–

As at 30 June 2012 and 30 June 2011, the Group had interests in the following associates:

Name of entity	Class of shares held	Proportion of nominal value of issued capital held by the Group		Proportion of voting power held		Principal activity
		2012	2011	**2012**	2011	
La Milky Way International Company Limited ("La Milky Way International") (Note 2)	Ordinary	**N/A**	30%	**N/A**	30%	Holding of trademark
Rise Rich International Limited ("Rise Rich") (Note 3)	Ordinary	**36%**	36%	**36%**	36%	Retailing of gold and jewellery products in Hong Kong
A Stars Entertainment Group Limited ("A Stars") (Note 4)	Ordinary	**30%**	–	**30%**	–	Productions of television programs and apps

16. INTERESTS IN ASSOCIATES – continued

Notes:

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

2) La Milky Way International has become a jointly controlled entity of the Group as at 7 December 2011 upon the acquisition of additional interest in that company (note 17). There is no material financial impact to the Group.

3) The Group is able to exercise significant influence over Rise Rich because it has the power to appoint three out of seven directors of that company under the provisions stated in the cooperation agreement.

4) 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 2012 is goodwill of HK$3,827,000 (2011: nil) arising from the acquisition of an associate during the year.

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

	2012 **HK$'000**	2011 HK$'000
Total assets	**44,281**	63,851
Total liabilities	**(33,086)**	(69,459)
Net assets (liabilities)	**11,195**	(5,608)
Group's share of net assets of associates	**5,433**	–

	1.7.2011 **to** **30.6.2012** **HK$'000**	1.4.2010 to 30.6.2011 HK$'000
Revenue	**5,230**	5,028
Loss for the year/period	**(8,485)**	(15,810)
Group's share of losses of associates for the year/period	**(2,931)**	(4,728)

The Group has discontinued recognition of its share of losses of certain associates. The amounts of unrecognised share of those associates, extracted from the relevant management accounts of associates for the year/period is as follows:

	1.7.2011 **to** **30.6.2012** **HK$'000**	1.4.2010 to 30.6.2011 HK$'000
Unrecognised share of losses of associates for the year/period	**24**	18
Accumulated unrecognised share of losses of associates	**42**	–

17. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2012 **HK$'000**	2011 HK$'000
Unlisted investments, at cost	**6,745**	2,367
Share of post-acquisition losses	**(2,993)**	(835)
	3,752	1,532

As at 30 June 2012 and 30 June 2011, 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** **2012**	2011	**Principal activity**
金至尊珠寶(成都)有限公司 (Note 1)	Registered capital RMB8,000,000 Paid-up capital (2012: RMB6,000,000; 2011: RMB4,000,000)	**50%**	50%	Trading of jewellery in the PRC
La Milky Way International (Note 2)	Registered and paid-up capital HK$10,000,000	**50%**	N/A	Holding of trademark

Notes:

1. The entity is a sino-foreign joint venture established in the PRC.

2. The entity was an associate of the Group as at 30 June 2011 (note 16).

17. 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:

	2012 HK$'000	2011 HK$'000
Current assets	**10,475**	11,311
Non-current assets	**9,045**	593
Current liabilities	**(14,490)**	(7,544)
Non-current liabilities	**(10,000)**	–
Revenue	**2,291**	1,156
Expenses	**(5,311)**	(1,530)

18. INVENTORIES

	2012 HK$'000	2011 HK$'000
Raw materials	**129,092**	130,057
Finished goods	**843,337**	852,342
	972,429	982,399

19. AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

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

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The amount as at 30 June 2012 represents the fair value of the open position of gold bullion contracts through margin account with an aggregated notional value of USD6,299,000 (2011: nil). 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.

21. 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$60,182,000 (2011: HK$36,040,000) 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 0.4% (2011: 0.01% to 0.5%) per annum. Pledged bank deposits carry interest at fixed rates ranging from 3.1% to 3.5% (2011: 2.5% to 2.85%) per annum.

Included in the bank balances and cash of the Group as at 30 June 2012 are bank balances amounting to HK$3,134,000 (2011: HK$1,340,000) which are denominated in currencies other than the functional currency of the respective group entity.

22. TRADE AND OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	2012 **HK$'000**	2011 HK$'000
Trade payables	**74,892**	96,735
Deposits received from customers (note a)	**103,807**	88,488
Franchisee guarantee deposits (note b)	**49,198**	33,017
Other payables, accruals and other deposits	**138,922**	106,419
	366,819	324,659

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.

	2012 **HK$'000**	2011 HK$'000
0 to 30 days	**53,154**	60,252
31-60 days	**9,537**	12,755
61-90 days	**2,477**	11,106
Over 90 days	**9,724**	12,622
	74,892	96,735

23. 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.

As at 30 June 2012, a total of 87,341,772 (2011: 87,341,772) ordinary shares in the Company will be allotted and issued upon the conversions in full of the convertible bonds.

Upon issue of CB 2012, an amount of HK$133,748,000 and HK$4,252,000 were recognised as liability and derivative embedded in CB 2012, respectively.

The Company shall redeem the CB 2012 at 110% of the respective outstanding principal amount on maturity date of 2 August 2012.

At 30 June 2012, CB 2012 with a carrying amount of HK$150,898,000 (2011: HK$141,133,000) (principal amount of HK$138,000,000) remained outstanding.

Subsequent to the reporting period, the Company redeemed the CB 2012 at HK$151,800,000, representing 110% of the outstanding principal amount on maturity.

23. 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.

As at 30 June 2012, a total of 136,708,861 (2011: 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.

The Company shall redeem the CB 2013 at 110% of the respective outstanding principal amount on maturity date of 14 September 2013.

At 30 June 2012, CB 2013 with a carrying amount of HK$206,056,000 (2011: HK$191,399,000) (principal amount of HK$216,000,000) remained outstanding.

23. 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 period are set out as below:

	Liability component		
	CB 2012 HK$'000	**CB 2013** HK$'000	**Total** HK$'000
At 1 April 2010	–	–	–
Issue of convertible bonds	133,748	191,488	325,236
Expenses on issue of convertible bonds	–	(9,612)	(9,612)
Interest charged during the period	13,662	18,073	31,735
Payment of coupon interest	(3,460)	(5,326)	(8,786)
Coupon interest accrued at 30 June 2011 and included in other payables	(2,817)	(3,224)	(6,041)
At 30 June 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

	2012 **HK$'000**	2011 HK$'000
Analysed for reporting purposes as:		
Current liabilities	**150,898**	–
Non-current liabilities	**206,056**	332,532
	356,954	332,532

During the year ended 30 June 2012 and the period from 1 April 2010 to 30 June 2011, the effective interest rates of CB 2012 and CB 2013 were 10.74% and 12.02%, respectively.

23. CONVERTIBLE BONDS – continued

(ii) Derivative financial instruments

	Embedded derivatives		
	CB 2012 HK$'000	**CB 2013** HK$'000	**Total** HK$'000
At 1 April 2010	–	–	–
Embedded derivatives at date of issue of convertible bonds	4,252	24,512	28,764
Expenses on issue of convertible bonds	–	(1,188)	(1,188)
Change in fair value	(4,229)	(21,777)	(26,006)
At 30 June 2011	23	1,547	1,570
Change in fair value	(23)	(1,119)	(1,142)
At 30 June 2012	–	428	428

The fair values of the derivatives embedded in CB 2012 and CB 2013 at the dates of issue, at 30 June 2011 and at 30 June 2012 are based on valuation carried out on those dates by an independent valuer. The change in fair value of HK$1,142,000 (1.4.2010 to 30.6.2011: HK$26,006,000) has been credited to profit or loss for the year ended 30 June 2012.

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

	At date of issue		At 30 June 2011		At 30 June 2012	
	CB2012	**CB2013**	**CB 2012**	**CB 2013**	**CB 2012**	**CB 2013**
Share price	HK$1.28	HK$1.26	HK$0.57	HK$0.57	HK$0.42	HK$0.42
Exercise price	HK$1.58	HK$1.58	HK$1.58	HK$1.58	HK$1.58	HK$1.58
Expected dividend yield	0.81%	0.83%	1.83%	1.83%	0.48%	0.48%
Volatility	58.61%	58.23%	42.41%	51.30%	66.81%	63.70%

24. OBLIGATIONS UNDER FINANCE LEASES

	2012 HK$'000	2011 HK$'000
Analysed for reporting purposes as:		
Current liabilities	**541**	432
Non-current liabilities	**–**	537
	541	969

It is the Group's policy to lease certain of 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	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Amounts payable under finance leases				
Within one year	**552**	450	**541**	432
In more than one year but not more than two years	**–**	448	**–**	430
In more than two years but not more than five years	**–**	114	**–**	107
	552	1,012	**541**	969
Less: Future finance charges	**(11)**	(43)	**–**	–
Present value of lease obligations	**541**	969	**541**	969
Less: Amount due from settlement within 12 months (shown under current liabilities)			**(541)**	(432)
Amount due for settlement after 12 months			**–**	537

25. BANK AND OTHER BORROWINGS

	2012 **HK$'000**	2011 HK$'000
Bank borrowings	**350,956**	352,390
Other borrowings	**30,000**	–
	380,956	352,390
Secured	**248,456**	208,202
Unsecured	**132,500**	144,188
	380,956	352,390
Carrying amounts repayable:		
On demand or within one year*	**93,000**	218,202
More than one year, but not exceeding two years*	**15,000**	10,000
More than two years but not exceeding five years*	**15,000**	30,000
	123,000	258,202
Carrying amount of bank loans that contain a repayment on demand clause (shown under current liabilities)		
– repayable within one year*	**122,728**	31,688
– repayable after more than one year, but not exceeding two years*	**122,728**	25,000
– repayable after more than two year but not exceeding five years*	**12,500**	37,500
	257,956	94,188
	380,956	352,390
Less: Amounts due within one year and shown under current liabilities	**(350,956)**	(312,390)
Amounts shown under non-current liabilities	**30,000**	40,000

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

25. BANK AND OTHER BORROWINGS – continued

Borrowings comprise:

	Notes	Maturity date	Effective interest rate 2012	Effective interest rate 2011	Carrying amount 2012 HK$'000	Carrying amount 2011 HK$'000
Fixed-rate bank borrowings:						
Secured RMB bank loans of RMB150,000,000	(a)	August 2011	–	5.94%	–	180,202
Floating-rate bank borrowings:						
Secured RMB bank loan	(b)	August 2013	**6.04%**	–	**195,456**	–
Unsecured HK$ bank loan	(c)	February 2012	–	2.01%	–	6,688
Secured HK$ bank loans	(d)	December 2012	**2.02%**	2.36%	**33,000**	28,000
Unsecured HK$ bank loan	(e)	July 2014	**1.70%**	1.70%	**62,500**	87,500
Unsecured HK$ bank loan	(f)	March 2015	**2.35%**	2.20%	**40,000**	50,000
Secured HK$ bank loan	(g)	March 2013	**3.10%**	–	**20,000**	–
					350,956	172,188
Total bank borrowings					**350,956**	352,390
Interest-free other borrowing:						
Unsecured loan from Perfect Ace Investments Limited	(h)	On demand	–	–	**30,000**	–
Total other borrowing					**30,000**	–
Total bank and other borrowings					**380,956**	352,390

Notes:

(a) The bank loans were secured by inventories with a carrying amount of HK$240,269,000 as at 30 June 2011.

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

(c) The bank loan was interest bearing at Hong Kong Interbank Offered Rate ("HIBOR") plus 1.75%.

(d) The bank loans are secured by pledged bank deposits, interest bearing at 3 month HIBOR plus 1.375% to 2.25%.

(e) As at 30 June 2012, 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$134,706,000 as at 30 June 2012 (2011: HK$209,101,000) for the bank borrowings.

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

(g) The bank loan is secured by pledged bank deposits, interest bearing at 3 month HIBOR plus 2.75% and repayable within 1 year.

(h) 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.

26. 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 2012 and 30 June 2011, the gold loans are denominated in RMB, interest bearing at a fixed rate of 4.8% (2011: 4.5%) per annum with original maturity of 12 months, and secured by inventories with a carrying amount of HK$427,559,000 (2011:HK$240,269,000).

The gain arising from change in fair value of gold loans of HK$1,920,000 (1.4.2010 to 30.6.2011: loss of HK$7,610,000) has been recognised in the profit or loss for the year ended 30 June 2012. 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.

27. DEFERRED TAXATION

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

	Fair value adjustment on inventories HK$'000 (Note)	Fair value adjustment on intangible assets HK$'000 (Note)	Fair value adjustment on gold loans HK$'000	Provision on social benefits in the PRC HK$'000	Withholding tax on income derived in the PRC HK$'000	Others HK$'000	Total HK$'000
At 1 April 2010	2,217	42,016	–	–	–	(1,257)	42,976
(Credit) charge to profit or loss (note 10)	(1,539)	–	–	(2,360)	3,000	(382)	(1,281)
As at 30 June 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

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.

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

As at 30 June 2012, the Group has unused tax losses of HK$184,177,000 (2011: HK$114,185,000) 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.

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$154,522,000 as at 30 June 2012 (2011: HK$119,165,000) 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.

28. SHARE CAPITAL

	Notes	Number of shares '000	Amount HK$'000
Authorised:			
At 1 April 2010, 30 June 2011 and 30 June 2012			
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		1,576,894	15,770
At 1 April 2010			
Bonus issue	(a)	19,711	197
Issue of shares	(b)	222,458	2,225
Issue upon conversion of preference shares	(c)	150,022	1,500
At 30 June 2011 and at 30 June 2012		1,969,085	19,692
Preference shares issued and fully paid:			
Preference shares of HK$0.01 each			
At 1 April 2010		150,426	1,504
Conversion of preference shares	(c)	(150,022)	(1,500)
At 30 June 2011 and at 30 June 2012		404	4
Total:			
At 1 July 2011 and at 30 June 2012		1,969,489	19,696

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 one fully-paid ordinary share of the Company at any time after one year from the date of issuance of the preference shares. 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.

The undeclared cumulative preferential share dividend as at 30 June 2012 amounted to approximately HK$3,000 (2011: HK$4,000).

28. SHARE CAPITAL – continued

Notes:

(a) Pursuant to an ordinary resolution passed at a special general meeting held on 30 April 2010, a bonus issue of ordinary shares was made on 7 May 2010 on the basis of one bonus share for every eighty existing shares then held by the shareholders whose names appear on the register of members on 30 April 2010 by way of capitalisation of the share premium account.

(b) During the period from 1 April 2010 to 30 June 2011, the Company acquired 40% additional interest in China Gold Silver Group Company Limited satisfied by cash of HK$181,300,000 and issuance of 222,457,669 ordinary shares of HK$0.01 each of the Company.

(c) During the period from 1 April 2010 to 30 June 2011, 150,022,000 preference shares of HK$0.01 each were converted into ordinary shares of HK$0.01 each of the Company.

29. SHARE-BASED PAYMENT TRANSACTIONS

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

Pursuant to the 2009 Share Option Scheme, the Board of Directors of the Company (the “Board”) may grant options to the eligible persons to subscribe for the Company’s shares for a consideration of HK$1 for each lot of share options 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.

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 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. As at 30 June 2012, the number of options which remain outstanding under the 2009 Share Option Scheme was 37,421,580 (30.6.2011: 28,771,580) which, if exercise in full, representing 1.87% (30.6.2011: 1.44%) of the enlarged capital of the Company. Subject to the issue of a circular and the approval of the shareholders of the Company in general meeting and/or such other requirements prescribed under the Rules Governing the Listing of Securities on The Stock Exchange from time to time, the Board may refresh the limit at any time to 10% of the total number of shares in issue as at the date of approval by the shareholders of the Company in general meeting. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2009 Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares issue from time to time.

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

29. SHARE-BASED PAYMENT TRANSACTIONS – continued

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.

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

Eligible person	Date of grant	Exercise period	Exercise price HK$	Number of options: Outstanding as at 1.7.2011	Reclassification during the year (Note a)	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

29. SHARE-BASED PAYMENT TRANSACTIONS – continued

(a) – continued

Eligible person	Date of grant	Exercise period	Exercise price HK$	Number of options: Outstanding as at 1.4.2010	Reclassification during the period (Note b)	Granted during the period	Exercise during the period	Outstanding as at 30.6.2011
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	4,800,000	500,000	–	–	5,300,000
	13.4.2010	13.4.2010 to 12.4.2020	1.400	–	–	1,000,000	–	1,000,000
				5,703,580	500,000	1,000,000	–	7,203,580
Employees	20.7.2009	20.7.2009 to 19.7.2019	1.510	3,500,000	(1,000,000)	–	–	2,500,000
Consultants	20.7.2009	20.7.2009 to 19.7.2019	1.510	800,000	500,000	–	–	1,300,000
	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
				800,000	500,000	17,768,000	–	19,068,000
				10,003,580	–	18,768,000	–	28,771,580
Exercisable at the end of the period				10,003,580				28,771,580
Weighted average exercise price				1.419	–	1.400	–	1.406

Notes:

a. 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.

b. Mr. Yin Richard Yingneng, a holder of 500,000 share options, resigned as a director of the Company and become a consultant on 19 July 2011.
Dr. Liu Wangzhi, a holder of 1,000,000 share options, changed from an employee to a director on 12 July 2011.

29. SHARE-BASED PAYMENT TRANSACTIONS – continued

(b) The fair value of the options granted in current year at the date of grant was HK$2,892,000 (1.4.2010 to 30.6.2011: HK$7,304,000). The Group recognised the total expense of HK$2,222,000 (1.4.2010 to 30.6.2011: HK$7,304,000) 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 2012	Granted during the period from 1 April 2010 to 30 June 2011
Date of grant	**26 July 2011**	13 April 2010
Number of options granted	**11,250,000**	18,768,000
Grant date share price	**HK$0.56**	HK$1.38
Exercise price	**HK$0.56**	HK$1.40
Risk-free rate	**2.28%**	2.82%
Nature of the share options	**Call**	Call
Life of the options	**10 years**	10 years
Expected volatility	**50.30%**	46.55%
Expected dividend yield	**0.63%**	0.75%

30. OPERATING LEASES

The Group as lessee

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

	1.7.2011 to 30.6.2012 HK$'000	1.4.2010 to 30.6.2011 HK$'000
Operating lease rentals in respect of retail shops, offices and warehouses		
Minimum lease payments	**51,562**	38,127
Contingent rental	**201,645**	189,352
	253,207	227,479

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:

	2012 HK$'000	2011 HK$'000
Within one year	**44,028**	44,544
In the second to five years inclusive	**32,913**	58,983
	76,941	103,527

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.

31. CAPITAL COMMITMENTS

	2012 HK$'000	2011 HK$'000
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements	**7,522**	6
Commitment for further capital injection in an associate	**32,400**	32,400

32. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The retirement benefits scheme contributions charged to profit or loss represent contributions paid or payable by the Group to the scheme at 5% of each of the employees' monthly relevant income capped at HK$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 2011 and 30 June 2012, the Group had no significant obligation apart from the contribution as stated above.

33. PLEDGE OF ASSETS

At 30 June 2012, the Group's inventories and bank deposits with a carrying amount of HK$427,559,000 (2011: HK$240,269,000) and HK$60,182,000 (2011: HK$36,040,000) respectively were pledged to banks as securities to obtain the banking facilities granted to subsidiaries of the Group.

34. RELATED PARTY DISCLOSURES

(a) Related party transactions

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

Relationship	Nature of transactions	**1.7.2011 to 30.6.2012 HK$'000**	1.4.2010 to 30.6.2011 HK$'000
A company owned by a non-controlling shareholder of a subsidiary	Subcontracting expenses	**–**	4
	Interest expenses	**–**	959
A company owned by the spouse of a director of the Company	Interest expenses	**–**	739
A solicitors firm in which a director of the Company is a partner	Company secretariat and legal services fee	**1,067**	3,532
An associate	Management fee	**–**	1,978
Associates	Sales of jewellery	**–**	34,395
	Purchase of jewellery	**28**	–
A jointly controlled entity	Sales of jewellery	**4,287**	9,497
	Purchase of jewellery	**127**	–

On 3 August 2010, CB 2013 with principal amount of HK$56,000,000 were issued to certain related parties of the Company as disclosed in note 23.

As at 30 June 2012, the Group had an outstanding financial guarantee issued to a bank in respect of a banking facility granted to a jointly controlled entity (2011: an associate) as disclosed in note 35.

In addition, from time to time, a related company controlled by Dr. Liu Wangzhi also acts an agent to purchase gold from Shanghai Stock Exchange on behalf of the Group. Advance prepaid by the Group to such entity for sourcing purpose is detailed in note 14.

(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, 19, 23 and 25(h).

(c) Compensation of key management personnel

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

35. CONTINGENT LIABILITIES

As at 30 June 2012, the Group had an outstanding financial guarantee amounting to HK$3,000,000 (2011: HK$3,000,000) issued to a bank in respect of a banking facility granted to a jointly controlled entity, which was an associate in prior period. The directors of the Company considered that the fair value of this financial guarantee contract at their initial recognition is insignificant.

36. MAJOR NON-CASH TRANSACTIONS

(a) During the period from 1 April 2010 to 30 June 2011, the Group entered into finance lease arrangements for acquisition of certain property, plant and equipment with a total capital value of HK$1,319,000.

(b) On 7 May 2010, the Company made a bonus issue of ordinary shares as disclosed in note 28(a).

37. 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 period.

The capital structure of entities in the Group consists of debts, which include convertible bonds disclosed in note 23, the bank and other borrowings disclosed in note 25, gold loans disclosed in note 26, 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 2012, the net gearing ratio of the Group is 105% (2011: 80%). 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.

38. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2012 HK$'000	2011 HK$'000
Financial assets		
Financial assets at fair value through profit or loss	**2,065**	–
Loans and receivables (including cash and cash equivalents)	**556,010**	482,198
Financial liabilities		
Financial liabilities at fair value through profit or loss	**98,041**	63,625
Amortised costs	**935,481**	872,613

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amount due from a jointly controlled entity, financial assets at fair value through profit or loss, pledged bank deposits, bank balances and cash, trade and other payables and deposits received, 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 fixed-rate convertible bonds (see note 23), bank borrowings (see note 25) and gold loans (see note 26). 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 People's Bank of China Prescribed Rate and HIBOR arising from the Group's RMB denominated borrowings and Hong Kong dollar denominated borrowings, respectively.

38. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Market risk – continued

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/period. Other than that, a 50 basis points (2011: 50 basis points) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interests rates had been 50 basis points (2011: 50 basis points) higher and all other variables were held constant, the result of the Group would have been impacted as follows:

	1.7.2011 to 30.6.2012 HK$'000	1.4.2010 to 30.6.2011 HK$'000
Increase in loss for the year/decrease in profit for the period	**(1,755)**	(1,076)

If interests rates had been 50 basis points (2011: 50 basis points) lower and all other variables were held constant, the result of the Group would have been impacted as follows:

	1.7.2011 to 30.6.2012 HK$'000	1.4.2010 to 30.6.2011 HK$'000
Decrease in loss for the year/increase in profit for the period	**1,755**	1,076

38. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Market risk – continued

Currency risk

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange fluctuations arise. Certain of the Group's financial assets and liabilities are denominated in 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 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**	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**10,020**	5,489	**(449,953)**	(428,381)
RMB	**28,390**	188	**–**	–
MOP	**776**	723	**–**	–

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$. The sensitivity analysis below includes currency risk related to HK$ 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$.

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

38. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Market risk – continued

Currency risk sensitivity analysis – continued

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis includes external receivables or payables as well as receivables from and payables to foreign operation within the Group where the denomination of the receivable or payable is in a currency other than the functional currency of the respective group entity. A positive number below indicates a decrease in loss (1.4.2010 to 30.6.2011: an increase in profit) where RMB strengthens against HK$. For a 5% weakening of RMB against HK$, there would be an equal and opposite impact and the balances below would be negative.

	1.7.2011 to 30.6.2012 HK$'000	1.4.2010 to 30.6.2011 HK$'000
Loss/profit for the year/period		
RMB against HK$	**23,416**	21,145

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 to reduce its exposure to fluctuations in the gold price on gold inventory.

Price risk sensitivity analysis

If the Company's own share price has been higher/lower, loss for the year (1.4.2010 to 30.6.2011: profit for the period) would increase/decrease (1.4.2010 to 30.6.2011: decrease/increase) as a result of the changes in fair value of derivative financial instruments of the Group based on the Group's exposure to equity price risk at the end of the reporting period.

If the market price of gold had been higher or lower by 10%, the loss after taxation for the year (1.4.2010 to 30.6.2011: profit after tax for the period) would increase or decrease approximately by HK$1,140,000 (1.4.2010 to 30.6.2011: decrease or increase approximately by HK$3,978,000), arising from the changes in fair value of gold loans and financial assets at fair value through profit or loss.

38. 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 35.

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 35. 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 2012 where the trade receivables from an independent customer of HK$27,710,000 (2011: nil), associates of HK$13,937,000 (2011: HK$27,200,000) and a jointly controlled entity of HK$4,345,000 (2011: HK$7,043,000).

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 2012, the Group has available unutilised revolving banking facilities of HK$30,000,000 (2011: HK$5,000,000). 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.

38. 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 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 35)	–	3,000	–	–	–	–	3,000	–
Derivative-net settlement Gold loans		–	98,394	–	–	–	98,394	97,613

38. 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 2011								
Non-derivative financial liabilities								
Trade and other payables	–	154,674	–	–	–	–	154,674	154,674
Franchise guarantee deposits	–	33,017	–	–	–	–	33,017	33,017
Bank and other borrowings								
– fixed rate	5.94	892	180,524	–	–	–	181,416	180,202
– variable rate	2.01	122,326	5,183	5,715	10,205	31,225	174,654	172,188
Convertible bonds	11.51	3,386	6,765	31,899	197,160	257,138	496,348	332,532
Obligations under finance leases	2.54	38	113	299	448	114	1,012	969
		314,333	192,585	37,913	207,813	288,477	1,041,121	873,582
Financial guarantee contract (note 35)	–	3,000	–	–	–	–	3,000	–
Derivative-net settlement								
Gold loans		–	62,288	–	–	–	62,288	62,055

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 2012, the aggregate undiscounted principal amounts of these bank loans amounted to HK$257,956,000 (2011: HK$94,188,000). 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.

38. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Liquidity risk – continued

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 2012							
Bank borrowings with a repayment on demand clause	**12,500**	**27,535**	**93,215**	**127,153**	**12,609**	**273,012**	**257,956**

	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 2011							
Bank borrowings with a repayment on demand clause	13,342	1,691	17,829	26,736	38,778	98,376	94,188

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.

38. FINANCIAL INSTRUMENTS – continued

(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 23.

- 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.

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).

38. FINANCIAL INSTRUMENTS – continued

(c) Fair values – continued

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

	2012			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'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**

	2011			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial liabilities at FVTPL				
Gold loans	62,055	–	–	62,055
Derivative financial instruments	–	1,570	–	1,570
	62,055	1,570	–	63,625

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

39. EVENTS AFTER THE REPORTING PERIOD

(a) On 16 May 2011, China Gold Silver Group Company Limited, which is a wholly-owned subsidiary of the Company, 3D-GOLD PLA, the provisional liquidators of 3D-GOLD PLA (the "Provisional Liquidators") and the escrow agent entered into an exclusivity and escrow agreement (the "Exclusivity and Escrow Agreement") with two other investors (the "Investors") and two guarantors to facilitate the resumption of trading of shares of 3D-GOLD PLA (the "Resumption") on the Stock Exchange.

Under the Exclusivity and Escrow Agreement, China Gold Silver Group Company Limited will not take any action or be involved in connection with the restructuring of 3D-GOLD PLA and will be a passive investor and will subscribe such number of new shares representing not more than 13.49% of the entire issued share capital of 3D-GOLD PLA immediately upon completion of the Resumption in accordance with such terms and conditions to be agreed between 3D-GOLD PLA, the Provisional Liquidators, the Investors and accepted by the Stock Exchange, the Securities and Futures Commission of Hong Kong and other regulatory authorities.

Further details are set out in the Company's announcement dated 16 May 2011.

On 9 July 2012, the listing of the shares of 3D-GOLD PLA was cancelled in accordance of the delisting procedures stipulated in Practice Note 17 to the Listing Rules. The Exclusivity and Escrow Agreement will not be executed.

(b) Subsequent to the reporting period, the Company redeemed the CB 2012 upon maturity as disclosed in note 23(i).

40. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY

	2012 **HK$'000**	2011 HK$'000
Investments in subsidiaries	**640,296**	640,295
Amounts due from subsidiaries	**282,797**	327,897
Other assets	**4,784**	7,328
Total assets	**927,877**	975,520
Total liabilities	**(368,854)**	(347,986)
Net assets	**559,023**	627,534
Share capital	**19,696**	19,696
Reserves (Note)	**539,327**	607,838
Total equity	**559,023**	627,534

Note:

The movements of reserves are as follows:

	Share premium HK$'000	**Contributed surplus** HK$'000	**Share option reserve** HK$'000	**Retained earnings (Accumulated losses)** HK$'000	**Total** HK$'000
At 1 April 2010	224,049	66,162	8,042	3,856	302,109
Bonus issue	(197)	–	–	–	(197)
Acquisition of additional interest in a subsidiary	304,767	–	–	–	304,767
Transaction costs arising from acquisition of additional interest in a subsidiary	(7,313)	–	–	–	(7,313)
Equity-settled share-based payments	–	–	7,304	–	7,304
Dividends paid	–	(6,893)	–	–	(6,893)
Profit for the period and total comprehensive income for the period	–	–	–	8,061	8,061
At 30 June 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

41. PARTICULARS OF THE SUBSIDIARIES

Particulars of the Company's subsidiaries as at 30 June 2012 and 30 June 2011 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) 2012	2011	Attributable equity interest held 2012	2011	Principal activities
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 (Japan) Limited	British Virgin Islands	US$50,000	US$1,000	**70%**	70%	**70%**	70%	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	**100%**	100%	**80%**	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%**	–	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

41. PARTICULARS OF THE SUBSIDIARIES – 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
				2012	2011	2012	2011	
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%**	–	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
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
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%	**80%**	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%**	–	Sales of jewellery

Notes:

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

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 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	Year ended 31 March 2008 HK$'000
Turnover	**3,840,630**	3,223,377	1,290,110	95,138	52,696
(Loss) Profit before taxation	**(18,732)**	73,907	228,793	275,246	(7,616)
Taxation	**(10,539)**	(35,395)	(21,247)	(13)	(17)
(Loss) Profit for the year/period	**(29,271)**	38,512	207,546	275,233	(7,633)
Total comprehensive (expense) income for the year/period attributable to owners of the Company	**(21,230)**	63,264	113,803	275,664	(7,633)

ASSETS AND LIABILITIES

	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	As at 31 March 2008 HK$'000
Total assets	**1,838,358**	1,749,600	1,239,091	219,354	95,527
Total liabilities	**(1,251,723)**	(1,140,015)	(552,643)	(3,596)	(455,490)
Non-controlling interests	**–**	–	(226,612)	(32,902)	–
Equity attributable to owners of the Company	**586,635**	609,585	459,836	182,856	(359,963)