

CHANGE

annual report **2014**

OPPORTUNITIES

**“HKRH has opened a new chapter in
3D-GOLD’s development.....”
said Dr. Kennedy Wong,
Chairman of HKRH and 3D-GOLD Group**

- **IMAGE:** reinforcing our trendy image and promotion with glamorous and popular artists & celebrities
- **PRODUCT:** more K-gold jewellery will also be launched as it has a high level of creativity
- **CHANNEL:** opening new stores within the region, developing sales online platform & introducing premium products

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HKRH is poised to take advantage of excellent opportunities ahead.

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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.



“Butterfly Effect” won the Award-winning Work of the Open Group (Inspiration of Love) from the Chuk Kam Jewellery Design Competition 2014

Corporate Information

DIRECTORS

Executive Directors

Dr. Wong, Kennedy Ying Ho^{b, c}, BBS, J.P., *Chairman*

Mr. Lam Kwok Hing, Wilfred, J.P.

Ms. Wong Wing Yan, Ella^d

Mr. Cheung Pak To, Patrick^d, BBS

Non-executive Director

Dr. Hui Ho Ming, Herbert^{a, d}, J.P. (*deceased on 30 August 2014*)

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, d}

COMPANY SECRETARY

Mr. Fu Yat Ming^d

^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*

AUDITORS

Deloitte Touche Tohmatsu

Certified Public Accountants

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton, HM11

Bermuda

PRINCIPAL OFFICE IN HONG KONG

Unit 1701-11, 17th Floor

Peninsula Square

No. 18 Sung On Street

Hunghom, Kowloon

Hong Kong

Corporate Information

PRINCIPAL BANKERS

Shanghai Commercial Bank

China Construction Bank

China Merchants Bank

ICBC (Europe) S.A. Brussels Branch

Shanghai Pudong Development Bank

Bank of Beijing

Ping An Bank

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited

Rosebank Centre

11 Bermudian Road

Pembroke HM08, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

STOCK CODE

2882

WEBSITE

www.hkrh.hk

Major Events



AUGUST 2013

The latest “3D-GOLD x Dorian Ho Wedding Collection”, a collaboration between 3D-GOLD Jewellery and Mr. Dorian Ho, the famous fashion designer, was successfully launched in Shenzhen, PRC.



AUGUST 2013

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



AUGUST 2013

Being the prize sponsor of the “International KamCha Competition 2013 (HK Style Milk Tea)” for the 3rd consecutive year, 3D-GOLD Jewellery once again produced and presented the “Golden KamCha Cup” to the champions of the Hong Kong and International Competition.



NOVEMBER 2013

3D-GOLD Jewellery was the title sponsor of “Vivian Lai’s ALL FOR LOVE Charity Concert 2013”.



NOVEMBER 2013

3D-GOLD Jewellery was the 2nd prize sponsor of the “McDonald’s Monopoly 2013”, also being the jewellery sponsor of Mr Eric Tsang, Ms Tavia Yeung and Ms Linda Chung, the spokesperson and guests, by sponsoring over HK\$10 million jewellery which held the spotlight in the press conference.

Major Events

DECEMBER 2013

3D-GOLD Jewellery won the “Top 10 Most Influence Brand in China (Jewellery Industry)” and “Special Award of the Chinese Brand of the Year 2013” by the World Brand Laboratory for the 5th consecutive year, to lay a good foundation for the upcoming “China’s 500 Most Valuable Brands”.



JANUARY 2014

3D-GOLD Jewellery was the title, scepter and crown sponsor of “Miss Chinese International Pageant 2014”, and a presentation ceremony has been held in the Shenzhen shop.



MARCH 2014

With the unique and creative jewellery design, 3D-GOLD Jewellery was honoured 2 awards from the “Chuk Kam Jewellery Design Competition 2014” which demonstrated the wide recognition of the Group’s excellence in product design.



MARCH 2014

3D-GOLD Jewellery was the title sponsor of “Ronald Ng’s Imagine National 56X Live 2014”.



JUNE 2014

3D-GOLD Jewellery had been honoured as one of the “China’s 500 Most Valuable Brands” for the 5th consecutive year, ranked 2nd in jewellery category with brand value amounting to RMB14.32 billion.





Chairman's Statement

Dear Shareholders,

On behalf of Hong Kong Resources Holdings Company Limited (“HKRH” or the “Group”), I present to you the Group’s results for the year ended 30 June 2014 (“Year 2014”).

Year 2014 was another year of mixed challenges and opportunities. The partnership between HKRH and Luk Fook 3D Management Company Limited (wholly-owned by Luk Fook Holdings (International) Limited (“**Luk Fook Group**”; stock code: 0590)) has opened a new chapter in 3D-GOLD’s development. In early 2014, we have closely collaborated in initiating our business development blueprint. Positive results from the collaboration has been shown since the completion of the partnership.

Despite the macro-economy and consumption sentiment remaining lackluster, we believe there is still room for growth for our retail networks in Hong Kong, Macau and the Mainland China. We will continue to expand the retail network of ‘3D-GOLD’ in Hong Kong and Macau with the intention to open five new shops across both areas within this year. As for the PRC market, building on the foundation of its well-established retail network, 3D-GOLD will continue to invest more resources to expand by franchise. While enlarging the coverage in China’s first-tier cities, we will also extend and accelerate our penetration in the second-and third-tier cities. We have set the target expansion rate of our branded shops at 15% per year.

To fulfill our brand potential, we will realise the unique personality of 3D-GOLD through reinforcing our trendy brand image, launching premium products and promotion with glamorous and popular celebrities.

Our investments in (i) the e-commerce platforms and (ii) television programs and content productions, continue with greater efforts in order to capture the market potential. The Group believes these investments will pay off.

Moving forward, we will continue to devote resources to bolstering existing businesses and we look forward to achieving mutually beneficial results, in turn, creating greater value for HKRH and delivering better returns to our shareholders and investors.

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

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

Chairman

Management Discussion and Analysis

OVERVIEW

The Group is principally engaged in trademark licensing and retailing for selling gold and jewellery products in Hong Kong, Macau and other regions (“**Mainland China**”) in the People’s Republic of China (the “**PRC**”).

On 6 June 2014, the Company disposed of its 50% equity interests in CGS to Luk Fook 3D Management Company Limited (wholly-owned by Luk Fook Holdings (International) Limited (“Luk Fook Group”; stock code: 0590)), which has opened a new chapter in 3D-GOLD’s development. Both partners have collaborated in initiating the business development blueprint and look forward to achieving mutually beneficial results with Luk Fook Group.

The Group recorded a turnover of approximately HK\$1,562 million for the Year, representing an decrease of 46% as compared to the turnover of approximately HK\$2,887 million last Year. The loss attributable to equity holders of the Company was approximately HK\$184 million for the Year compared to the loss of approximately HK\$116 million last year, representing an increase of 59%.

FINANCIAL REVIEW

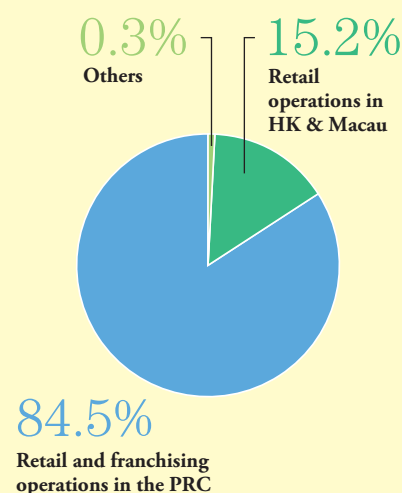
China’s economic growth slowed slightly with GDP growth of 7.4% in the first half of 2014, down from 7.75% in the second half of 2013. Domestic consumption showed a decline in contribution to China’s economic growth. Various warning signs are pointing to a slowing economy across the Mainland China, which in turn impacted the retail market and mass luxury sector. The Group continues to operate in an increasing challenging macro-economic and retail environment, with focus on improving profitability.

Following the various measures taken place since the first quarter of 2013, the management has continued to focus in improving the operation of the Group, principally focusing on: (i) adjusting the sales network by focusing on profit making stores and closing down non-performing stores, (ii) improving the trademark licensing system to strengthen the retail operations, (iii) continuing costs control; and (iv) improving cash flow.

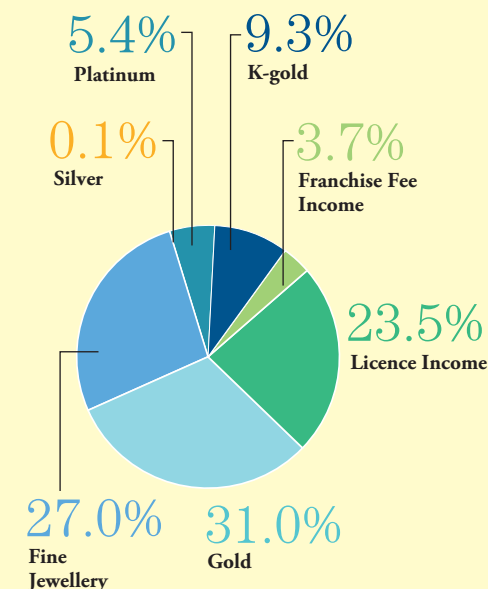
As a result of the closure of non-performing stores and the change in the trade licensing, the turnover and gross profit has decreased by 46% and 38%, respectively, for the Year to HK\$1,562 million and HK\$378 million, respectively.

During the Year, the business model for licensing operation has changed from sales of goods to the receipt of license fees, i.e., licensees made purchases with the authorised suppliers of the Group. This change has resulted in turnover from sales of goods to licensees to decrease by HK\$1,571 million, while receiving a license fee of HK\$94 million. License fee received shall be reflected directly to gross profit.

Turnover Breakdown by Business



Gross Profit Analysis by Products



over

400

shops in China

402 shops in Mainland China
5 shops in Hong Kong
4 shops in Macau

22	Anhui
20	Beijing
7	Chongqing
13	Fujian
3	Gansu
63	Guangdong
17	Guangxi
1	Guizhou
2	Hainan
19	Hebei
7	Heilongjiang
8	Henan
5	Hong Kong
24	Hubei
4	Hunan
4	Inner Mongolia
34	Jiangsu
5	Jiangxi
4	Jilin
8	Liaoning
4	Macau
5	Ningxia
3	Qinghai
19	Shaanxi
67	Shandong
4	Shanghai
6	Shanxi
6	Sichuan
13	Tianjin
4	Xinjiang
5	Yunnan
5	Zhejiang

Management Discussion and Analysis

Despite of the decreases in turnover of self operated stores and change in the licensing model, the implemented initiatives has resulted in positive impact to the Group, whereby, the gross profit margin has increased from 21.0% to 24.2% for the Year. With working closely with our licensees to improve their profitability, we expect improvements in the Group's financial results.

Sales from retailing and licensing of gold and jewellery products in Mainland China have continued to be the major source of income, which accounted for over 80% of turnover. The turnover of the Group for the Year amounted to HK\$1,562 million (2013: HK\$2,887 million), a decrease of 46% from Last Year. Mainland China recorded turnover of HK\$1,320 million, also a decrease of 50% from Last Year, while Hong Kong and Macau recorded turnover of HK\$237 million, also an increase of 4% from Last Year. We have recorded a decline in overall same-store-growth of 46% (2013: decline of 32%), of which same store growth in Mainland China decline by 50% (2013: decline of 32%) and same store growth in Hong Kong and Macau growth by 2% (2013: a decline of 25%).

In line with the decrease in turnover, the Group's selling and distribution expenses have decreased to HK\$369 million (2013: HK\$464 million), but with the percentage of total turnover increase from 16% to 24% this Year. Advertising and promotional expenses amounted to HK\$36 million (2013: HK\$48million), maintaining at a stable rate of 2% (2013: 2%) of the total revenue. Rental expenses amounted to HK\$158 million (2013: HK\$221 million), representing 10% (2013: 8%) of total revenue. The increase in rental as a percentage was mainly due to the opening of new POS and the decrease in turnover. However, the rental increment was generally in line with the market trend, yet the percentage to turnover remained at a relatively low level.

The Group's general and administrative expenses have increased by HK\$10 million (2013: HK\$136 million). The Group has implement cost control policy, yet the reduction is off-set by the inflation experienced in the Mainland China.

For the Year 2014 and up to the report date, the Company has successfully raised HK\$96 million to support the initiatives and rationalize the Company's capital structure. In addition, the CB2013 (as defined in note 24 to the consolidated financial statements) was fully repaid during the Year. As at 30 June 2014, the net gearing ratio was reduced from 84% to 57%. The Group shall be focus in achieving a capital structure with lower financing costs.

The priority of the management for the Year continues to focus on improving operational performance. The proactive initiatives in the first quarter of 2013 have not yet resulted in positive on the Group's financial results for the Year, where the financial performance of the Group for the Year still faced pressure and recorded a loss for the year of HK\$192 million (2013: HK\$116 million). Included in the results, the Group has also made non-recurring provisions and impairments amounted to HK\$35 million, majority of which are non-cash items, including HK\$12 million of impairment on inventories, HK\$14 million of impairment on trade and other receivables, HK\$6 million of written off of deposit for acquisition of property, plant and equipment and HK\$3 million of impairment on intangible assets.

In light of the current operation, the retail value of the 3D-GOLD brand, that is sales made by all 3D-GOLD stores, including self operated and licensed stores, amounted to HK\$3,800 million for the Year, a decrease of 19% from last year. In addition to above, various measures were undertaken and discussed in the "Business Review" section, whereby via working closely with our licensees, through time, the brand value will be reflected in the Group's financial results.

FINAL DIVIDENDS

The Board has resolved not to declare any final dividend in respect of the year ended 30 June 2014 to the holders of ordinary shares of the Company.

Management Discussion and Analysis

BUSINESS REVIEW

Overall turnover from the Hong Kong and Macau retail operations has reached HK\$237 million (2013: HK\$229 million) and HK\$1,320 million (2013: HK\$2,649 million) from the Mainland China operations. The decrease in turnover for the Year was mainly due to the closure of non-performing stores and change in business model for licensees, as compared to the Last Year.

As at 30 June 2014, the Group has 5 points-of-sale in Hong Kong, 4 points-of-sale in Macau and 402 points-of-sale in Mainland China under the brandname “3D-GOLD”. Of the points-of-sale in Mainland China, 105 are self-operated points-of-sale and 297 are licensee points-of-sale. During the Year, 59 new shops and counters have opened in Mainland China and 63 loss making stores were closed.

To entice its major target of mid-level customers, particularly young and trendy females who love stylish jewellery products, the new branded stores are presented in sophisticated elegance perfectly matching the concept “Pursuing excellence and embracing happiness”. Subsequent to the year end date, 3 new 3D-GOLD branded stores in Macau, Mongkok and Sheung Shui in Hong Kong have already been opened, and the Group is still exploring opportunities for new shops in other districts. The unique personality of 3D-GOLD will be realised through reinforcing our trendy brand image, launching premium products and promotion with glamorous and popular celebrities.

Over 80% of our self-operated points-of-sale are located at department stores in Mainland China at prime shopping districts and are subject to turnover rent. The Hong Kong and Macau operations are, on the other hand, subject to fixed rentals.

Our strategy in Mainland China is to continue to focus on the growth of licensee stores, with a target of 30% self-operated stores and 70% licensee stores in the long run. The plan for 3D-GOLD is to accelerate the expansion in second-and third-tier cities, targeting to grow the total number of our branded shops in the country at 15% per year. Our model gives us the option to leverage on the capital, local knowledge and premises of our licensees: a flexible and fast roll out strategy that requires minimal capital outlay from the Group. Our model enables the management to make critical decisions at times of market changes with minimal adverse impact on the Group.

In improving the profitability, the management has focused on the following areas with various measures: (i) to adjust the sales network by focusing on profit making stores and closing down non-performing stores, (ii) introducing a new licensee system to strengthen the retail operations, (iii) continuous promoting and launching of new products, (iv) launching an Enterprise Resources Planning System, (v) continuing costs control; and (vi) improving cash flow.

The opening, renewal and closing of our points-of-sales in Hong Kong, Macau, and Mainland China will be reviewed continually to ensure consistence with our overall business plan and strategies. Our growth plans will be continuously adjusted, based on the financial returns, marketing benefits and strategic advantages. Prospectively, the Mainland China market will remain the key growth driver in the future.

Products and Design

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

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

- Pure Gold Collection for the Year of Horse
- 3D-GOLD x OPCFHK “Treasurable Love” Collection

Management Discussion and Analysis

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

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

- "Greeting" won the Merit of the Open Group from the JMA International Jewelry Design Competition 2013
- "Butterfly Effect" won the Award-winning Work of the Open Group (Inspiration of Love) from the Chuk Kam Jewellery Design Competition 2014
- "@" won the Award-winning Work of the Open Group (Traditions and Technology) from the Chuk Kam Jewellery Design Competition 2014

In addition to promoting diamond jewellery, more K-gold jewellery will also be launched as it has a high level of creativity incorporating novel elements in design and craftsmanship. In the future, 3D-GOLD Jewellery will increase the proportion of K-gold jewellery products in every store to address the needs of the target market.

Marketing and Promotion

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

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

- Product launch of "3D-GOLD x Dorian Ho" Wedding Collection in Shenzhen, PRC;
- Product launch of "3D-GOLD x Alice Wild" Collection in Beijing, PRC;
- Trophy sponsorship of the "International KamCha Competition 2013 (HK Style Milk Tea)";
- Title sponsor of "Vivian Lai's ALL FOR LOVE Charity Concert 2013";
- Prize sponsorship of the "McDonald's Monopoly 2013" and jewellery sponsor of Mr Eric Tsang, Ms Tavia Yeung and Ms Linda Chung at the event;
- Being one of the exhibitors of the Shanghai International Jewellery Fair 2014;
- Being one of the exhibitors of the Guangzhou, China Wedding Expo 2014 Summer Fair (Guangzhou Wedding Expo);
- Title, scepter and crown sponsorship of "Miss Chinese International Pageant 2014";
- Title sponsorship of "Ronald Ng's Imagine Nation 56X Live 2014";
- Grand prize sponsorship of "Coca-Cola x FIFA World Cup" Promotion

Management Discussion and Analysis

Awards and Achievements

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

- “Top 10 Most Influence Brand in China (Jewellery Industry)” and “Special Award of the Chinese Brand of the Year 2013” by the World Brand Laboratory;
- Ranking 2nd in the jewellery category of the “China’s 500 Most Valuable Brands” with brand value amounting to RMB14.32 billion.

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 in Greater China and other regions.

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

OUTLOOK

On top of boosting the branding position, the development of the sales network is also critical. The Group planned to launch three to five new stores in Hong Kong and Macau this year. As for Mainland China, expansion plan is targeted to the second-and third-tier cities, aiming to grow the total number of our branded shops in the country at 15% per year. Besides, we will strive to diversify our other sales channels, including online sales platform, and develop corporate gift business.

The rapid development of the network in Mainland China, Hong Kong and Macau can generate continuous momentum for the future business growth of 3D-GOLD Jewellery, thus realising better returns for shareholders and investors of HKRH.

INVESTOR RELATION

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

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

Management Discussion and Analysis

OTHERS

Liquidity, Financial Resources and Capital Structure

The Group centralizes funding for all its operations through the corporate treasury based in Hong Kong. As at 30 June 2014, the Group had total cash and cash equivalents amounting to HK\$790 million (30 June 2013: HK\$425 million) whilst net assets were HK\$686 million (30 June 2013: HK\$637 million). The Group's net gearing ratio as at 30 June 2014 was 57% (30 June 2013: 84%), being a ratio of total borrowing of HK\$1,181 million (30 June 2013: HK\$958 million) less pledged bank deposits and bank balances and cash of HK\$790 million (30 June 2013: HK\$425million) to total equity of HK\$686 million (30 June 2013: HK\$637 million). After taking into account the gold inventories of HK\$358 million (30 June 2013: HK\$394 million), the Group's adjusted net gearing ratio as at 30 June 2014 was 5% (30 June 2013: 22%), being a ratio of total borrowing less pledged bank deposits, bank balances and cash and gold inventories to total equity. As at 30 June 2014, the Group has available unutilized revolving banking facilities of HK\$166 million (30 June 2013: HK\$9 million).

Capital Commitments and Contingent Liabilities

Capital commitments and contingent liabilities of the Group as at 30 June 2014 are set out in notes 32 and 37 to the consolidated financial statements.

Pledged of Assets

Pledged of assets of the Group as at 30 June 2014 are set out in note 34 to the consolidated financial statements.

Financial Risk and Exposure

Except for the financial derivatives set out in notes 21, 24, and 27 to the consolidation 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 2014.

Employees and Remuneration Policy

As at 30 June 2014, the Group had 1,742 employees (2013: 2,170). The Group's remuneration policy is periodically reviewed by the Remuneration Committee and the Board. Remuneration is determined by reference to market conditions, company performance, and individual qualifications and performance.

Environmental, Social and Governance Report

Background of ESG reporting

Hong Kong Resources Holdings Company Limited (“HKRH” or the “Company”) is a listed company on the main board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”), with stock code 2882. The Board of HKRH recognizes the importance of having a good standard of corporate governance and maintaining an effective corporate governance framework which in turn will enhance the reputation of the Company and its subsidiaries (together, the “Group”). It has also supported and committed to a full range of Corporate Social Responsibilities (“CSR”) activities taking our Environmental, Social and Governance (“ESG”) standards to the next higher level, within the Group. Our strategy is to strengthen the infrastructure, internal engagements and external partnerships to create true and tangible values to our stakeholders through our ESG program.

Stakeholders’ analysis

Highly recommended by the Stock Exchange for stakeholders’ participation, the Company invited almost 100 stakeholders of the Company, including staff, customers, investors, franchisees, suppliers and service providers to participate in our ESG survey, expressing their views and feedbacks on the Company’s ESG development and strategy.

With the result of the survey, we recognized that “Corporate Governance” is the most concerned areas for participants, followed with “Human Resources”, which is tightly associated with the quality of people in the Company, and “Environmental Protection” and “Social Involvement” followed.

Below is the ESG survey with stakeholders’ analysis:

	Corporate Governance	Environmental Protection	Human Resources	Social Involvement
Average Total:	4.6	3.8	4.4	3.5
1) Staff	4.6	4.0	4.6	3.7
2) Customers	4.1	3.7	3.7	3.5
3) Investors	4.8	3.7	4.4	3.5
4) Franchisees	4.9	3.8	4.9	3.5
5) Suppliers	4.4	3.4	4.2	3.1
6) Service providers	4.6	4.2	4.5	3.7

Note: Maximum 5 points; 1 point: not important; 5 points: very important.

Governance and Compliance as the Basis

Based on the firmly rooted philosophy of strict compliance with law and regulations, HKRH has established a modern corporate governance structure with the Board of Directors and a number of Board Committees set up, including Audit Committee, Nomination Committee, Remuneration Committee and Corporate Governance Committee, each has its own clear defined terms of reference to undertake its own responsibilities, execute check and balance independent operations.

General Meetings

Shareholders’ right of getting information, speaking, inquiry and voting are fully safeguarded during the general meetings of the Company. Generally, the Company holds general meetings in its Hong Kong operational office in Hunghom. Location is easily accessible by shareholders. Voting at the general meetings is made under the supervision of Tricor Tengis Limited, a professional corporate and investor services company. A communication channel for public enquiries is also available in the corporate website of HKRH under the Company’s Shareholders Communication Policy.



Board of Directors

The current Board of the Company comprises 7 members, including 2 female directors. The board members are well diversified considering a numbers of factors, including but not limited to gender, age, cultural and educational background and professional experience, and taking into account the Company's business model and special needs. Directors of the Company have extensive practical experience in macro economy, corporate finance and accounting, legal affairs and strategic management, which ensures the practical and effective decision-making of the Board. The independent non-executive directors are also fully aware of the necessary requirements to ensure their effective fulfillment of duties.

Board Committees

The Board has set up six Committees. Each Committee performs different and unique functions in operation and supervision for the Company with independent decision making ability. The Company engages independent auditors to audit its financial statements and the internal control areas in relation to the preparation of financial statements, and has been improving the overall risk management system to effectively avoid the conflict of interests among the corporate governance bodies.

Staff Development and Personal Growth

HKRH believes that people are its most valuable asset to the Company. We engage our staff with trainings and career development opportunities. HKRH strives to be a caring employer and encourages work-life balance, and communicates with staff to enhance their sense of belonging and morale.

The Group's training goals are to support organizational development, facilitate team synergy and enhance individual competence. During the year, a wide range of trainings are being provided for staff attendance, including topics on industrial knowledge, marketing strategies, corporate social responsibilities, rules and regulations, moral development, management skills and more. The Group has established an education subsidy for encouraging our staff to pursue continuing education.

Community Participation

The Group strives to work for the sustainable development of Hong Kong and make positive contributions to the community. The Group promotes a healthy and active lifestyle in the community through participation in charitable events and forming its own volunteer team. Throughout the years, the Group has actively supported a variety of charity and community programs, and it continues to work hand-in-hand with its staff to make meaningful contributions to society.

Environmental, Social and Governance Report

During the year, the Group has participated the following social community services and charity activities to discharge our corporate social responsibilities. Some highlights are as follows:

- **Awarded “Caring Company 2010-14”** by The Hong Kong Council of Social Service (“HKCSS”) and “Heart to Heart Company 2010-2014” by the Hong Kong Federation of Youth Groups. The Caring Company Scheme was launched by HKCSS in 2002, which aims at cultivating good corporate citizenship. It is specifically geared to building strategic partnerships among businesses and non-profit organizations to create a more cohesive society.
- **Sponsored “3D-GOLD Jewellery presents: Vivian Lai Shui Yan “All For Love Charity Concert”** (「金至尊珠寶呈獻：黎瑞恩 All For Love 慈善演唱會」) to raise funds for Banyan Elderly Services Association. The association was established by a group of volunteers and strives to serve the elderly who are living alone, in order to provide practical services to those elderly living in buildings which are affected by clearance projects and assist those with financial problems to apply for government financial assistance. The concert also aims to raise funds for the Hong Kong Association of the Deaf, which helps the hearing-impaired to develop their skills and encourage them to relate and contribute to society.
- **Arranged regular blood donation activities** in Hong Kong and Macau. The Hong Kong Red Cross began its voluntary, non-remunerated blood donation program in 1952. Currently, the Hong Kong Red Cross Blood Transfusion Service is the only public institution providing blood to all hospitals, public and private, in Hong Kong.
- **Participated in donation and charity programs organized by community services organizations, including St. James’ Settlement and The Salvation Army.** St. James’ Settlement serves the community and needy, including kids, youngsters, families, mentally retarded people and elderly. They provide both community supports to residential care, from healthy to disabled persons’ services, serving more than 10,000 times of people in Hong Kong every day.
- **Established a corporate volunteer team** actively joining and participating in various kind of social services activities, including elderly visits, child visits, flag selling, charity walk, and more.



Environmental Protection and Emission

During the year, the Company was awarded the “Green Office” labeling from World Green Organization (“WGO”) and “Better World Company” labeling by the core supporting organisation of this scheme, Junior Chamber International (“JCI”). Both labels are awarded subjected to strict assessments of the green organizations.

The Group does not operate any industrial production or have any factory facilities. Given the major businesses of the Group is being jewellery retailing in different geographical areas, the major gas emission of the Group is arising from transportation and electricity usage. Our activities of business operations have no significant impacts on the environment and natural resources.

The Company has appointed the British Standards Institution to conduct a carbon audit to calculate direct emissions from sources and removals that are owned or controlled by the Company (Scope 1), energy indirect emissions from imports of electricity purchased by the Company (Scope 2) and other indirect emissions (Scope 3) for the headquarters of the Company in Hong Kong and the PRC. The reporting period is the year from 1 January 2013 to 31 December 2013.



Environmental, Social and Governance Report

A summary of green house gas emission is as follows:

Hong Kong headquarter with gross floor area of approximately 1,865 square meter

	Scope 1	Scope 2	Scope 3	Removal	Total
Emissions (tones of CO ₂ - equivalent)	19.89	11.43	2.14	0	33.47
Proportion (%)	59.43%	34.16%	6.41%	0	100%

PRC headquarter with gross floor area of approximately 7,788 square meter

	Scope 1	Scope 2	Scope 3	Removal	Total
Emissions (tones of CO ₂ - equivalent)	59.78	71.1	N/A	0	130.88
Proportion (%)	46%	54%	N/A	0	100%

EXECUTIVE DIRECTORS

Dr. Wong, Kennedy Ying Ho, BBS, J.P., Chairman, aged 51, 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 Asia Cement (China) Holdings Corporation (Stock Code: 743), Bank of Beijing Company Limited (SSE Code: 601169), China Overseas Land & Investment Limited (Stock Code: 688), Goldlion Holdings Limited (Stock Code: 533), Shanghai Industrial Urban Development Group Limited (Stock Code: 563), Times Property Holdings Limited (Stock Code: 1233) and Bohai Industrial Investment Fund Management Company Limited, all are listed companies or multi-national companies with substantial investments in the People's Republic of China or Asia.

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

Mr. Lam Kwok Hing, Wilfred, J.P., aged 55, 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 chairman and executive director of Chinese Strategic Holdings Limited (Stock Code: 8089), the non-executive director of The Hong Kong Building and Loan Agency Limited (Stock Code: 145) and the independent non-executive director of PME Group Limited (Stock Code: 379). Mr. Lam was a director (appointed as an independent non-executive director on 13 May 2009, re-designated to a non-executive director on 3 February 2010, appointed as a non-executive vice-chairman on 5 August 2010 and resigned on 11 July 2014) of National Arts Entertainment and Culture Group Limited (Stock Code: 8228) from 13 May 2009 to 11 July 2014. Mr. Lam was an independent non-executive director of Value Convergence Holdings Limited (Stock Code: 821) from 4 January 2010 to 30 May 2013. All of these companies are listed on the Stock Exchange of Hong Kong Limited.

Ms. Wong Wing Yan, Ella, aged 37, 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.

Mr. Cheung Pak To, Patrick, BBS, aged 65, joined the company as a Group Director of Administration on 1 June 2009 and was appointed as an Executive Director on 15 November 2012. Mr. Cheung holds a master's degree in public administration from the University of Hong Kong of which he is a distinguished alumnus. Mr. Cheung's extensive administrative management and discipline enforcement experience was gained during his 21 years as a UK Government civilian officer employed in Hong Kong up to 1989 and subsequently during his 20 years with the Securities and Futures Commission Hong Kong. On the social and community responsibilities front, Mr. Cheung was a devoted volunteer officer in the Hong Kong Civil Aid Service for 30 years during which he was appointed as honorary Aide-de-Camp to Governors Lord Wilson and Mr. Christopher Patten; and Chief Executive Mr. Tung chee-hwa for 10 consecutive years from 1990 to 1999. Mr. Cheung achieved the rank of Assistant Commissioner in the Hong Kong Civil Aid Service and was awarded the Bronze Bauhinia Star by the HKSAR in 2003.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Fan, Anthony Ren Da, aged 54, was appointed as an Independent Non-executive Director on 30 September 2008. Mr. Fan holds a master degree of business administration from the United States. He is the chairman and managing director of AsiaLink Capital Limited. Prior to that, he held senior positions with various international financial institutions and was the managing director of a company listed on the Stock Exchange of Hong Kong Limited. Mr. Fan is an independent non-executive director of Uni-President China Holdings Ltd. (Stock Code: 220), Citic Resources Holdings Limited (Stock Code: 1205), Shanghai Industrial Urban Development Group Limited (Stock Code: 563), Renhe Commercial Holdings Company Ltd. (Stock Code: 1387), Technovator International Limited (Stock Code: 1206), Guodian Technology & Environment Group Corporation Limited (Stock Code: 1296), Tenfu Cayman Holdings Ltd. (Stock Code: 6868), China Development Bank International Investment Limited (Stock Code: 1062), LT Commercial Real Estate Limited (Stock Code: 112), Raymond Industrial Limited (Stock Code: 229), CGN Meiya Power Holdings Co., Ltd. (Stock Code: 1811) and Neo-Neon Holdings Limited (Stock Code: 1868), all listed on the main board of the Stock Exchange of Hong Kong Limited.

Ms. Estella Yi Kum Ng, aged 57, was appointed as an Independent Non-executive Director on 30 September 2008. From January 2008 to April 2014, Ms. Ng was the chief financial officer of Country Garden Holdings Company Limited (Stock Code: 2007), a company listed on the Stock Exchange of Hong Kong Limited. From September 2005 to November 2007, she was an executive director of Hang Lung Properties Limited (Stock Code: 101), a company listed on the Stock Exchange of Hong Kong Limited. Prior to her joining to Hang Lung Properties Limited in 2003, she was employed by the Stock Exchange of Hong Kong Limited in a number of senior positions, most recently as senior vice president of the listing division. Prior to that, she gained valuable auditing experience with Deloitte Touche Tohmatsu. Ms. Ng is a qualified accountant and holds a master of business administration degree from the Hong Kong University of Science and Technology. She is an associate of the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Secretaries and Administrators and a fellow of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. She has also contributed her time to public service appointment including being a co-opted member of the audit committee of the Hospital Authority up to November 2013. Ms. Ng is an independent non-executive director of Tianjin Development Holdings Limited (Stock Code: 882) and China Power New Energy Development Company Limited (Stock Code: 735), both are listed on the Stock Exchange of Hong Kong Limited. Also, Ms. Ng is an independent non-executive director of China Mobile Games and Entertainment Group Limited, a company listed on the Nasdaq Exchange in U.S.A.

Mr. Wong Kam Wing, aged 64, 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 Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The Company principally complied with the CG Code throughout the year ended 30 June 2014, except for the following deviations:

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules. All directors of the Company (the "**Director(s)**") have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the Year.

Corporate Governance Report

BOARD OF DIRECTORS

The Board comprises the following Directors during the Year and up to the date of this annual report. Brief profiles of the Directors are set out on pages 19 and 20 of this annual report. During the Year, 9 board meetings were held and the attendance of each Director is set out below:

Executive Directors	Attendance
Dr. Wong, Kennedy Ying Ho, <i>Chairman</i>	9/9
Mr. Lam Kwok Hing, Wilfred	9/9
Ms. Wong Wing Yan, Ella	9/9
Mr. Cheung Pak To, Patrick	9/9
Non-executive Director	
Dr. Hui Ho Ming, Herbert (<i>deceased on 30 August 2014</i>)	9/9
Independent Non-executive Directors	
Mr. Fan, Anthony Ren Da	9/9
Ms. Estella Yi Kum Ng	9/9
Mr. Wong Kam Wing	9/9

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

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

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

The Directors have been informed of the requirement under CG Code A.6.5 regarding continuous professional development. The Company has received from each of the directors, including Dr. Wong, Kennedy Ying Ho, Mr. Lam Kwok Hing, Wilfred, Ms. Wong Wing Yan, Ella, Mr. Cheung Pak To, Patrick, 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.

Corporate Governance Report

BOARD COMMITTEES

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

REMUNERATION COMMITTEE

The Remuneration Committee comprises the following Directors during the Year and up to the date of this annual report. During the Year, 3 Remuneration Committee meetings were held and the attendance of each member is set out below:

Remuneration Committee	Attendance
Independent Non-executive Directors	
Mr. Fan, Anthony Ren Da, <i>Chairman</i>	3/3
Ms. Estella Yi Kum Ng	3/3
Mr. Wong Kam Wing	3/3
Executive Directors	
Dr. Wong, Kennedy Ying Ho	3/3

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

During the Year, the Remuneration Committee had reviewed and approved matters relating to the salaries and bonus of the executive directors and senior management, after assessing the individual performance and in consultation with the proposals of the Chairman of the Company.

Corporate Governance Report

NOMINATION COMMITTEE

The Nomination Committee comprises the following Directors during the Year and up to the date of this annual report. During the Year, 1 Nomination Committee meeting were held and the attendance of each member is set out below:

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

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

During the Year, the Nomination Committee had considered matters relating to the structure, size and composition of the Board, and the re-election of retiring directors at the 2013 annual general meeting of the Company.

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

AUDIT COMMITTEE

The Audit Committee comprises the following Directors during the Year and up to the date of this annual report. During the Year, 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, <i>Chairman</i>	2/2
Mr. Fan, Anthony Ren Da	2/2
Mr. Wong Kam Wing	2/2
Non-executive Director	
Dr. Hui Ho Ming, Herbert (<i>deceased on 30 August 2014</i>)	2/2

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

Corporate Governance Report

During the Year, the Audit Committee had:

- (i) reviewed the Group's annual report for the year ended 30 June 2013 and the Group's interim report for the 6 months ended 31 December 2013 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 2014.

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee comprises the following Directors and the Company Secretary during the Year and up to the date of this annual report. During the Year, 2 Corporate Governance Committee meetings were held and the attendance of each member is set out below:

Corporate Governance Committee	Attendance
Executive Directors	
Mr. Lam Kwok Hing, Wilfred (<i>resigned on 1 January 2014</i>)	2/2
Mr. Cheung Pak To, Patrick	1/2
Ms. Wong Wing Yan, Ella (<i>appointed on 26 September 2014</i>)	N/A
Non-executive Director	
Dr. Hui Ho Ming, Herbert (<i>deceased on 30 August 2014</i>)	2/2
Independent Non-executive Directors	
Ms. Estella Yi Kum Ng, <i>Chairman</i>	2/2
Mr. Wong Kam Wing (<i>appointed on 26 September 2014</i>)	N/A
Company Secretary	
Mr. Fu Yat Ming (<i>appointed on 26 September 2014</i>)	N/A

The main duties of the Corporate Governance Committee are to (i) introduce, endorse and review the corporate governance procedures and policies of the Company and to ensure that they are up to date and are in compliance with best practices prevailing in the market; (ii) provide regular training sessions on corporate governance, ethics and product ownership to ensure employees' awareness and to provide up-to-date knowledge on corporate governance standards; and (iii) set standards and make recommendations on the Group's environmental, social and governance policies, and to issue reports on related topics.

Corporate Governance Report

During the Year, the Corporate Governance Committee had:

- (i) recommended the environmental, social and governance policy for the Group;
- (ii) organized training for both directors and staff on the environmental, social and governance policy and provided up-to-date knowledge on corporate governance standards; and
- (iii) reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

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 and Mr. Chui, as at the date of this report, no charges had been laid by the ICAC against any of the aforesaid persons, the Company or the Company's past or existing directors, substantial shareholders and/or employees of the Company.

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

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

Corporate Governance Report

AUDITOR'S REMUNERATION

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

Auditor	Services rendered	Fees
		paid/payable HK\$'000
Deloitte Touche Tohmatsu	Audit services	2,030
Deloitte Touche Tohmatsu	Non-audit services	1,608

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 former company secretary of the Company, Mr. Wong Sui Wah Michael, was 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, was the primary contact person at the Company. Mr. Wong Sui Wah Michael has passed away on 10 January 2014. Mr. Fu Yat Ming was appointed as the company secretary of the Company on 29 January 2014. Mr. Fu is an employee of the Company.

SHAREHOLDERS' RIGHTS

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

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

Shareholders may send their enquires to the Board by post to Units 1701-11, 17/F., Peninsula Square, No. 18 Sung On Street, Hunghom, Kowloon, Hong Kong to the attention of the Board of Directors.

INVESTOR RELATIONS

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

Directors' Report

The directors of the Company (the “Directors”) present their annual report and audited consolidated financial statements of the Company and of the Group for the year ended 30 June 2014 (the “Year”).

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries are set out in note 42 to the consolidated financial statements.

RESULTS, DIVIDEND AND OTHER DISTRIBUTION

The results of the Group for the year ended 30 June 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 38.

The Board has resolved not to recommend a final dividend in respect of the year ended 30 June 2014 to the holders of ordinary shares of the Company.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements during the Year in the share capital of the Company are set out in note 29 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity and note 41 to the consolidated financial statements.

DIRECTORS

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

Executive Directors

Dr. Wong, Kennedy Ying Ho
Mr. Lam Kwok Hing, Wilfred
Ms. Wong Wing Yan, Ella
Mr. Cheung Pak To, Patrick

Non-executive Director

Dr. Hui Ho Ming, Herbert *(deceased on 30 August 2014)*

Independent Non-executive Directors

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

Directors' Report

In accordance with the Company's bye-laws, Mr. Lam Kwok Hing, Wilfred, Ms. Wong Wing Yan, Ella and Ms. Estella Yi Kum Ng shall retire from office at the forthcoming annual general meeting and, being eligible, offers themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

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

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

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

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

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

At 30 June 2014, 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:

Directors' Report

(a) Long positions in shares

Name of director	Number of ordinary shares			Total	% of issued ordinary shares
	Personal interests	Family interests	Corporate interests		
Executive Directors					
Dr. Wong, Kennedy Ying Ho	118,840,122	336,000 (Note a)	840,494,354 (Note b)	959,670,476	30.10%
Mr. Lam Kwok Hing, Wilfred	–	560,000 (Note c)	–	560,000	0.02%
Ms. Wong Wing Yan, Ella	88,000	200,500 (Note d)	–	288,500	0.01%
Mr. Cheung Pak To, Patrick	–	–	–	–	–
Non-executive Director					
Dr. Hui Ho Ming, Herbert	19,271,900	–	–	19,271,900	0.60%
Independent Non-executive Directors					
Mr. Fan, Anthony Ren Da	–	–	–	–	–
Ms. Estella Yi Kum Ng	–	–	–	–	–
Mr. Wong Kam Wing	5,371	–	–	5,371	0.00%

Notes:

- (a) The shares are held by the spouse of Dr. Wong, Kennedy Ying Ho ("Dr Wong").
- (b) Of the 840,494,354 shares, 757,703,752 shares are held by Perfect Ace Investments Limited ("Perfect Ace") and 82,790,602 shares are held by Limin Corporation. Perfect Ace is wholly-owned by Ying Ho (Nominees) Limited ("YH Nominees"). YH Nominees holds 100% in trust for Limin Corporation which is wholly-owned by Dr. Wong.
- (c) The shares are held by the spouse of Mr. Lam Kwok Hing, Wilfred.
- (d) The shares are held by the spouse of Ms. Wong Wing Yan, Ella.

Directors' Report

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

Name of Directors	Capacity	Number of shares interested	% of issued ordinary shares
Executive Directors			
Dr. Wong, Kennedy Ying Ho	Beneficial owner (Note a)	457,437	0.01%
	Beneficial owner (Note b)	1,163,380	0.04%
	Family interests (Note c)	24,000	0.00%
	Controlled corporation (Note d)	34,983,067	1.10%
Mr. Lam Kwok Hing, Wilfred	Beneficial owner (Note b)	12,398,591	0.39%
	Family interests (Note e)	40,000	0.00%
Ms. Wong Wing Yan, Ella	Beneficial owner (Note b)	11,816,901	0.37%
Mr. Cheung Pak To, Patrick	Beneficial owner (Note b)	6,581,690	0.21%
Non-executive Director			
Dr. Hui Ho Ming, Herbert	Beneficial owner (Note b)	4,163,380	0.13%
Independent Non-executive Directors			
Mr. Fan, Anthony Ren Da	Beneficial owner (Note b)	2,441,942	0.08%
Ms. Estella Yi Kum Ng	Beneficial owner (Note b)	2,441,942	0.08%
Mr. Wong Kam Wing	Beneficial owner (Note b)	1,916,338	0.06%
	Beneficial owner (Note f)	383	0.00%

Notes:

- (a) These derivatives represent the 457,437 bonus warrant shares underlying the bonus warrants held by Dr. Wong.
- (b) All interests above are in the form of share options of the Company.
- (c) These derivatives represent the 24,000 bonus warrant shares underlying the bonus warrants held by the spouse of Dr. Wong.
- (d) These derivatives represent the 34,983,067 bonus warrant shares underlying the bonus warrants held by Perfect Ace. Dr. Wong was deemed to be interested in these derivatives through his controlling interests in Perfect Ace.
- (e) These derivatives represent the 40,000 bonus warrant shares underlying the bonus warrants held by the spouse of Mr. Lam Kwok Hing, Wilfred.
- (f) These derivatives represent the 383 bonus warrant shares underlying the bonus warrants held by Mr. Wong Kam Wing.

Saved as disclosed above, none of the directors, chief executives nor their associates had any interests or short positions in any shares or debentures of the Company or any of its associated corporation at 30 June 2014.

Directors' Report

SHARE OPTIONS

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than option holdings disclosed above, at no time during the Year was the Company or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2014, 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 issued ordinary shares
Perfect Ace Investments Limited	Beneficial owner (Note a)	757,703,752	23.76%
Limin Corporation	Beneficial owner (Note a)	82,790,602	2.60%
Dr. Liu Wangzhi	Corporate interest (Note b)	186,874,847	5.86%
	Beneficial owner	15,556,000	0.49%
Mr. Wen Jialong	Beneficial owner	175,861,957	5.52%
Mr. Yu Pan	Beneficial owner	165,000,000	5.17%
Mr. Wong Wai Sheung	Beneficial owner	5,831,430	0.18%
	Corporate interest (Note c)	45,000,000	1.41%
Mr. Chan Wai	Beneficial owner	1,000,000	0.03%
	Family interest	100,000	0.00%
	Corporate interest (Note c)	45,000,000	1.41%
Mr. Tse Moon Chuen	Beneficial owner	200,000	0.01%
	Corporate interest (Note c)	45,000,000	1.41%
Mr. Wong Koon Cheung	Corporate interest (Note c)	45,000,000	1.41%
Mr. Lee Shu Kuan	Corporate interest (Note c)	45,000,000	1.41%
Kwai Kee Cheung Jewellery & Goldsmith Company Limited	Corporate interest (Note c)	45,000,000	1.41%
Luk Fook (Control) Limited	Corporate interest (Note c)	45,000,000	1.41%
Luk Fook Holdings (International) Limited	Corporate interest (Note c)	45,000,000	1.41%

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) 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.

Directors' Report

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

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

Name of substantial shareholders	Capacity	Number of shares interested	% of issued ordinary shares
Perfect Ace Investments Limited	Beneficial owner (Notes a & b)	34,983,067	1.10%
Dr. Liu Wangzhi	Corporate interest (Note c)	7,500,000	0.24%
Mr. Wen Jialong	Beneficial owner (Note d)	11,776,489	0.37%
	Beneficial owner (Note e)	20,000,000	0.63%
Mr. Wong Wai Sheung	Corporate interest (Note f)	317,111,111	9.95%
Mr. Chan Wai	Corporate interest (Note f)	317,111,111	9.95%
Mr. Tse Moon Chuen	Corporate interest (Note f)	317,111,111	9.95%
Mr. Wong Koon Cheung	Corporate interest (Note f)	317,111,111	9.95%
Mr. Lee Shu Kuan	Corporate interest (Note f)	317,111,111	9.95%
Kwai Kee Cheung Jewellery & Goldsmith Company Limited	Corporate interest (Note f)	317,111,111	9.95%
Luk Fook (Control) Limited	Corporate interest (Note f)	317,111,111	9.95%
Luk Fook Holdings (International) Limited	Corporate interest (Note f)	317,111,111	9.95%
Luk Fook 3D Management Company Limited	Beneficial owner (Note f)	317,111,111	9.95%

Notes:

- (a) These derivatives represent the 34,983,067 bonus warrant shares underlying the bonus warrants held by Perfect Ace.
- (b) Please refer to the bonus warrant shares underlying the bonus warrants held by Dr. Wong as disclosed under the "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" section above.
- (c) These derivatives represent the 7,500,000 bonus warrant shares underlying the bonus warrants held by Ming Feng. Ming Feng is owned as to 49% by Ms. Chan, the spouse of Dr. Liu and 51% by Dr. Liu. Ms. Chan holds 49% shares in trust for Dr. Liu. As such, Dr. Liu is deemed to have interest in all the shares in Ming Feng.
- (d) These derivatives represent the 11,776,489 bonus warrant shares underlying the bonus warrants held by Mr. Wen Jialong.
- (e) These derivatives are in the form of share options of the Company held by Mr. Wen Jialong.
- (f) The corporate interest represents the same lot of convertible bond held by Luk Fook 3D Management Company Limited convertible into shares of the Company. Luk Fook 3D Management Company Limited is wholly owned by Luk Fook Investment (B.V.I.) Limited. Luk Fook Investment (B.V.I.) Limited is wholly owned by Luk Fook Holdings (International) Limited. Luk Fook (Control) Limited controls over one-third of the voting power of Luk Fook Holdings (International) Limited. Mr. Wong Wai Sheung is a discretionary beneficiary of the Trust. The Trust is the beneficial owner of the entire issued share capital of Kwai Kee Cheung Jewellery & Goldsmith Company Limited which controls over one-third of the voting power of Luk Fook (Control) Limited. Mr. Wong Wai Sheung, Mr. Chan Wai, Mr. Tse Moon Chuen, Mr. Wong Koon Cheung and the administrator of Mr. Lee Shu Kuan collectively control (directly or indirectly) over one-half of the voting power of Luk Fook (Control) Limited. Accordingly, Mr. Wong Wai Sheung, Mr. Chan Wai, Mr. Tse Moon Chuen, Mr. Wong Koon Cheung, the administrator of Mr. Lee Shu Kuan, Kwai Kee Cheung Jewellery & Goldsmith Company Limited, Luk Fook (Control) Limited and Luk Fook Holdings (International) Limited are deemed to be interested in the convertible bond held by Luk Fook 3D Management Company Limited.

Saved as disclosed above, the Company had not been notified of any other relevant interests or short positions in the issued share capital of the Company at 30 June 2014.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company, its fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Year.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

CONNECTED TRANSACTION

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

On 23 August 2013, Great Tactic Limited ("Great Tactic"), a subsidiary of the Company, entered into a consultancy and support agreement with Hallow King Global Investments Limited ("Hallow King"), pursuant to which Great Tactic has agreed to provide consultancy and support services to Hallow King for its real estate development and investment business in the Hubei Province at a service fee of RMB20,000,000 for a term of one year.

Hallow King is a company wholly owned by Mr. Wen Jialong ("Mr. Wen"), who is a shareholder of the Company and a director of two subsidiaries of the Company. In addition, Cancare Group (H.K.) Limited, a company which is beneficially owned as to 84% by Mr. Wen and 16% by the spouse of Mr. Wen, is interested in 30% of the issued share capital of 3D-GOLD Business Development Limited (a subsidiary owned as to 70% indirectly by the Company). As such, Hallow King and Mr. Wen are considered to be connected persons of the Company and the consultancy and support agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Details of the above are set out in the announcement of the Company dated 23 August 2013.

CONTINUING CONNECTED TRANSACTIONS

On 5 July 2013, the Company entered into a legal services agreement with Philip K.H. Wong, Kennedy Y.H. Wong & Co. ("PWKW"), whereby PWKW shall provide secretariat and legal services to the Group for a term of three years from 1 April 2013 to 31 March 2016 for a fee of not more than HK\$5,000,000 for each year during the term. During the Year, the fee charged by PWKW to the Company pursuant to the legal services agreement was approximately HK\$2,134,000. PWKW is a law firm of which Dr. Wong is one of the founders and the managing partner. The above transaction is regarded as a continuing connected transaction pursuant to Chapter 14A of the Listing Rules. Details of the above are set out in the announcement of the Company dated 5 July 2013.

On 6 June 2014, China Gold Silver Group Company Limited ("CGS") and Maxigood Enterprises Limited ("Maxigood") entered into a framework agreement for supply of goods ("Supply Agreement"), pursuant to which Maxigood shall sell to CGS, and CGS shall purchase from Maxigood, raw materials and/or finished goods in respect of platinum and gold jewellerys and gold ornaments, gem-set jewellerys, jadeites, gemstones and other accessory items for a term of the period from 6 June 2014 to 30 June 2016. The maximum annual amount of consideration payable by CGS to Maxigood under the Supply Agreement shall be HK\$260,000,000, HK\$520,000,000 and HK\$780,000,000 for each of the three years ending 30 June 2014, 2015, and 2016, respectively. During the period from 6 June 2014 to 30 June 2014, the purchases of CGS and its subsidiaries from Maxigood and its associates pursuant to the Supply Agreement amounted to approximately HK\$4,055,000. CGS is owned as to 50% by each of the Company and Luk Fook 3D Management Company Limited

Directors' Report

("Luk Fook"), and is accounted for as a subsidiary of the Company. Luk Fook and Maxigood are wholly-owned subsidiaries of Luk Fook Holdings (International) Limited ("Luk Fook Holdings"). As such, Luk Fook, Luk Fook Holdings and Maxigood are connected persons of the Company and the Supply Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. Details of the above are set out in the announcements of the Company dated 28 January 2014 and 6 June 2014.

On 6 June 2014, 3D-GOLD Management Services Limited ("3DM"), a wholly owned subsidiary of CGS, and Luk Fook entered into a competitiveness enhancement agreement ("Competitiveness Enhancement Agreement"), pursuant to which Luk Fook shall provide to CGS and its subsidiaries ("CGS Group") such services and assistance that enhance and improve operation efficiency and competitiveness, and improve product quality and standards of the businesses of the CGS Group, being the trading and sale of gold, platinum and jewellery products in Hong Kong, Macau and Mainland China through retailing, franchising and e-commerce under the brand names of "3D-GOLD", 「金至尊」, "La Milky Way" and 「銀河明星」 and other brand(s) currently owned or licensed to the CGS Group, and such other business or activities, brand(s) and territories as the shareholders of CGS may agree from time to time for a term of the period from 6 June 2014 to 30 June 2016. The maximum annual service fee payable by 3DM to Luk Fook pursuant to the Competitiveness Enhancement Agreement shall be no more than HK\$2,500,000, HK\$10,000,000 and HK\$10,000,000 for each of the three years ending 30 June 2014, 2015, and 2016, respectively. During the period from 6 June 2014 to 30 June 2014, the fee charged by Luk Fook to 3DM pursuant to the Competitiveness Enhancement Agreement was nil. The Competitiveness Enhancement Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. Details of the above are set out in the announcements of the Company dated 28 January 2014 and 6 June 2014.

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.56. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

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

EMOLUMENT POLICY

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

The Company has adopted a share option scheme for the purpose of providing incentive to eligible persons for their contribution or potential contribution to the Group. Details of the scheme are set out in note 30 to the consolidated financial statements.

REMUNERATION PAYABLE TO MEMBERS OF SENIOR MANAGEMENT

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

PRE-EMPTIVE RIGHTS

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

Directors' Report

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 2014.

CHARITABLE DONATIONS

During the Year, the Group made charitable donations amounting to approximately HK\$1 million.

MAJOR CUSTOMERS AND SUPPLIERS

For the Year, 73% of the total purchases were gold purchased from Shanghai Gold Exchange and the five largest suppliers of the Group accounted for 91% of the Group's purchases.

Aggregate sales attributable to the Group's five largest customers were less than 7% of the total turnover.

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

EXPOSURE TO BORROWERS AND OTHER SPECIFIC CIRCUMSTANCES THAT REQUIRE DISCLOSURE

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

AUDITORS

The consolidated financial statements for the year ended 30 June 2014 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 2014

Independent Auditor's Report



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 38 to 129, which comprise the consolidated statement of financial position as at 30 June 2014, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS’ RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR’S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 30 June 2014 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 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2014

	NOTES	2014 HK\$'000	2013 HK\$'000
Turnover	5(a)	1,561,659	2,886,550
Cost of sales		(1,183,460)	(2,278,645)
Gross profit		378,199	607,905
Other income	6	45,285	22,475
Selling expenses		(368,511)	(464,090)
General and administrative expenses		(146,576)	(136,436)
Equity-settled share-based payments	30(b)	(2,606)	(4,335)
Impairment loss on trade receivables recognised	14	(12,243)	(27,000)
Other operating expenses		(34,925)	(22,046)
Loss from operations		(141,377)	(23,527)
Change in fair value of derivatives embedded in convertible bonds	24(b)	7,225	428
Impairment loss on goodwill recognised	36(c)	—	(3,449)
Impairment loss on intangible assets recognised	16	(3,120)	—
Impairment loss on amount due from a joint venture recognised		—	(4,286)
Loss on remeasurement of previously held interest in an associate	36(c)	—	(3,877)
Finance costs	7	(61,693)	(64,154)
Share of results of associates		(1,302)	(3,043)
Share of results of joint ventures		(26)	(5,146)
Loss before taxation	8	(200,293)	(107,054)
Taxation	10	8,284	(8,748)
Loss for the year		(192,009)	(115,802)
Other comprehensive (expense) income:			
<i>Item that will not be reclassified to profit or loss:</i>			
Exchange difference arising on translation		(3,432)	15,248
Total comprehensive expense for the year		(195,441)	(100,554)
Loss for the year attributable to:			
Owners of the Company		(184,126)	(115,802)
Non-controlling interests		(7,883)	—
		(192,009)	(115,802)
Total comprehensive expense for the year attributable to:			
Owners of the Company		(187,558)	(100,554)
Non-controlling interests		(7,883)	—
		(195,441)	(100,554)
Loss per ordinary share	12		
Basic and diluted		(HK\$0.059)	(HK\$0.046)

Consolidated Statement of Financial Position

As at 30 June 2014

	NOTES	2014 HK\$'000	2013 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	63,845	72,570
Deposits for acquisition of property, plant and equipment		263	3,368
Other receivables and deposits paid	14	12,779	16,887
Loan to related parties	15(a)	–	98,746
Settlement options in relation to the loan to related parties	15(b)	–	26,211
Goodwill	36(a)	9,995	–
Intangible assets	16	174,718	171,186
Interest in an associate	17	–	6,217
Interests in joint ventures	18	3,513	3,539
Deferred tax assets	28	31,807	–
		296,920	398,724
Current assets			
Inventories	19	822,842	874,618
Trade and other receivables and deposits paid	14	195,720	280,736
Loan to related parties	15(a)	123,177	–
Amount due from a joint venture	20	1,963	1,442
Financial assets at fair value through profit or loss	21	10,949	–
Tax recoverable		372	10,610
Pledged bank deposits	22	431,716	302,171
Bank balances and cash	22	357,952	122,639
		1,944,691	1,592,216
Current liabilities			
Trade and other payables, accruals and deposits received	23	258,549	296,373
Amounts due to joint ventures	20	3,628	3,592
Financial liabilities at fair value through profit or loss	21	–	49,923
Convertible bonds	24(a)	–	223,910
Obligations under finance leases	25	148	232
Bank and other borrowings	26	510,162	585,329
Gold loans	27	494,329	129,059
Tax liabilities		3,209	8,293
		1,270,025	1,296,711
Net current assets		674,666	295,505
Total assets less current liabilities		971,586	694,229

Consolidated Statement of Financial Position

As at 30 June 2014

	NOTES	2014 HK\$'000	2013 HK\$'000
Non-current liabilities			
Convertible bonds	24(a)	56,470	–
Derivative financial instruments	24(b)	66,409	–
Obligations under finance leases	25	242	389
Bank and other borrowings	26	20,000	18,768
Loan from a non-controlling shareholder of a subsidiary	20	100,000	–
Deferred tax liabilities	28	42,213	37,888
		285,334	57,045
NET ASSETS		686,252	637,184
CAPITAL AND RESERVES			
Share capital	29	31,885	29,541
Reserves		423,760	611,089
Equity attributable to owners of the Company		455,645	640,630
Non-controlling interests		230,607	(3,446)
TOTAL EQUITY		686,252	637,184

The consolidated financial statements on pages 38 to 129 were approved and authorised for issue by the Board of Directors on 26 September 2014 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 2014

	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 (a))	Share option reserve HK\$'000	Warrant reserve HK\$'000	Exchange reserve HK\$'000	PRC statutory reserve HK\$'000 (Note (b))	Retained	Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
										earnings			
										(accumulated losses) HK\$'000			
At 1 July 2012	19,692	4	521,306	55,327	(213,605)	15,582	–	32,868	18,662	136,799	586,635	–	586,635
Loss for the year	–	–	–	–	–	–	–	–	–	(115,802)	(115,802)	–	(115,802)
Other comprehensive income for the year	–	–	–	–	–	–	–	15,248	–	–	15,248	–	15,248
Total comprehensive income (expense) for the year	–	–	–	–	–	–	–	15,248	–	(115,802)	(100,554)	–	(100,554)
Transfer between reserves	–	–	–	–	–	–	–	–	2,452	(2,452)	–	–	–
Equity-settled share-based payments	–	–	–	–	–	4,335	–	–	–	–	4,335	–	4,335
Lapse of share options	–	–	–	–	–	(907)	–	–	–	907	–	–	–
Issue of new shares under rights issue	7,876	–	88,439	–	–	–	21,830	–	–	–	118,145	–	118,145
Issue of new shares by way of placing of shares, net of transaction costs	1,969	–	32,943	–	–	–	–	–	–	–	34,912	–	34,912
Transaction costs attributable to issue of new shares under rights issue	–	–	(2,843)	–	–	–	–	–	–	–	(2,843)	–	(2,843)
Conversion of preference shares	4	(4)	–	–	–	–	–	–	–	–	–	–	–
Acquisition of a subsidiary (note 36(c))	–	–	–	–	–	–	–	–	–	–	–	(3,446)	(3,446)
At 30 June 2013	29,541	–	639,845	55,327	(213,605)	19,010	21,830	48,116	21,114	19,452	640,630	(3,446)	637,184

Consolidated Statement of Changes in Equity

For the year ended 30 June 2014

	Attributable to owners of the Company											Non-controlling interests	Total
	Ordinary share capital	Preference share capital	Share premium	Contributed surplus	Other reserve	Share option reserve	Warrant reserve	Exchange reserve	PRC statutory reserve	Retained earnings (accumulated losses)	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(Note (a))				(Note (b))				
Loss for the year	-	-	-	-	-	-	-	-	-	(184,126)	(184,126)	(7,883)	(192,009)
Other comprehensive expense for the year	-	-	-	-	-	-	-	(3,432)	-	-	(3,432)	-	(3,432)
Total comprehensive expense for the year	-	-	-	-	-	-	-	(3,432)	-	(184,126)	(187,558)	(7,883)	(195,441)
Transfer between reserves	-	-	-	-	-	-	-	-	4,543	(4,543)	-	-	-
Equity-settled share-based payments	-	-	-	-	-	2,606	-	-	-	-	2,606	-	2,606
Exercise of warrants	1	-	32	-	-	-	(10)	-	-	-	23	-	23
Exercise of share options	173	-	4,738	-	-	(953)	-	-	-	-	3,958	-	3,958
Lapse of share options	-	-	-	-	-	(1,901)	-	-	-	1,901	-	-	-
Issue of new shares by way of placing of shares, net of transaction costs	2,170	-	36,262	-	-	-	-	-	-	-	38,432	-	38,432
Acquisition of subsidiaries (note 36(a))	-	-	-	-	-	-	-	-	-	-	-	(9,167)	(9,167)
Acquisition of additional interest in a subsidiary (note 36(c))	-	-	-	-	(3,643)	-	-	-	-	-	(3,643)	3,643	-
Disposal of partial interest in a subsidiary (note 36(b))	-	-	-	-	(38,803)	-	-	-	-	-	(38,803)	247,460	208,657
At 30 June 2014	31,885	-	680,877	55,327	(256,051)	18,762	21,820	44,684	25,657	(167,316)	455,645	230,607	686,252

Notes:

(a) Other reserve comprises:

- an amount of HK\$213,605,000 which represents the difference between the fair value of the consideration paid and the carrying amount of the net assets attributable to the additional interest in China Gold Silver Group Company Limited ("CGS"), a subsidiary of the Company, being acquired from the non-controlling shareholders on 14 May 2010;
- an amount of HK\$3,643,000 which represents the difference between the fair value of the consideration paid and the carrying amount of the net liabilities attributable to the additional interest in Rise Rich International Limited ("Rise Rich"), a subsidiary of the Company, being acquired from the non-controlling shareholders on 31 December 2013; and
- an amount of HK\$38,803,000 in relation to the disposal of partial interest in CGS as set out in note 36(b).

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2014

	2014 HK\$'000	2013 HK\$'000
Operating activities		
Loss before taxation	(200,293)	(107,054)
Adjustments for:		
Allowances of inventories	12,106	–
Amortisation of intangible assets	473	–
Change in fair value of derivatives embedded in convertible bonds	(7,225)	(428)
Change in fair value of financial assets/liabilities at fair value through profit or loss	(24,363)	45,539
Change in fair value of gold loans	25,560	(40,733)
Depreciation of property, plant and equipment	23,821	23,699
Equity-settled share-based payments	2,606	4,335
Finance costs	61,693	64,154
Impairment loss on amount due from a joint venture recognised	–	4,286
Impairment loss on goodwill recognised	–	3,449
Impairment loss on intangible assets recognised	3,120	–
Impairment loss on other receivables recognised	2,084	1,415
Impairment loss on trade receivables recognised	12,243	27,000
Interest income	(30,818)	(6,711)
Loss on disposal of property, plant and equipment	3,805	5,056
Loss on remeasurement of previously held interest in an associate	–	3,877
Loss on exercise of settlement options	4,114	–
Share of results of associates	1,302	3,043
Share of results of joint ventures	26	5,146
Write-off of deposits for acquisition of property, plant and equipment	5,894	–
Operating cash flows before movements in working capital	(103,852)	36,073
Decrease in inventories	42,492	142,355
Decrease in trade and other receivables and deposits paid	68,650	41,541
Increase in trade and other payables, accruals and deposits received	(35,298)	(103,543)
Net (settlement) receipt on acquisition and disposal of financial assets/liabilities at fair value through profit or loss	(36,509)	6,449
Cash (used in) from operations	(64,517)	122,875
Income taxes refunded	2,497	–
Income taxes paid	(16,534)	(12,847)
Net cash (used in) from operating activities	(78,554)	110,028

Consolidated Statement of Cash Flows

For the year ended 30 June 2014

	NOTES	2014 HK\$'000	2013 HK\$'000
Investing activities			
Interest received		6,947	2,727
Purchase of property, plant and equipment		(20,777)	(18,831)
Proceeds from disposal of property, plant and equipment		1,376	1,437
Loan to related parties		–	(123,085)
Purchase of intangible assets		(141)	–
Advance to a joint venture		(485)	(3,223)
Placement of pledged bank deposits		(268,164)	(298,317)
Withdrawal of pledged bank deposits		138,847	61,875
Acquisition of a subsidiary	36(c)	–	(3,200)
Net cash used in investing activities		(142,397)	(380,617)
Financing activities			
Interest paid		(47,947)	(48,580)
Advance from a joint venture		–	3,592
Proceeds on issue of convertible bonds		95,839	–
Repayment of convertible bonds		(211,200)	(151,800)
New bank and other borrowings		382,012	392,958
Repayment of bank and other borrowings		(483,239)	(182,280)
New gold loans		476,055	169,792
Repayment of gold loans		(136,443)	(100,359)
Loan from a non-controlling shareholder of a subsidiary		100,000	–
Net cash and cash equivalent acquired from acquisition of a subsidiary	36(a)	2	1,596
Net cash and cash equivalent arising on deemed acquisitions of subsidiaries	36(a)	410	–
Consideration received from partial disposal of a subsidiary	36(b)	244,810	–
Transaction costs attributable to partial disposal of a subsidiary	36(b)	(4,000)	–
Proceeds from the issue of new shares by way of a placing		38,432	34,912
Exercise of warrants		23	–
Exercise of share options		3,958	–
Net proceeds from the issue of new shares under rights issue		–	118,145
Transaction costs attributable to issue of new shares under rights issue		–	(2,843)
Net cash from financing activities		458,712	235,133
Net increase (decrease) in cash and cash equivalents		237,761	(35,456)
Cash and cash equivalents at beginning of the year		122,639	161,614
Effect of foreign exchange rate changes		(2,448)	(3,519)
Cash and cash equivalents at end of the year, represented by bank balances and cash		357,952	122,639

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

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, Hung Hom, Kowloon, Hong Kong.

The Company acts as an investment holding company. The principal activities of the Company’s subsidiaries are set out in note 42.

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

The Company together with its subsidiaries are collectively referred to as the “Group”. All values are rounded to the nearest thousand except when otherwise indicated.

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

Application of new and revised HKFRSs

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10,	Consolidated Financial Statements, Joint Arrangements and
HKFRS 11 and HKFRS 12	Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

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

Application of new and revised HKFRSs *(Continued)*

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

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 “Consolidated Financial Statements”, HKFRS 11 “Joint Arrangements”, HKFRS 12 “Disclosure of Interests in Other Entities”, HKAS 27 (as revised in 2011) “Separate Financial Statements” and HKAS 28 (as revised in 2011) “Investments in Associates and Joint Ventures”, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 “Consolidated and Separate Financial Statements” that deal with consolidated financial statements and HK(SIC) Int-12 “Consolidation – Special Purpose Entities”. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The application of HKFRS 10 did not have significant impact on amounts reported in the consolidated financial statements.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 “Interests in Joint Ventures”, and the guidance contained in a related interpretation, HK(SIC)-Int13 “Joint ventures – Non-Monetary Contributions by Venturers”, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements-joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 contemplated three types of joint arrangements-joint ventures, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a joint venture).

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

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

Application of new and revised HKFRSs *(Continued)*

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

Impact of the application of HKFRS 11 (Continued)

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable Standards.

The directors of the Company reviewed and assessed the classification of the Group’s interests in joint arrangements in accordance with the requirements of HKFRS 11. The directors concluded that the Group’s interests in joint arrangements, which were classified as jointly controlled entities under HKAS 31 and were accounted for using the equity method, should be classified as joint ventures under HKFRS 11 and continued to be accounted for using the equity method. The application of HKFRS 11 did not have significant impact on amounts reported in the consolidated financial statements.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (please see note 42 for details).

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based Payment”, leasing transactions that are within the scope of HKAS 17 “Leases”, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

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

Application of new and revised HKFRSs (Continued)

HKFRS 13 Fair Value Measurement (Continued)

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2013 comparative period (please see note 40(c) for the 2014 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle ²
HKFRS 9	Financial Instruments ³
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ⁴
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁵
HKFRS 15	Revenue from Contracts with Customers ⁶
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁵
Amendments to HKAS 27	Equity Method in Separate Financial Statements ⁵
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ²
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ²
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets ⁴
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting ⁴
HK(IFRIC)-Int 21	Levies ⁴

¹ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

² Effective for annual periods beginning on or after 1 July 2014

³ Available for application-the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised

⁴ Effective for annual periods beginning on or after 1 January 2014

⁵ Effective for annual periods beginning on or after 1 January 2016

⁶ Effective for annual periods beginning on or after 1 January 2017

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

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

New and revised HKFRSs in issue but not yet effective *(Continued)*

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

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 of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

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

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

The significant accounting policies are set out below.

Basis of consolidation

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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

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

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's 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 interests, 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, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

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 assets or liabilities 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 acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Revenue recognition

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

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

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

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.

Property, plant and equipment

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

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

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 separately

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Internally-generated intangible assets – research and development expenditure

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

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

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

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

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

Intangible assets acquired in a business combination

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

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

Intangible assets with indefinite useful lives 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 of disposal to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

Investments in associates and joint ventures

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

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

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

Inventories

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

Foreign currencies

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

Exchange differences arising on monetary items are recognised in profit or loss in the period in which they arise.

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

Leasing

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

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessee (Continued)

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 or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received is 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 (accumulated losses).

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.

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base 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 goodwill or 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

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

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

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

Financial instruments

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL

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
- on initial recognition it is a part of a portfolio of identified 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 any gains or losses arising from remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets. Fair value is determined in the manner described in note 40(c).

Loans and receivables

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

The settlement options in relation to the loan to related parties are measured at cost less any impairment at the end of each reporting period.

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

Impairment of financial assets

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Objective evidence of impairment could include:

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

For certain categories of financial assets, 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, and observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

Gold loans, which are designated at fair value through profit or loss, and other financial liabilities at FVTPL are measured at fair value with any gain or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities. Fair value is determined in the manner described in note 40(c).

Other financial liabilities

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

Effective interest method

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Effective interest method (Continued)

Interest expense is recognised on an effective interest basis other than those financial liabilities classified as at FVTPL, of which the interest expense is excluded from net gains or losses.

Convertible bonds contain liability component and conversion option derivative

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

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

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

Embedded derivatives

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

Derecognition

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

Control over CGS

As disclosed in note 36(b), the Company disposed of its 50% equity interest in CGS to an independent third party (the "Purchaser") on 6 June 2014. Upon completion of the disposal, the Company holds a 50% equity interest in CGS, and CGS is continued to be accounted for as a subsidiary of the Company as disclosed in note 42.

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

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 goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit 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 2014, the carrying amount of goodwill is HK\$9,995,000 (2013: nil). Details of the recoverable amount calculation are disclosed in note 36(a).

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

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

Key sources of estimation uncertainty *(Continued)*

Estimated impairment of intangible assets

Determining whether intangible assets (i.e. trademarks, license, core technology and Apps) are impaired requires an estimation of the recoverable amount of these intangible assets. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the intangible assets 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 2014, the carrying amount of the Group's intangible assets is HK\$174,718,000 (2013: HK\$171,186,000).

Estimated impairment of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to changes to adverse economic conditions. As at 30 June 2014, the carrying amount of the Group's inventories is HK\$822,842,000 (2013: HK\$874,618,000).

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 30 June 2014, the carrying amount of the Group's trade receivables is HK\$85,853,000 (2013: HK\$193,407,000).

Estimated impairment of loan to related parties

As disclosed in note 15(a), the carrying amount of the loan to related parties as at 30 June 2014 is HK\$123,177,000 (2013: HK\$98,746,000). When there is objective evidence of impairment loss, the Group takes into consideration of estimation of future cash flows. The amount of the impairment loss is measured as the difference between the carrying amount of loan to related parties and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition) of the loan to related parties. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Income taxes

As at 30 June 2014, a deferred tax asset of HK\$31,807,000 (2013: nil) in relation to unused tax losses and other deductible temporary differences has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of HK\$261,377,000 (2013: HK\$232,506,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

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

Key sources of estimation uncertainty (Continued)

Fair value measurements and valuation processes

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

Information about the valuation techniques and inputs used in the determination of the fair value of various assets and liabilities are disclosed in note 40(c).

5. TURNOVER AND SEGMENT INFORMATION

(a) Turnover

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

	2014 HK\$'000	2013 HK\$'000
Sales of goods	1,450,047	2,827,120
Franchise income	14,787	19,508
Licence income	93,683	39,922
Television programmes and content production income	3,142	–
	1,561,659	2,886,550

(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:

- Retail and franchising operations for selling gold and jewellery products in Mainland China; and
- Retail operations for selling gold and jewellery products in Hong Kong and Macau.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

Major products of the Group include gold products and jewellery products.

Information regarding the above segments is reported below.

Segment revenues and results

For the year ended 30 June 2014

	Reportable segments		Total HK\$'000	Others (Note) HK\$'000	Consolidated HK\$'000
	Retail and franchising operations for selling gold and jewellery products in Mainland China HK\$'000	Retail operations for selling gold and jewellery products in Hong Kong and Macau HK\$'000			
REVENUE					
External sales	1,320,162	237,111	1,557,273	4,386	1,561,659
RESULT					
Segment results	(29,409)	(31,000)	(60,409)	(13,775)	(74,184)
Other income					45,285
Unallocated staff related expenses					(41,303)
Other unallocated corporate expenses					(24,948)
Advertising, promotion and business development expenses					(35,643)
Equity-settled share-based payments					(2,606)
Change in fair value of derivatives embedded in convertible bonds					7,225
Impairment loss on other receivables recognised					(2,084)
Impairment loss on intangible assets recognised					(3,120)
Write-off of deposits for acquisition of property, plant and equipment					(5,894)
Finance costs					(61,693)
Share of results of associates					(1,302)
Share of results of joint ventures					(26)
Loss before taxation					(200,293)
Taxation					8,284
Loss for the year					(192,009)

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

5. TURNOVER AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Segment revenues and results (Continued)

For the year ended 30 June 2013

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

Segment revenues and results *(Continued)*

Segment profit (loss) represents the profit (loss) of each segment without allocation of other income, central administration costs, advertising, promotion and business development expenses, corporate staff and directors' salaries, equity-settled share-based payments, change in fair value of derivatives embedded in convertible bonds, impairment loss on goodwill recognised, impairment loss on other receivables recognised, impairment loss on amount due from a joint venture recognised, impairment loss on intangible assets recognised, loss on remeasurement of previously held interest in an associate, write-off of deposits for acquisition of property, plant and equipment, finance costs, share of results of associates and joint ventures, and taxation. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

As at 30 June 2014

	Reportable segments		Total HK\$'000	Others (Note) HK\$'000	Consolidated HK\$'000
	Retail and franchising operations for selling gold and jewellery products in Mainland China HK\$'000	Retail operations for selling gold and jewellery products in Hong Kong and Macau HK\$'000			
ASSETS					
Segment assets	865,436	179,937	1,045,373	26,908	1,072,281
Goodwill					9,995
Intangible assets					174,718
Interests in joint ventures					3,513
Deferred tax assets					31,807
Loan to related parties					123,177
Amount due from a joint venture					1,963
Financial assets at fair value through profit or loss					10,949
Tax recoverable					372
Pledged bank deposits					431,716
Bank balances and cash					357,952
Other corporate assets					23,168
Consolidated assets					2,241,611

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

5. TURNOVER AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Segment assets and liabilities (Continued)

As at 30 June 2014 (Continued)

	Reportable segments		Total HK\$'000	Others (Note) HK\$'000	Consolidated HK\$'000
	Retail and franchising operations for selling gold and jewellery products in Mainland China HK\$'000	Retail operations for selling gold and jewellery products in Hong Kong and Macau HK\$'000			
LIABILITIES					
Segment liabilities	162,607	71,909	234,516	7,172	241,688
Amounts due to joint ventures					3,628
Convertible bonds					56,470
Derivative financial instruments					66,409
Obligations under finance leases					390
Bank and other borrowings					530,162
Gold loans					494,329
Tax liabilities					3,209
Loan from a non-controlling shareholder of a subsidiary					100,000
Deferred tax liabilities					42,213
Other corporate liabilities					16,861
Consolidated liabilities					1,555,359

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

5. TURNOVER AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Segment assets and liabilities (Continued)

As at 30 June 2013

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

5. TURNOVER AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Segment assets and liabilities (Continued)

Note: Others represent other operating segments that are not reportable, which include wholesale of diamonds in the PRC, online marketing, e-commerce, and television programmes and content production.

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

- all assets are allocated to reportable segments other than loan to related parties, settlement options in relation to the loan to related parties, goodwill, intangible assets, interest in an associate, interests in joint ventures, deferred tax assets, amount due from a joint venture, financial assets at fair value through profit or loss, tax recoverable, pledged bank deposits, bank balances and cash, and other corporate assets; and
- all liabilities are allocated to reportable segments other than amounts due to joint ventures, financial liabilities at fair value through profit or loss, convertible bonds, derivative financial instruments, obligations under finance leases, bank and other borrowings, gold loans, tax liabilities, loan from a non-controlling shareholder of a subsidiary, deferred tax liabilities and other corporate liabilities.

Other entity-wide segment information

For the year ended 30 June 2014

	Retail and franchising operations for selling gold and jewellery products in Mainland China HK\$'000	Retail operations for selling gold and jewellery products in Hong Kong and Macau HK\$'000	Others HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment loss or segment assets:					
Amortisation of intangible assets	–	–	473	–	473
Additions of property, plant and equipment	8,762	8,624	217	385	17,988
Depreciation of property, plant and equipment	17,671	3,266	530	2,354	23,821
Loss on disposal of property, plant and equipment	3,805	–	–	–	3,805

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

5. TURNOVER AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Other entity-wide segment information (Continued)

For the year ended 30 June 2013

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

Geographical information

Information about the Group's revenue from external customers is presented based on the location of the operation. Information about the non-current assets of the Group (excluding other receivables and deposits paid, loan to related parties, settlement options in relation to the loan to related parties, goodwill, intangible assets, interest in an associate, interests in joint ventures and deferred tax assets) is presented based on geographical location of the assets.

For the year ended 30 June 2014

	Non-current assets HK\$'000	Revenue from external customers HK\$'000
Mainland China	42,597	1,320,162
Hong Kong and Macau	21,511	241,497
	64,108	1,561,659

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

5. TURNOVER AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Geographical information (Continued)

For the year ended 30 June 2013

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

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

6. OTHER INCOME

	2014 HK\$'000	2013 HK\$'000
Bank interest income	18,929	2,727
Exchange gains, net	–	8,976
Effective interest income from loan to related parties (note 15(a))	9,172	3,984
Interest income from loan to related parties	2,717	–
Other income	14,467	6,788
	45,285	22,475

7. FINANCE COSTS

	2014 HK\$'000	2013 HK\$'000
Interests on:		
Bank and other borrowings wholly repayable within five years	24,994	24,561
Gold loans	17,848	9,156
Obligations under finance leases	20	42
Effective interest on convertible bonds (note 24(a))	18,816	30,179
Other finance costs	15	216
	61,693	64,154

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

8. LOSS BEFORE TAXATION

	2014 HK\$'000	2013 HK\$'000
Loss before taxation has been arrived at after charging (crediting):		
Advertising, promotion and business development expenses	35,643	48,243
Allowance of inventories (included in cost of sales)	12,106	–
Amortisation of intangible assets	473	–
Auditor's remuneration	2,030	2,030
Change in fair value of gold loans	25,560	(40,733)
Change in fair value of financial assets/liabilities at fair value through profit or loss	(24,363)	45,539
Cost of inventories recognised as an expense	1,170,157	2,273,839
Depreciation of property, plant and equipment	23,821	23,699
Exchange loss (gain), net	535	(8,976)
Impairment loss on other receivables recognised (included in other operating expenses)	2,084	1,415
Loss on disposal of property, plant and equipment	3,805	5,056
Staff cost, including directors' emoluments:		
– Wages, salaries and other benefits costs	197,340	202,643
– Retirement benefit costs	16,162	18,582
– Equity-settled share-based payments	2,606	4,335
	216,108	225,560
Write-off of deposits for acquisition of property, plant and equipment	5,894	–

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

9. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' emoluments

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

		For the year ended 30 June 2014					
Name of director	Note				Retirement	Equity-	
		Fees	Salaries	Bonuses	benefit	share-based	Total
		HK\$'000	HK\$'000	HK\$'000	costs	payments	HK\$'000
(Note (c))							
Executive directors							
Dr. Wong, Kennedy Ying Ho		–	4,560	1,500	15	–	6,075
Mr. Lam Kwok Hing, Wilfred		–	2,139	–	15	230	2,384
Ms. Wong Wing Yan, Ella		–	2,000	500	15	230	2,745
Mr. Cheung Pak To, Patrick		–	1,800	–	29	230	2,059
Non-executive director							
Dr. Hui Ho Ming, Herbert	(a)	1,200	–	–	–	115	1,315
Independent non-executive directors							
Mr. Fan Anthony Ren Da		323	–	–	–	69	392
Ms. Estella Yi Kum Ng		323	–	–	–	69	392
Mr. Wong Kam Wing		323	–	–	–	69	392
		2,169	10,499	2,000	74	1,012	15,754

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

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

(a) Directors' emoluments (Continued)

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

Notes:

- (a) Re-designated as non-executive director on 10 August 2012 and passed away on 30 August 2014.
- (b) Resigned on 31 July 2012.
- (c) Resigned on 7 November 2012.
- (d) Appointed on 15 November 2012.
- (e) The bonuses are discretionary and are determined by reference to the individual performance.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

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

(b) Five highest paid employees

Of the five individuals with the highest emoluments in the Group, five (2013: five) were directors of the Company whose emoluments are included in note 9(a) above.

10. TAXATION

	2014 HK\$'000	2013 HK\$'000
Current tax:		
Hong Kong Profits Tax	591	2,658
PRC Enterprise Income Tax	11,980	9,265
	12,571	11,923
(Over)underprovision in prior years:		
Hong Kong Profits Tax	(29)	–
PRC Enterprise Income Tax	6,656	–
	6,627	–
	19,198	11,923
Deferred taxation (note 28)	(27,482)	(3,175)
	(8,284)	8,748

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for both years.

Pursuant to the Enterprise Income Tax Law and Implementation Rules of the PRC, subsidiaries of the Company established in the PRC are subject to an income tax rate of 25% for both years.

No provision for the Macau Complementary Tax has been made as the Group has no assessable profits in Macau for both years.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

10. TAXATION (Continued)

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

	2014 HK\$'000	2013 HK\$'000
Loss before taxation	(200,293)	(107,054)
Tax at domestic rates applicable to profits of taxable entities in the respective jurisdictions (Note)	(38,372)	(16,672)
Tax effect of income not taxable for tax purpose	(3,833)	(842)
Tax effect of expenses not deductible for tax purpose	12,180	14,952
Reversal of deferred tax provided for withholding tax on income derived in the PRC	—	(3,000)
Tax effect of tax losses not recognised	12,568	11,726
Recognition of deferred tax assets not recognised in previous years	(6,944)	—
Tax effect of share of results of associates	215	502
Tax effect of share of results of joint ventures	4	849
Underprovision in respect of prior years	6,627	—
Others	9,271	1,233
Taxation for the year	(8,284)	8,748

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

11. DIVIDENDS

The Board has resolved not to recommend a final dividend in respect of the year ended 30 June 2014 and 30 June 2013 to the holders of ordinary shares of the Company.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

12. LOSS PER ORDINARY SHARE

	2014 HK\$'000	2013 HK\$'000
Loss:		
Loss for the year attributable to owners of the Company	(184,126)	(115,802)
Dividends on preference shares	—	(2)
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per ordinary share	(184,126)	(115,804)
	2014 '000	2013 '000
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per ordinary share (Note)	3,126,572	2,494,647

Note:

The weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per ordinary share for the year ended 30 June 2014 and 30 June 2013 had been adjusted for the effect of bonus element in connection with rights issue as set out in note 29(a).

The computation of diluted loss per ordinary share for the year ended 30 June 2014 and 30 June 2013 did not assume the exercise of certain share options and bonus warrant because their exercise price is higher than the average share price, and the conversion of the Group's outstanding convertible bonds, certain share options and bonus warrant since their conversion would result in a decrease in loss per ordinary share.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost				
As at 1 July 2012	27,590	78,502	3,482	109,574
Exchange realignment	399	2,008	–	2,407
Additions	8,812	14,511	975	24,298
Disposals	(4,296)	(8,677)	(81)	(13,054)
As at 30 June 2013	32,505	86,344	4,376	123,225
Exchange realignment	11	59	–	70
Additions	7,368	10,620	–	17,988
Acquisition of subsidiaries (note 36(a))	126	2,123	–	2,249
Disposals	(4,488)	(7,507)	–	(11,995)
As at 30 June 2014	35,522	91,639	4,376	131,537
Depreciation				
As at 1 July 2012	9,307	22,817	727	32,851
Exchange realignment	144	522	–	666
Provided for the year	6,612	16,409	678	23,699
Eliminated on disposals	(2,478)	(4,002)	(81)	(6,561)
As at 30 June 2013	13,585	35,746	1,324	50,655
Exchange realignment	7	23	–	30
Provided for the year	7,449	15,659	713	23,821
Eliminated on disposals	(2,807)	(4,007)	–	(6,814)
As at 30 June 2014	18,234	47,421	2,037	67,692
Carrying values				
As at 30 June 2014	17,288	44,218	2,339	63,845
As at 30 June 2013	18,920	50,598	3,052	72,570

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

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

The carrying value of furniture, fixtures and equipment and motor vehicles held under finance leases as at 30 June 2014 was HK\$442,000 (2013: HK\$578,000).

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For the year ended 30 June 2014

14. TRADE AND OTHER RECEIVABLES AND DEPOSITS PAID

	2014 HK\$'000	2013 HK\$'000
Other receivables and deposits paid under non-current assets comprise:		
Rental and utility deposits	12,779	4,775
Other receivable from a joint venture	–	10,000
Interest receivables from related parties	–	2,112
	12,779	16,887
Trade and other receivables and deposits paid under current assets comprise:		
Trade receivables	125,096	220,407
Less: allowance for doubtful debts	(39,243)	(27,000)
	85,853	193,407
Other receivables and deposits paid	109,867	87,329
	195,720	280,736

Retail sales are usually made in cash, through credit cards or through reputable and dispersed department stores. The Group generally allows a credit period of 30 to 90 days to its debtors.

Included in trade receivables as at 30 June 2014 is trade receivable from a joint venture amounting to HK\$4,454,000 (2013: HK\$4,485,000).

Included in other receivables under current assets as at 30 June 2013 was other receivable from an associate amounting to HK\$10,347,000.

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.

	2014 HK\$'000	2013 HK\$'000
0-30 days	67,253	176,494
31-60 days	7,532	6,602
61-90 days	2,480	978
Over 90 days	8,588	9,333
	85,853	193,407

Included in the Group's trade receivables balance are debtors with aggregate amount of HK\$18,832,000 (2013: HK\$16,464,000) which are past due as at the end of the reporting period for which the Group has not provided for impairment loss.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

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

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

	2014 HK\$'000	2013 HK\$'000
1-30 days	7,716	–
31-60 days	2,528	6,163
61-90 days	2,785	968
Over 90 days	5,803	9,333
	18,832	16,464

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

	2014 HK\$'000	2013 HK\$'000
At beginning of the year	27,000	–
Impairment loss recognised	12,243	27,000
At end of the year	39,243	27,000

Included in the allowance for doubtful debts are individually impaired trade receivables from an independent customer of HK\$27,710,000 (2013: HK\$27,000,000), which the Group took legal action against this customer and made full impairment loss of HK\$27,710,000 (2013: HK\$27,000,000) based on the court finding on 22 September 2013. The remaining allowance of doubtful debts of HK\$11,533,000 (2013: nil) mainly relate to customers which are under liquidation or in severe financial difficulties. It was assessed that the amounts are unlikely to be recovered. The Group does not hold any collateral over these balances.

In determining the recoverability of trade and other receivables, the Group considers any change in the credit quality of the debtors from the date credit was initially granted up to the end of the reporting period. As at 30 June 2014, other than the concentration of credit risk in respect of trade receivables from a joint venture of HK\$4,454,000 (2013: trade receivables from a joint venture of HK\$4,485,000, other receivables from a joint venture of HK\$10,000,000 and other receivables from an associate of HK\$10,347,000), 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.

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15. LOAN TO RELATED PARTIES

(a) Loan to related parties

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

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

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

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

Option 1:

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

Option 2:

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

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For the year ended 30 June 2014

15. LOAN TO RELATED PARTIES (Continued)

(a) Loan to related parties (Continued)

Option 3:

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

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

In March 2014, the Group, Mr. Wen and Fuyuan entered into an agreement to settle the loan together with the interest thereon and to release the pledge of the equity interest in the Target Company. Pursuant to the agreement, the loan will be settled within one year after the end of the reporting period. Accordingly, the loan to related parties is classified as current asset as at 30 June 2014.

The movement of loan to related parties up to the date of exercise of settlement option is set out as below:

	HK\$'000
At 1 July 2012	—
Provision of loan	96,874
Interest earned during the year based on the effective interest	3,984
Interest accrued	(2,112)
At 30 June 2013	98,746
Interest earned during the year based on the effective interest	9,172
Interest accrued	(5,600)
Exchange realignment	474
Fair value adjustment on loan to related parties upon exercise of settlement option (included in other operating expenses)	21,369
At date of exercise of settlement option	124,161

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15. LOAN TO RELATED PARTIES (Continued)

(b) Settlement options

The movement of settlement options in relation to the loan to related parties is set out as below:

	HK\$'000
At 1 July 2012	–
At initial recognition	26,211
At 30 June 2013	26,211
Exchange realignment	(728)
Derecognition of settlement options (included in other operating expenses)	(25,483)
At 30 June 2014	–

The settlement options were measured at cost less impairment at the end of each reporting period as management of the Group believes that the fair value of the settlement options cannot be measured reliably. Such settlement option is derecognised upon the exercise of the Settlement Option 1 as mentioned in note 15(a) in above.

16. INTANGIBLE ASSETS

	Trademarks			Core technology and Apps	Total
	3D-GOLD	Watches	License		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Note (a)	Note (b)	Note (c)	Note (d)	
Cost					
At 1 July 2012 and 30 June 2013	168,066	3,120	–	–	171,186
Acquisition of subsidiaries (note 36(a))	–	–	1,200	5,784	6,984
Additions	–	–	–	141	141
At 30 June 2014	168,066	3,120	1,200	5,925	178,311
Amortisation and impairment					
At 1 July 2012 and 30 June 2013	–	–	–	–	–
Provided for the year	–	–	75	398	473
Impairment recognised during the year	–	3,120	–	–	3,120
At 30 June 2014	–	3,120	75	398	3,593
Carrying values					
At 30 June 2014	168,066	–	1,125	5,527	174,718
At 30 June 2013	168,066	3,120	–	–	171,186

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

16. INTANGIBLE ASSETS (Continued)

Notes:

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

On 30 June 2014, 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% (2013: 17%). The cash flows beyond the five-year period are extrapolated using a 3% (2013: 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.

- (b) The amount represents trademarks on certain watches which have contractual lives of 10 years commencing in February 2012 and are renewable at minimal cost. The trademarks will not be amortised until its useful life is determined to be finite, but subject to impairment test annually. During the current year, management expects that the carrying amount of the trademarks cannot be recoverable and, therefore, full impairment is recognised in the profit or loss.
- (c) License represents 10 year’s non-exclusive rights to use a cartoon image on all web applications on internet and mobile devices, including but not limited to apps on iphones and ipads. The cost is amortised on a straight-line method to profit or loss over 10 years.
- (d) Core technology includes packaged contents and application templates for production of software, Apps for sales and Apps under development and completed Apps for the application for mobile devices. The costs include expenditure (including but not limited to staff costs, depreciation charges of certain computer equipment, production office rent and rates, outsourced freelance costs and IT development fees) that are directly attributable to the development of the application for mobile devices. The costs are amortised on a straight-line method to profit or loss over the estimated useful life of 5 years. Apps under development are not amortised.

17. INTEREST IN AN ASSOCIATE

	2014 HK\$’000	2013 HK\$’000
Unlisted investment, at cost	—	10,714
Share of post-acquisition losses	—	(4,497)
	—	6,217

As at 30 June 2013, the Group had interest in the following associate:

Name of entity	Place of incorporation	Class of shares held	Proportion of nominal value of issued capital held by the Group	Proportion of voting power held	Principal activity
A Stars Entertainment Group Limited	British Virgin Island	Ordinary	30%	30%	Television programmes and content production

The principal place of operation of A Stars Entertainment Group Limited (“A Stars”) and its subsidiaries (collectively referred to “A Stars Group”) is in Hong Kong. The Group was able exercise significant influence over A Stars because it has the power to appoint four out of nine directors of A Stars under the memorandum and Articles of Association of A Stars.

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For the year ended 30 June 2014

17. INTEREST IN AN ASSOCIATE (Continued)

Included in the interest in an associate as at 30 June 2013 was goodwill of HK\$3,827,000 arising from the acquisition of A Stars in prior year.

During the year ended 30 June 2014, the Group acquired an additional 40% equity interest in A Stars from a joint venture of the Group. Upon completion of the acquisition, the Group owns 70% equity interest in A Stars of the Group which has become a subsidiary of the Group thereafter. Details of this acquisition are set out in note 36(a).

The summarised financial information of A Stars Group is set out below:

	2014 HK\$'000	2013 HK\$'000
Group's share of losses and total comprehensive expense of an associate for the year	(1,302)	(3,043)
Carrying amount of the Group's interest in an associate	—	6,217

18. INTERESTS IN JOINT VENTURES

	2014 HK\$'000	2013 HK\$'000
Unlisted investments, at cost	6,745	6,745
Share of post-acquisition losses	(3,232)	(3,206)
	3,513	3,539

As at 30 June 2014 and 30 June 2013, the Group had interests in the following joint ventures:

Name of entity	Issued and paid-up share capital/ registered capital	Attributable interest to the Group		Principal activity
		2014	2013	
金至尊珠寶(成都)有限公司 (Note (1))	Registered capital RMB8,000,000	50%	50%	Trading of jewellery in the PRC
	Paid-up capital RMB6,000,000			
La Milky Way International Company Limited (Note (2))	Issued and paid-up capital HK\$10,000,000	50%	50%	Holding of trademark

Notes:

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

(2) The place of incorporation and the principal place of operation of the entity are in Hong Kong.

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18. INTERESTS IN JOINT VENTURES (Continued)

Aggregate information of joint ventures that are not individually material:

	2014 HK\$'000	2013 HK\$'000
Group's share of losses and total comprehensive expense of joint ventures for the year	(26)	(5,146)

19. INVENTORIES

	2014 HK\$'000	2013 HK\$'000
Raw materials	88,591	182,398
Finished goods	734,251	692,220
	822,842	874,618

20. AMOUNTS DUE FROM/TO JOINT VENTURES/LOAN FROM A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

The amounts due from/to joint ventures are unsecured, interest free and repayable on demand.

The loan from a non-controlling shareholder of a subsidiary is unsecured, interest free and mutually agreed by the Group and the lender not to be repaid within one year after the end of the reporting period.

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

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

	2014 HK\$'000	2013 HK\$'000
Bullion forward contracts (Note (a))	10,949	(49,775)
Gold bullion contract through margin account (Note (b))	—	(148)
	10,949	(49,923)
Analysed for reporting purposes as:		
Current assets	10,949	—
Current liabilities	—	(49,923)
	10,949	(49,923)

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

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

Notes:

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

The bullion forward contracts are measured at fair value at the end of the reporting period. The fair values are determined based on the quoted market prices at the end of the reporting period. The total notional value of the outstanding bullion forward contracts as at 30 June 2014 amounted to United States dollars ("US\$") 21,490,000 (2013: US\$23,117,000) which have maturity period up to 6 to 12 months (2013: 6 to 12 months) since date of inception.

- (b) The amount as at 30 June 2013 represented the fair value of the open position of gold bullion contracts through margin account with an aggregated notional value of US\$2,147,000. The contracts contained terms enabling the Group either to take delivery of the gold bullion or closing out the position and settling net in cash at the Group's discretion. The fair value was determined based on the quoted market price at the end of the reporting period.

22. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Pledged bank deposits represent deposits pledged to the banks to secure the banking facilities granted to the Group. Deposits amounting to HK\$431,716,000 (2013: HK\$302,171,000) have been pledged to secure certain short-term bank loans and gold loans, and a gold bullion forward contract with bank and are therefore classified as current assets. Pledged bank deposits will be released upon the settlement of relevant loans and a gold bullion forward contract.

Bank balances carry interest at market rates which range from 0.01% to 0.35% (2013: 0.01% to 0.35%) per annum. Pledged bank deposits carry interest at fixed rates ranging from 0.385% to 3.30% (2013: 2.85% to 3.25%) per annum.

Included in the bank balances and cash of the Group as at 30 June 2014 are bank balances amounting to HK\$72,580,000 (2013: HK\$31,743,000) which are denominated in currencies other than the functional currencies of the respective group entities.

23. TRADE AND OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	2014 HK\$'000	2013 HK\$'000
Trade payables	82,979	72,752
Deposits received from customers (Note (a))	32,229	46,359
Franchisee guarantee deposits (Note (b))	63,221	58,494
Other payables, accruals and other deposits	80,120	118,768
	258,549	296,373

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".

Included in trade payables at 30 June 2014 is trade payables from a joint venture amounting to HK\$859,000 (2013: HK\$1,612,000).

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23. TRADE AND OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED *(Continued)*

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

	2014 HK\$'000	2013 HK\$'000
0-30 days	68,265	42,480
31-60 days	8,306	7,987
61-90 days	1,493	4,976
Over 90 days	4,915	17,309
	82,979	72,752

24. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS

(a) Convertible bonds

Convertible bonds due 2019 ("CB 2019")

In connection with the disposal of 50% of the Group's interest in CGS (as mentioned in note 36(b)), on 6 June 2014, the Company entered into a subscription agreement with the Purchaser for the issue of CB 2019 with aggregate principal amount of HK\$57,080,000. CB 2019 bears interest at the rate of 3% per annum payable annually in arrears on 31 December and the convertible bonds mature on the date falling on the fifth anniversary from the date of issue of such convertible bond.

The conversion can be made at anytime commencing on the date falling the second anniversary of the issue date and expiring on the date which is 3 days preceding the maturity date, at a conversion price of HK\$0.18 per ordinary shares, subject to anti-dilutive adjustments.

Upon issue of CB 2019, an amount of HK\$28,666,000 and HK\$56,036,000 were recognised as liability and derivative embedded in CB 2019 at initial recognition, respectively.

As at 30 June 2014, CB 2019 with a carrying amount of HK\$28,928,000 (principal amount of HK\$57,080,000) remains outstanding.

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

As announced by the Company on 26 August 2013, CGS and the Company entered into the subscription agreement ("Original Agreement") with an independent third party (the "Subscriber") in respect of the issue of CGS CB 2018 in the aggregate principal amount of US\$5,000,000, convertible into shares of CGS.

As announced by the Company on 13 January 2014, CGS, the Subscriber, an another independent third party (the "New Subscriber") and the Company entered into the Novation and Supplemental Agreement for the purpose of assigning and transferring the interests and rights in respect of the Subscriber under the Original Agreement to the New Subscriber and to amend, vary and modify the Original Agreement. The issue of the convertible bonds with aggregate principal amount of US\$5,000,000, due four years from the issue date (or as extended once by one year by mutual agreement of the parties thereto). CGS CB 2018 bears interest at the rate of 5% per annum payable annually on the last business day of each calendar year. The conversion can be made on the maturity date, on the date of flotation of CGS, or at such earlier date as the bondholder and CGS shall agree, at a conversion price of US\$24,390.24 per ordinary share of CGS, subject to anti-dilutive adjustments.

Notes to the Consolidated Financial Statements

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

(a) Convertible bonds *(Continued)*

CGS Convertible bonds due 2018 (“CGS CB 2018”) *(Continued)*

Upon issue of CGS CB 2018, an amount of HK\$25,773,000 and HK\$12,986,000 were recognised as liability and derivative embedded in CGS CB 2018 at initial recognition, respectively.

At 30 June 2014, CGS CB 2018 with a carrying amount of HK\$27,542,000 (principal amount of US\$5,000,000) remains outstanding.

Convertible bonds due 2013 (“CB 2013”)

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

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

As at 30 June 2013, CB 2013 with a carrying amount of HK\$223,910,000 (principal amount of HK\$216,000,000) remained outstanding.

During the year ended 30 June 2014, the Company redeemed the CB 2013 at HK\$237,600,000, representing 110% of the outstanding principal amount on maturity date of 14 September 2013 in accordance with the term of the relevant subscription agreement for the issue of CB 2013.

Convertible bonds due 2012 (“CB 2012”)

On 23 July 2010, the Company entered into a subscription agreement with independent third parties for the issue of convertible bonds with aggregate principal amount of HK\$138,000,000. CB 2012 bears interest at the rate of 5% per annum which is due every six months, and the convertible bond matures on the date falling on the second anniversary from the date of issue of such convertible bond.

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

During the year ended 30 June 2013, the Company redeemed the CB 2012 at HK\$151,800,000, representing 110% of the outstanding principal amount on maturity date of 2 August 2012 in accordance with the term of the relevant subscription agreement for the issue of CB 2012.

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24. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(a) Convertible bonds (Continued)

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

	Liability component				Total HK\$'000
	CB 2012 HK\$'000	CB 2013 HK\$'000	CB 2019 HK\$'000	CGS CB 2018 HK\$'000	
At 1 July 2012	150,898	206,056	–	–	356,954
Coupon interest accrued at 1 July 2012 and included in other payables	2,836	3,225	–	–	6,061
Interest charged during the year	1,525	28,654	–	–	30,179
Repayment of principal	(151,800)	–	–	–	(151,800)
Payment of coupon interest	(3,459)	(10,800)	–	–	(14,259)
Coupon interest accrued at 30 June 2013 and included in other payables	–	(3,225)	–	–	(3,225)
At 30 June 2013	–	223,910	–	–	223,910
Issue of convertible bonds	–	–	28,666	25,773	54,439
Coupon interest accrued at 1 July 2013 and included in other payables	–	3,225	–	–	3,225
Interest charged during the year	–	15,909	395	2,512	18,816
Repayment of principal	–	(211,200)	–	–	(211,200)
Converted to other borrowings	–	(27,005)	–	–	(27,005)
Payment of coupon interest	–	(4,839)	–	–	(4,839)
Coupon interest accrued at 30 June 2014 and included in other payables	–	–	(132)	(900)	(1,032)
Exchange realignment	–	–	(1)	157	156
At 30 June 2014	–	–	28,928	27,542	56,470
				2014 HK\$'000	2013 HK\$'000
Analysed for reporting purposes as:					
Current liabilities				–	223,910
Non-current liabilities				56,470	–
				56,470	223,910

During the year ended 30 June 2014 and 30 June 2013, the effective interest rates of CB 2012, CB 2013, CB 2019 and CGS CB 2018 were 10.74%, 18.11%, 19.47% and 18.02% per annum respectively.

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24. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(b) Derivative financial instruments

	2014 HK\$'000	2013 HK\$'000
Derivatives embedded in convertible bonds (i)	61,878	–
CGS Share Option (ii)	4,531	–
	66,409	–

(i) Derivatives embedded in convertible bonds

	CB 2013 HK\$'000	Embedded derivatives		Total HK\$'000
		CB 2019 HK\$'000	CGS CB 2018 HK\$'000	
At 1 July 2012	428	–	–	428
Change in fair value	(428)	–	–	(428)
At 30 June 2013	–	–	–	–
Embedded derivatives at date of issue of convertible bonds	–	56,036	12,986	69,022
Change in fair value	–	–	(7,225)	(7,225)
Exchange realignment	–	–	81	81
At 30 June 2014	–	56,036	5,842	61,878

The fair values of the derivatives embedded in CB 2013 at 30 June 2013, and the fair values of the derivatives embedded in CB 2019 and CGS CB 2018 at respective date of issue and 30 June 2014 are based on valuation carried out on those dates by an independent professional valuer. The change in fair value of HK\$7,225,000 (2013: HK\$428,000) has been credited to profit or loss for the year ended 30 June 2014.

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

	At 30 June 2013 CB 2013	At date of issue		At 30 June 2014	
		CB 2019	CGS CB 2018	CB 2019 (Note)	CGS CB 2018
Share price	HK\$0.18	HK\$0.26	US\$24,171.79	N/A	US\$18,322.31
Exercise price	HK\$1.37	HK\$0.18	US\$24,390.24	N/A	US\$24,390.24
Expected dividend yield	0.00%	0.00%	2.72%	N/A	3.03%
Volatility	43.51%	48.65%	37.02%	N/A	34.86%

Note: Since the date of issue for CB 2019 (which is 6 June 2014) is close to the year end date, the directors of the Company consider that the fair value of the derivatives embedded in CB 2019 at the date of issue approximate its fair value at 30 June 2014.

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24. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(b) Derivative financial instruments (Continued)

(ii) CGS Share Option

Pursuant to CGS Agreement (as defined in note 36(b)), on 6 June 2014, CGS issued its share option ("CGS Share Option") to the Purchaser at a cash consideration of US\$1. Upon full exercise of the CGS Share Option, the Purchaser shall be entitled to subscribe for such number of new CGS shares, free from all encumbrances and ranking pari passu with other CGS shares then existing, that may result from dividing US\$5,000,000 by the CGS Share Option exercise price, i.e. US\$24,390.24 per share subject to anti-dilutive adjustments. The CGS Share Option shall remain valid and in force during the period between the date of issue of the CGS Share Option and 3 months (or such longer period as CGS and the Purchaser may agree) after (i) 15 January 2018, or (ii) the date as extended once by one year by mutual agreement of CGS and the Purchaser (both days inclusive). Such share option was vest immediately upon its issuance. The CGS Share Option shall be exercisable in full (and not in part) upon any of the following events occurring:

(a) the earlier of the following date or period:

- (i) during the 10 business day immediately before 15 January 2018, or the date as extended once by one year by mutual agreement of CGS and the Purchaser;
- (ii) on the flotation date; or
- (iii) such other date or period as may be mutually agreed by CGS and the Purchaser in writing;

provided always that such exercise right of the Purchaser shall be subject to the conversion by the holder of the CGS CB 2018 in accordance with the terms and conditions thereof; or

(b) automatically and immediately upon the bondholder of CGS CB 2018 exercising its right to convert any of the outstanding principal of CGS CB 2018 in accordance with the conditions of CGS CB 2018.

Assuming exercise of the CGS Share Option in full as at 30 June 2014, a total of 205 shares of CGS will be issued to Purchaser, representing approximately 6.15% of the existing issued share capital of CGS as at 30 June 2014, and approximately 5.48% of the issued share capital of CGS as enlarged by the issue of share capital upon the conversion of CGS CB 2018 and the CGS Share Option.

The fair value of the CGS Share Option at date of issue and at 30 June 2014 is HK\$4,531,000.

The fair value of the CGS Share Option issued is calculated using trinomial option pricing model. The key inputs into the model at the date of issue are as follows:

Share price	US\$19,164.67
Exercise price	US\$24,390.24
Expected dividend yield	3.02%
Volatility	36.49%

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24. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(b) Derivative financial instruments (Continued)

(ii) CGS Share Option (Continued)

The fair value of the CGS Share Option at its issue date is based on valuation carried out on those dates by an independent valuer. Since the date of issue (which is 6 June 2014) is close to the year end date, the directors of the Company consider that the fair value of CGS Share Option at the date of issue approximates its fair value at 30 June 2014.

25. OBLIGATIONS UNDER FINANCE LEASES

	2014 HK\$'000	2013 HK\$'000
Analysed for reporting purposes as:		
Current liabilities	148	232
Non-current liabilities	242	389
	390	621

It is the Group's policy to lease certain property, plant and equipment under finance leases. The average lease term is four years (2013: four years). Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 3.0% to 3.5% (2013: 3.0% to 3.5%) per annum. These leases have no terms of renewal or purchase options and escalation clauses.

	Minimum lease payments		Present value of minimum lease payments	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Amounts payable under finance leases				
Within one year	234	252	148	232
In more than one year but not more than two years	172	222	242	210
In more than two years but not more than five years	—	183	—	179
	406	657	390	621
Less: Future finance charges	(16)	(36)	—	—
Present value of lease obligations	390	621	390	621
Less: Amount due from settlement within twelve months (shown under current liabilities)			(148)	(232)
Amount due for settlement after twelve months			242	389

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

26. BANK AND OTHER BORROWINGS

	2014 HK\$'000	2013 HK\$'000
Bank borrowings:		
Unsecured floating rate bank loans	27,500	193,096
Secured floating rate bank loans	478,891	404,036
	506,391	597,132
Other borrowings:		
Unsecured interest-free other borrowing		
– Non-controlling shareholder of a subsidiary	–	3,197
Unsecured fixed rate other borrowing		
– An independent third party	20,000	–
Secured fixed rate other borrowing		
– An independent third party	3,771	3,768
	23,771	6,965
	530,162	604,097
Secured	482,662	407,804
Unsecured	47,500	196,293
	530,162	604,097
Carrying amounts repayable:		
On demand or within one year*	371,971	447,352
More than one year, but not exceeding two years*	–	18,768
More than five years*	20,000	–
	391,971	466,120
Carrying amount of bank loans that contain a repayment on demand clause (shown under current liabilities)		
– repayable within one year*	138,191	125,477
– repayable after more than one year, but not exceeding two years*	–	12,500
	138,191	137,977
	530,162	604,097
Less: Amounts due within one year and shown under current liabilities	(510,162)	(585,329)
Amounts shown under non-current liabilities	20,000	18,768

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

26. BANK AND OTHER BORROWINGS (Continued)

Borrowings comprise:

	Notes	Maturity date	Effective interest rate		Carrying amount	
			30.6.2014	30.6.2013	30.6.2014	30.6.2013
					HK\$'000	HK\$'000
Bank borrowings						
Floating-rate bank borrowings:						
Secured RMB bank loans	(a)	December 2014 to March 2015 (2013: August 2013)	7.20%	6.77%	125,691	100,477
Secured HK\$ bank loans	(b)	December 2013	—	2.46%	—	33,000
Unsecured HK\$ bank loan	(c)	July 2014	1.71%	1.75%	12,500	37,500
Unsecured HK\$ bank loan	(d)	March 2015	2.25%	2.21%	15,000	30,000
Secured HK\$ bank loans	(e)	July to September 2014 (2013: July to September 2013)	2.95%	3.13%	205,000	47,000
Secured US\$ bank loan	(f)	July 2014 (2013: July 2013)	2.84%	2.84%	148,200	148,200
Unsecured RMB bank loan	(g)	November 2013	—	7.26%	—	62,798
Unsecured RMB bank loan	(h)	June 2014	—	6.00%	—	62,798
Secured RMB bank loan	(i)	January 2014	—	7.26%	—	75,359
Total bank borrowings					506,391	597,132
Other borrowings:						
Non-controlling shareholder of a subsidiary	(j)	On demand	—	—	—	3,197
An independent third party	(k)	November 2020	5%	—	20,000	—
An independent third party	(l)	December 2014	2.4%	2.4%	3,771	3,768
Total other borrowings					23,771	6,965
Total bank and other borrowings					530,162	604,097

Notes:

- The bank loans and gold loans (note 27) were secured by inventories with a carrying amount of HK\$691,302,000 (2013: HK\$439,588,000) as at 30 June 2014, and the bank loans are interest bearing at 120% of People's Bank of China Prescribed Rate ("PBOC") (30 June 2013: 110% of PBOC).
- The bank loans are secured by pledged bank deposits, interest bearing at 3-month Hong Kong Interbank Offered Rate ("HIBOR") plus 2% to 2.25%.
- As at 30 June 2014, 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%. The relevant subsidiary undertakes a negative pledge on its assets with a carrying amount of HK\$83,996,000 as at 30 June 2014 (30 June 2013: HK\$116,168,000) for the bank loan.
- The bank loan is interest bearing at HIBOR plus 2%.
- The bank loans are secured by pledged bank deposits, interest bearing at 3-month HIBOR plus 2% to 2.75% (30 June 2013: 3-month HIBOR plus 2.75%) and repayable within 1 year.
- The bank loan is secured by pledged bank deposits, interest bearing at 3-month London Interbank Offered Rate ("LIBOR") plus 2.6%.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

26. BANK AND OTHER BORROWINGS (Continued)

Notes: (Continued)

- (g) The bank loan was interest bearing at 110% of 1 year PBOC.
- (h) The bank loan was interest bearing at 1 year PBOC.
- (i) The bank loan was secured by trade receivables of HK\$29,970,000 and other receivables of HK\$28,067,000, interest bearing at 110% of 1 year PBOC.
- (j) The loan was unsecured, interest-free and fully repaid during the year.
- (k) The loan is unsecured, interest bearing at a fixed rate of 5.0% and repayable on 11 November 2020.
- (l) The loan is secured by inventories with a carrying amount of RMB4,000,000 (equivalent to HK\$5,063,000) as at 30 June 2014 and 30 June 2013, and is interest bearing at a fixed rate of 2.4%.

27. GOLD LOANS

Gold loans are borrowed to reduce the impact of fluctuations in gold prices on gold inventories, and were designated as financial liabilities at fair value through profit or loss.

As at 30 June 2014 and 30 June 2013, the gold loans are denominated in RMB, interest bearing at a weighted average rate of 4.94% (2013: 5.13%) per annum with original maturity of twelve months, and secured by inventories with a carrying amount of HK\$691,302,000 (2013: HK\$439,588,000) and trade receivables of HK\$40,990,000 (2013: nil).

The loss arising from change in fair value of gold loans of HK\$25,560,000 (2013: gain of HK\$40,733,000) has been recognised in the profit or loss for the year ended 30 June 2014. Fair values of the gold loans have been determined by reference to the quoted bid prices of gold on the Shanghai Gold Exchange at the end of the reporting period.

28. DEFERRED TAXATION

	2014 HK\$'000	2013 HK\$'000
Deferred tax assets	(31,807)	–
Deferred tax liabilities	42,213	37,888
	10,406	37,888

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

28. DEFERRED TAXATION (Continued)

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

	Fair value adjustment on inventories HK\$'000 (Note)	Fair value adjustment on intangible assets HK\$'000 (Note)	Fair value adjustment on gold loans HK\$'000	Fair value adjustments on forward contracts HK\$'000	Provision on trade and other receivables HK\$'000	Provision on staff benefits in the PRC HK\$'000	Provision on inventories HK\$'000	Provision on deposits for acquisition of property, plant and equipment HK\$'000	Withholding tax on income derived in the PRC HK\$'000	Tax losses HK\$'000	Others HK\$'000	Total HK\$'000
At 1 July 2012	349	42,016	2,700	–	–	(3,860)	–	–	3,000	–	(3,142)	41,063
(Credit) charge to profit or loss (note 10)	(97)	–	8,517	(12,426)	–	1,632	–	–	(3,000)	–	2,199	(3,175)
As at 30 June 2013	252	42,016	11,217	(12,426)	–	(2,228)	–	–	–	–	(943)	37,888
(Credit) charge to profit or loss (note 10)	(55)	–	(15,122)	15,218	(3,042)	(796)	(3,462)	(1,092)	–	(15,054)	(4,077)	(27,482)
As at 30 June 2014	197	42,016	(3,905)	2,792	(3,042)	(3,024)	(3,462)	(1,092)	–	(15,054)	(5,020)	10,406

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

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

As at 30 June 2014, the Group has unused tax losses of HK\$357,159,000 (2013: HK\$232,506,000) available to offset against future profits. Deferred tax assets have been recognised in respect of tax losses of HK\$95,782,000 (2013: nil). No deferred tax asset has been recognised in respect of the remaining unused tax losses of HK\$261,377,000 (2013: HK\$232,506,000) 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\$277,345,000 as at 30 June 2014 (2013: HK\$289,264,000) 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

29. SHARE CAPITAL

	Notes	Number of shares '000	Amount HK\$'000
Authorised:			
At 1 July 2012, 30 June 2013 and 30 June 2014			
Ordinary shares of HK\$0.01 each		4,000,000	40,000
Preference shares of HK\$0.01 each		3,000,000	30,000
		7,000,000	70,000
Ordinary shares issued and fully paid:			
Ordinary shares of HK\$0.01 each			
At 1 July 2012		1,969,085	19,692
Issue of new shares under rights issue	(a)	787,635	7,876
Exercise of warrants	(a)	1	–
Issue of new shares by way of a placing	(b)	196,909	1,969
Issue upon conversion of preference shares	(c)	469	4
At 30 June 2013		2,954,099	29,541
Exercise of share options	(d)	17,300	173
Exercise of warrants	(a)	92	1
Issue of new shares by way of a placing	(e)	217,000	2,170
At 30 June 2014		3,188,491	31,885
Preference shares issued and fully paid:			
Preference shares of HK\$0.01 each			
At 1 July 2012		404	4
Conversion of preference shares	(c)	(404)	(4)
At 30 June 2013 and 30 June 2014		–	–
Total:			
At 1 July 2013		2,954,099	29,541
At 30 June 2014		3,188,491	31,885

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

29. SHARE CAPITAL (Continued)

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

Each preference share conferred 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 ranked in priority to the ordinary shareholders as to a return of the nominal amount paid up on the preference shares and thereafter ranked *pari passu* with the ordinary shares on liquidation.

There was no undeclared cumulative preferential share dividend at 30 June 2013.

Notes:

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

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

During the year ended 30 June 2014, the Company issued 92,246 (2013: 1,231) ordinary shares of HK\$0.01 at the exercise price of HK\$0.245 (2013: HK\$0.245) per ordinary share pursuant to the exercise of the bonus warrants granted.

- (b) The Company issued 196,908,603 ordinary shares in June 2013 by way of a placing at the placing price of HK\$0.18 per placing share.
- (c) As a result of the rights issue, the conversion multiple upon exercise of the conversion right attaching to the outstanding convertible preference shares was adjusted from 1 to 1.16338. During the year ended 30 June 2013, 403,374 preference shares of HK\$0.01 each were converted into 469,277 ordinary shares of HK\$0.01 each.
- (d) During the year ended 30 June 2014, the Company issued 17,300,000 (2013: nil) ordinary shares of HK\$0.01 pursuant to the exercise of the share options issued by the Company. For details, please refer to note 30.
- (e) The Company issued 217,000,000 ordinary shares in September 2013 by way of a placing at a placing price of HK\$0.18 per placing share.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

30. SHARE-BASED PAYMENT TRANSACTIONS

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

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

Pursuant to the 2009 Share Option Scheme, the maximum number of shares in the Company in respect of which options may be granted when aggregated with any other share option schemes of the Company (the “Scheme Mandate Limit”) is not permitted to exceed 45,179,000 shares, representing 10% of the issued share capital of the Company as at the date of adoption of the 2009 Share Option Scheme or approximately 8.52% of the issued share capital of the Company as at 31 March 2009. During the year ended 30 June 2012, the Scheme Mandate Limit of 2009 Share Option Scheme was refreshed. Under the refreshed limit, the Board may grant options to eligible participants under the 2009 Share Option Scheme to subscribe a maximum of 194,608,603 shares, representing 10% of the issued share capital of the Company as at 31 August 2010, the date on which the Scheme Mandate Limited was approved by the Shareholders. The maximum number of share options were adjusted to 200,559,168 shares as a result of completion of the rights issue. As at 30 June 2014, the number of options which remain outstanding under the 2009 Share Option Scheme was 103,391,160 (2013: 135,072,145) which, if exercise in full, representing 0.31% (2013: 0.44%) 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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

For the year ended 30 June 2014

Eligible person	Date of grant	Exercise period	Exercise price HK\$	Number of options			Outstanding as at 30.6.2014
				Outstanding as at 1.7.2013	Exercised during the year (Note (a))	Lapsed during the year	
Directors	23.1.2009	23.1.2009 to 22.1.2019	0.4280	1,051,208	–	–	1,051,208
	20.7.2009	20.7.2009 to 19.7.2019	1.2980	5,002,534	–	–	5,002,534
	26.7.2011	26.7.2011 to 25.7.2021	0.4810	2,326,760	–	–	2,326,760
	26.7.2011	26.7.2012 to 25.7.2021	0.4810	3,490,140	–	–	3,490,140
	26.7.2011	26.7.2013 to 25.7.2021	0.4810	4,653,522	–	–	4,653,522
	25.1.2013	28.2.2013 to 24.1.2023	0.2288	8,800,000	–	–	8,800,000
	25.1.2013	28.2.2014 to 24.1.2023	0.2288	8,800,000	–	–	8,800,000
	25.1.2013	28.2.2015 to 24.1.2023	0.2288	8,800,000	–	–	8,800,000
				42,924,164	–	–	42,924,164
Employees	20.7.2009	20.7.2009 to 19.7.2019	1.2980	1,745,070	–	(581,690)	1,163,380
	25.1.2013	28.2.2013 to 24.1.2023	0.2288	11,200,000	(4,800,000)	(2,300,000)	4,100,000
	25.1.2013	28.2.2014 to 24.1.2023	0.2288	11,200,000	(2,500,000)	(2,300,000)	6,400,000
	25.2.2013	28.2.2015 to 24.1.2023	0.2288	11,200,000	–	(3,300,000)	7,900,000
	27.2.2013	28.2.2013 to 24.1.2023	0.2288	10,000,000	(10,000,000)	–	–
	27.2.2013	28.2.2014 to 24.1.2023	0.2288	10,000,000	–	–	10,000,000
	27.2.2013	28.2.2015 to 24.1.2023	0.2288	10,000,000	–	–	10,000,000
				65,345,070	(17,300,000)	(8,481,690)	39,563,380
Consultants	20.7.2009	20.7.2009 to 19.7.2019	1.2980	814,366	–	(581,690)	232,676
	13.4.2010	13.4.2009 to 12.4.2020	1.2030	2,326,761	–	–	2,326,761
	13.4.2010	13.7.2010 to 12.4.2020	1.2030	5,816,901	–	–	5,816,901
	13.4.2010	13.10.2010 to 12.4.2020	1.2030	5,816,901	–	–	5,816,901
	13.4.2010	13.1.2011 to 12.4.2020	1.2030	6,710,377	–	–	6,710,377
	26.7.2011	26.7.2011 to 25.7.2021	0.4810	581,690	–	(581,690)	–
	26.7.2011	26.7.2012 to 25.7.2021	0.4810	872,535	–	(872,535)	–
	26.7.2011	26.7.2013 to 25.7.2021	0.4810	1,163,380	–	(1,163,380)	–
	25.1.2013	28.2.2013 to 24.1.2023	0.2288	900,000	–	(900,000)	–
	25.1.2013	28.2.2014 to 24.1.2023	0.2288	900,000	–	(900,000)	–
	25.1.2013	28.2.2015 to 24.1.2023	0.2288	900,000	–	(900,000)	–
				26,802,911	–	(5,899,295)	20,903,616
				135,072,145	(17,300,000)	(14,380,985)	103,391,160
Exercisable at the end of the period				67,455,243			76,691,160
Weighted average exercise price				0.464	0.229	0.361	0.517

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) (Continued)

For the year ended 30 June 2013

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

Notes to the Consolidated Financial Statements

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30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) (Continued)

Notes:

- (a) The weighted average closing prices of the Company's share immediately before the dates on which the share options were exercised during the year ended 30 June 2014 was HK\$0.316.
- (b) Mr. Chui Chuen Shun, a holder of 1,000,000 share options, resigned as a director of the Company and became an employee on 31 July 2012. Mr. Cheung Pak To, Patrick, a holder of 500,000 share options, was appointed as director of the Company on 15 November 2012.
- (c) The number and exercise price of the outstanding share options were adjusted as a result of completion of the rights issue.
- (b) The fair value of the options granted during the year ended 30 June 2013 was HK\$7,162,000 as at the date of grant. The Group recognised the total expense of HK\$2,606,000 (2013: HK\$4,335,000) in the profit or loss during the year in relation to share options issued by the Company.

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

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

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

31. OPERATING LEASES

The Group as lessee

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

	2014 HK\$'000	2013 HK\$'000
Operating lease rentals in respect of retail shops, offices and warehouses		
Minimum lease payments	52,625	47,347
Contingent rental	114,069	182,036
	166,694	229,383

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31. OPERATING LEASES (Continued)

The Group as lessee (Continued)

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

	2014 HK\$'000	2013 HK\$'000
Within one year	64,969	34,568
In the second to five years inclusive	81,627	10,801
More than five years	528	–
	147,124	45,369

Leases are negotiated for lease terms of one to ten years.

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

32. CAPITAL COMMITMENTS

	2014 HK\$'000	2013 HK\$'000
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements	2,147	5,375

33. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The retirement benefits scheme contributions charged to profit or loss represent contributions paid or payable by the Group to the scheme at 5% of each of the employees' monthly relevant income capped at HK\$25,000 per month.

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

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

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

As at 30 June 2013 and 30 June 2014, the Group had no significant obligation apart from the contribution as stated above.

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34. PLEDGE OF ASSETS

As at 30 June 2014, the Group's inventories, bank deposits and trade receivables with carrying amounts of HK\$691,302,000, HK\$431,716,000 and HK\$40,990,000 respectively (2013: inventories, bank deposits, trade receivables and other receivables with carrying amounts of HK\$439,588,000, HK\$302,171,000, HK\$29,970,000 and HK\$28,067,000 respectively) were pledged to banks as securities to obtain the banking facilities granted to subsidiaries of the Group.

In addition, the Group's inventories with a carrying amount of RMB4,000,000 (equivalent to HK\$5,028,000) (2013: HK\$5,024,000) was pledged to an independent third party as securities for other borrowing of HK\$3,771,000 (2013: HK\$3,768,000) to the Group.

35. RELATED PARTY DISCLOSURES

(a) Related party transactions

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

Relationship	Nature of transactions	2014 HK\$'000	2013 HK\$'000
A solicitors firm in which a director of the Company is a partner	Company secretariat and legal services fee	2,134	1,378
Associates	Business promotion income	—	4
	Business promotion expenses	1,323	426
	Server rental income	—	5
Joint ventures	Purchase of jewellery	748	553
	Management fee income	—	141
Related parties	Interest income	11,889	3,984

In addition, on 31 December, the Group acquired an additional 40% interest in A Stars at a consideration of HK\$10,000,000 from a joint venture of the Group (See note 34(a)).

During the year ended 30 June 2013, the Group advanced RMB98,000,000 (equivalent to approximately HK\$123,085,000 of the date of inception to related parties (See note 15(a)).

As at 30 June 2013 and 30 June 2014, the Group had an outstanding financial guarantee issued to a bank in respect of a banking facility granted to a joint venture as disclosed in note 37.

(b) Related party balances

Details of the Group's outstanding balances with related parties are set out on the consolidated statement of financial position and in notes 14, 15, 20, 23, 24 and 26.

(c) Compensation of key management personnel

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

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36. ACQUISITIONS AND DISPOSALS

(a) Acquisitions of subsidiaries and disposals of associates

On 31 December 2013, the Group acquired an additional 40% interest in A Stars, a then associate of the Group, at a consideration of HK\$10,000,000 from a joint venture of the Group. Upon completion of the acquisition, the Group owns 70% interest in A Stars and the transaction has been accounted for as business combination using the acquisition method. A Stars Group is engaged in television programmes and content production.

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

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

	HK\$'000
Intangible assets	1,200
Amount due from an associate	26,400
Bank balances and cash	2
Other payables	(1,928)
Amounts due to shareholders	(11,912)
Non-controlling interests of A Stars Group	10
Net assets at the date of acquisition	13,772

Goodwill arising on acquisition:

	HK\$'000
Consideration transferred	10,000
Plus: Non-controlling interests (30% in A Stars Group)	4,131
Plus: Fair value of previously held interest	4,915
Less: Net assets acquired	(13,772)
Goodwill arising on acquisition	5,274

Non-controlling interests

The non-controlling interests (30%) in A Stars Group recognised at the acquisition date were measured by reference to the proportionate share of recognised amounts of net assets of A Stars Group and amounted to HK\$4,131,000.

The aggregate amount of non-controlling interests of A Stars Group arising on the acquisition was HK\$4,121,000.

Net cash inflows arising on acquisition

	HK\$'000
Consideration transferred	10,000
Less: netting off other receivable from a joint venture	(10,000)
Plus: bank balances and cash acquired	2
	2

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For the year ended 30 June 2014

36. ACQUISITIONS AND DISPOSALS (Continued)

(a) Acquisitions of subsidiaries and disposals of associates (Continued)

In March 2014, A Stars obtained control over its two existing associates, namely A Stars World Entertainment Group Limited ("A Stars World") and App Stars World Group Limited ("App Stars") by appointing certain individuals representing the Group to control the board of directors of A Stars World and App Stars and manage and make decision of the operational and financial activities of the two companies. The directors of the Company consider the Group has the practical ability to direct the relevant activities of A Stars World and App Stars unilaterally. Such change in control over A Stars World and App Stars has been considered as deemed acquisition and accounted for as business combination using the acquisition method.

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

	HK\$'000
Property, plant and equipment	2,249
Intangible assets	5,784
Inventories	2,244
Trade and other receivables and deposits paid	1,236
Bank balances and cash	410
Amounts due from related companies	20,444
Other payables	(3,175)
Amounts due to a shareholder of the ultimate holding company	(35,800)
Amounts due to a related company	(20,401)
Non-controlling interests of A Stars World	2,366
Net liabilities at the date of acquisition	(24,643)
Provision on amount due from App Stars previously made	9,000
	(15,643)

Goodwill arising on deemed acquisitions:

	HK\$'000
Consideration transferred	—
Plus: Non-controlling interest (50% in A Stars World and 40% in Apps Stars)	(10,922)
Less: Net liabilities acquired	15,643
Goodwill arising on acquisition	4,721

Non-controlling interests

The non-controlling interests in A Stars World (50%) and Apps Stars (40%) recognised at the date of deemed acquisitions change in control were measured by reference to the proportionate share of recognised amount of net liabilities of A Stars World and Apps Stars and amounted to HK\$10,922,000.

The aggregate amount of non-controlling interests of A Stars World and Apps Stars arising on the deemed acquisitions was HK\$13,288,000.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

36. ACQUISITIONS AND DISPOSALS (Continued)

(a) Acquisitions of subsidiaries and disposals of associates (Continued)

Net cash inflows arising on deemed acquisitions

	HK\$'000
Consideration transferred	—
Plus: bank balances and cash acquired	410
	410

From the date of acquisition to 30 June 2014, A Stars Group did not have material contribution to the revenue and loss of the Group.

Aggregate goodwill amounting to HK\$9,995,000 has been arisen from above transactions.

Management of the Group determines that there is no impairment on the carrying amount of the goodwill based on the estimated cash flow projections generated from the operation in television programmes and content production. The calculation of cash flow projections is based on the financial budgets approved by management covering a five-year period, and at a discount rate of 13%. The cash flows beyond the five-year period are extrapolated using a zero growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the goodwill exceeding its recoverable amount.

(b) Disposal of partial interest in a subsidiary

On 28 January 2014, the Company, the Purchaser and CGS, entered into an agreement ("CGS Agreement") pursuant to which, among other things, the Company agreed to sell 1,667 ordinary shares of US\$1 each in the issued share capital of CGS (which represent 50% of the issued share capital of CGS as at 28 January 2014), to the Purchaser, upon and subject to the terms and conditions thereof.

Pursuant to CGS Agreement, at completion of the disposal of 50% interest in CGS, the Company issued, and the Purchaser subscribed for, the convertible bonds in the principal amount of HK\$57,080,000 convertible into the Company's shares at the conversion price of HK\$0.18 per share (subject to adjustments), upon and subject to the terms and conditions of the CGS Agreement. Upon full conversion of the convertible bonds, a total of 317,111,111 shares in the Company ("HKRH Conversion Shares") will be issued to the Purchaser, representing approximately 9.99% of the existing issued share capital of the Company as at 28 January 2014, and approximately 9.09% of the issued share capital of the Company as enlarged by the issue of HKRH Conversion Shares.

In addition, pursuant to CGS Agreement, among other things, at completion of the disposal of 50% interest in CGS, CGS issued CGS Share Option to the Purchaser at a cash consideration of US\$1, upon and subject to the terms and conditions of the CGS Agreement. Upon exercise of the CGS Share Option, the Purchaser shall be entitled to subscribe for such number of new CGS shares, free from all encumbrances and ranking pari passu with other CGS shares then existing, that may result from dividing US\$5,000,000 by the exercise price of CGS Share Option of US\$24,390.24.

All the conditions precedent under the CGS Agreement have been fulfilled, and completion of the share transaction took place on 6 June 2014 (the "Completion Date"). Immediately following the completion of the share transaction, the Company holds 50% interest in CGS, and CGS continue to be accounted for as a subsidiary of the Company.

The proceeds on disposal of HK\$240,810,000 (net of transaction cost of HK\$4,000,000) were received in cash. An amount of HK\$247,460,000 (being the proportionate share of the carrying amount of the net assets of CGS) has been transferred to non-controlling interests.

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For the year ended 30 June 2014

36. ACQUISITIONS AND DISPOSALS (Continued)

(b) Disposal of partial interest in a subsidiary (Continued)

An amount of HK\$38,803,000 represents the difference between the fair value of the consideration (net of transaction cost) and proceeds received and the aggregate amount of (i) the carrying amount of the net assets attributable to the disposed interest in CGS to the Purchaser, (ii) the fair value of the CGS Share Option issued and (iii) the fair values of the liability component and the embedded derivatives of convertible bonds due 2019 issued to the Purchaser, on 6 June 2014, included in other reserve which is determined as follows:

	HK\$'000
Net consideration received	240,810
Plus: Proceeds from issuance of CB 2019 (note 24(a))	57,080
Less: Increase in non-controlling interests	(247,460)
Fair value of liability components of CB 2019 (note 24(a))	(28,666)
Fair value of derivative embedded in CB 2019 (note 24(b)(i))	(56,036)
Fair value of CGS Share Option issued (note 24(b)(ii))	(4,531)
	(38,803)

For details of CB 2019 issued and CGS Share Option issued, please refer to notes 24(a) and 24(b)(ii).

(c) Acquisition of a subsidiary and disposal of an associate

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

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

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

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

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36. ACQUISITIONS AND DISPOSALS (Continued)

(c) Acquisition of a subsidiary and disposal of an associate (Continued)

Goodwill arising on acquisition:

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

Non-controlling interests

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

Remeasurement of previously held interest

	HK\$'000
Fair value of previously held interest	(3,877)
Less: carrying amount	–
Loss on remeasurement of previously held interest in an associate	(3,877)

Net cash outflow arising on acquisition

	HK\$'000
Consideration paid in cash	3,200

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

During the year ended 30 June 2013, impairment loss on goodwill of HK\$3,449,000 was recognised in profit or loss.

On 31 December 2013, the Group further acquired the remaining 32% interest in Rise Rich. Upon completion of the acquisition, the Group owns 100% shareholding in Rise Rich. The carrying amount of net liabilities attributable to the additional interest acquired of HK\$3,643,000 has been recognised in other reserve.

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For the year ended 30 June 2014

37. CONTINGENT LIABILITIES

As at 30 June 2014, the Group had an outstanding financial guarantee amounting to HK\$3,000,000 (2013: HK\$3,000,000) issued to a bank in respect of a banking facility granted to a joint venture. The directors of the Company considered that the fair value of this financial guarantee contract at their initial recognition is insignificant.

38. MAJOR NON-CASH TRANSACTION

During the year ended 30 June 2014, the Group acquired an additional 40% interest in A Stars at a consideration of HK\$10,000,000 from a joint venture of the Group and settled through current account with the joint venture. Please refer to note 36(a) for details.

During the year ended 30 June 2013, the Group entered into finance lease arrangements for acquisition of certain property, plant and equipment with a total capital value of HK\$425,000.

39. CAPITAL RISK MANAGEMENT

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

The capital structure of entities in the Group consists of debts, which include convertible bonds disclosed in note 24, bank and other borrowings disclosed in note 26, gold loans disclosed in note 27, loan from a non-controlling shareholder of a subsidiary in note 20 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 2014, the net gearing ratio of the Group is 57% (2013: 84%). The directors closely monitor the net gearing ratio and balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

40. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2014 HK\$'000	2013 HK\$'000
Financial assets		
Financial assets at fair value through profit or loss	10,949	–
Settlement options in relation to the loan to related parties	–	26,211
Loans and receivables (including cash and cash equivalents)	1,026,329	775,308
Financial liabilities		
Financial liabilities at fair value through profit or loss	560,738	178,982
Amortised costs	895,699	1,030,742

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40. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The Group's major financial instruments include loan to related parties, trade and other receivables, amount due from a joint venture, settlement options in relation to the loan to related parties, financial assets/liabilities at fair value through profit or loss, pledged bank deposits, bank balances and cash, trade and other payables and deposits received, amounts due to joint ventures, derivative financial instruments, convertible bonds, bank and other borrowings, gold loans and loan from a non-controlling shareholder of a subsidiary. Details of these financial instruments are disclosed in the respective notes. The risks associated with certain of these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

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

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to loan to related parties (note 15), fixed-rate convertible bonds (note 24), other borrowings (note 26) and gold loans (note 27). The Group is also exposed to cash flow interest rate risk in relation to its floating-rate bank balances and bank borrowings. Management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

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

Interest rate risk sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates of floating-rate bank borrowings only as management consider reasonable possible change in interest rate on floating-rate bank balances would not have material financial impact to the Group. The analysis is prepared assuming the amounts of liabilities outstanding at the end of the reporting period were outstanding for the whole year. Other than that, a 50 basis points (2013: 50 basis points) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

40. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

Interest rate risk sensitivity analysis (Continued)

If interest rates had been 50 basis points (2013: 50 basis points) higher and all other variables were held constant, the result of the Group would have been impacted as follows:

	2014 HK\$'000	2013 HK\$'000
Increase in loss for the year	(2,532)	(2,986)

If interest rates had been 50 basis points (2013: 50 basis points) lower and all other variables were held constant, the result of the Group would have been impacted as follows:

	2014 HK\$'000	2013 HK\$'000
Decrease in loss for the year	2,532	2,986

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, MOP or US\$ which are currencies other than the functional currencies of the respective group entities (see respective notes). The Group manages its foreign currency risk by constantly monitoring the movement of the foreign exchange rates.

The carrying amounts of the monetary assets and liabilities, which are loan to related parties, trade and other receivables, bank balances and cash, bank and other borrowings and convertible bonds, that are denominated in currencies other than the functional currencies of the respective group entities of the Group at the end of the reporting period are as follows:

	Assets		Liabilities	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
HK\$	70,311	37,499	169,472	262,330
RMB	123,594	16,198	—	—
MOP	2,127	470	—	—
US\$	11,061	273	175,742	148,200

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

40. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

Currency risk sensitivity analysis

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

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

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

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

	2014 HK\$'000	2013 HK\$'000
Loss for the year		
RMB against HK\$	11,138	12,051
RMB against US\$	8,234	7,396

Price risk

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

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

Price risk sensitivity analysis

If the market price of gold had been higher or lower by 10%, the loss after taxation for the year would increase or decrease approximately by HK\$15,943,000 (2013: HK\$6,445,000), arising from the changes in fair value of gold loans and financial assets/liabilities at fair value through profit or loss.

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40. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and
- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 37.

In order to minimise the credit risk, management of the Group has monitoring procedures to ensure that appropriate actions are taken to recover overdue debts. In addition, management of the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group also monitors the financial position of the joint venture in order to minimise the credit risk for the financial guarantee issued by the Group as disclosed in note 37. In this regard, the directors of the Company consider that the credit risk is significantly reduced.

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

The Group has no significant concentration of credit risk, with exposure spread over a large number of shopping malls and department stores, except for as of 30 June 2014 where the loan to related parties of HK\$123,177,000 (2013: HK\$98,746,000) and trade receivables from a joint venture of HK\$4,454,000 (2013: trade receivables from a joint venture of HK\$4,485,000, and other receivables from a joint venture and an associate of HK\$10,000,000 and HK\$10,347,000 respectively).

Liquidity risk

Regarding the liquidity risk, management monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. As at 30 June 2014, the Group has available unutilised revolving banking facilities of HK\$165,818,000 (2013: HK\$75,202,000). Management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

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

In addition, the following tables detail the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (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 management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

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40. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

Liquidity table

	Weighted average interest rate %	On demand or in 30 days HK\$'000	31 to 90 days HK\$'000	91 to 365 days HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amounts HK\$'000
As at 30 June 2014									
Non-derivative financial liabilities									
Trade and other payables	–	142,218	–	–	–	–	–	142,218	142,218
Amounts due to joint ventures	–	3,628	–	–	–	–	–	3,628	3,628
Franchise guarantee deposits	–	–	–	63,221	–	–	–	63,221	63,221
Bank and other borrowings									
– fixed rate	4.59	106	30	3,816	1,000	–	29,000	33,952	23,771
– variable rate	3.97	286,769	193,671	28,178	–	–	–	508,618	506,391
Loan from a non-controlling shareholder of a subsidiary	–	–	–	–	100,000	–	–	100,000	100,000
Convertible bonds	20.78	70	211	632	842	122,838	–	124,593	56,470
Obligations under finance leases	4.12	16	31	187	171	–	–	405	390
		432,807	193,943	96,034	102,013	122,838	29,000	976,635	896,089
Financial guarantee contract (note 37)	–	3,000	–	–	–	–	–	3,000	–
Derivatives									
Gold loans	4.95	–	263,201	290,607	–	–	–	553,808	494,329
Financial assets at fair value through profit and loss – net settlement	–	–	(5,325)	(5,624)	–	–	–	(10,949)	(10,949)
		–	257,876	284,983	–	–	–	542,859	483,380

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40. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

Liquidity table (Continued)

	Weighted average interest rate %	On demand or in 30 days HK\$'000	31 to 90 days HK\$'000	91 to 365 days HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amounts HK\$'000
As at 30 June 2013									
Non-derivative financial liabilities									
Trade and other payables	–	140,649	–	–	–	–	–	140,649	140,649
Amounts due to joint ventures	–	3,592	–	–	–	–	–	3,592	3,592
Franchise guarantee deposits	–	58,494	–	–	–	–	–	58,494	58,494
Bank and other borrowings									
– fixed rate	2.40	–	–	106	3,843	–	–	3,949	3,768
– variable rate	4.54	287,732	90,359	213,254	15,084	–	–	606,429	597,132
– interest-free	–	3,197	–	–	–	–	–	3,197	3,197
Convertible bonds	5.00	–	226,301	–	–	–	–	226,301	223,910
Obligations under finance leases	3.85	16	31	205	222	183	–	657	621
		493,680	316,691	213,565	19,149	183	–	1,043,268	1,031,363
Financial guarantee contract (note 37)	–	3,000	–	–	–	–	–	3,000	–
Derivatives									
Gold loans	5.13	–	97,201	34,200	–	–	–	131,401	129,059
Financial liabilities at fair value through profit and loss-net settlement	–	147	34,230	15,546	–	–	–	49,923	49,923
		147	131,431	49,746	–	–	–	181,324	178,982

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

40. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

Bank loans with a repayment on demand clause are included in the “on demand or in 30 days” time band in the above maturity analysis. As at 30 June 2014, the aggregate amounts of these bank loans amounted to HK\$138,191,000 (2013: HK\$137,977,000). Taking into account the Group’s financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment.

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

	On demand or in 30 days HK\$’000	31 to 90 days HK\$’000	91 to 365 days HK\$’000	1 to 2 years HK\$’000	Total undiscounted cash flows HK\$’000	Carrying amounts HK\$’000
As at 30 June 2014						
Bank borrowings with a repayment on demand clause	12,609	–	131,493	–	144,102	138,191
	On demand or in 30 days HK\$’000	31 to 90 days HK\$’000	91 to 365 days HK\$’000	1 to 2 years HK\$’000	Total undiscounted cash flows HK\$’000	Carrying amounts HK\$’000
As at 30 June 2013						
Bank borrowings with a repayment on demand clause	13,395	100,607	12,719	12,609	139,330	137,977

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

(c) Fair value measurements of financial instruments

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

40. FINANCIAL INSTRUMENTS (Continued)

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

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

Financial asset (liabilities) included in the consolidated statement of financial position	Fair value as at 30.6.2014 HK\$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
1) Bullion forward contracts	10,949	Level 2	Discounted cash flows Inputs to valuation model are determined from observable forward gold price.	Not applicable
2) Gold loans	(494,329)	Level 2	Quoted bid prices of gold	Not applicable
3) Conversion option derivative embedded in convertible bonds	(61,878)	Level 3	Trinomial option pricing model The fair value is estimated based on the risk free rate, discount rate, share price, volatility of the share price of the Company and CGS, dividend yield and exercise price.	Volatility of the share price of determined by reference to the historical share price of the Company and CGS (Note)
4) CGS Share Option	(4,531)	Level 3	Trinomial option pricing model The fair value is estimated based on the risk free rate, discount rate, share price, volatility of the share price of the CGS, dividend yield and exercise price.	Volatility of the share price of determined by reference to the historical share price of CGS (Note)

Note: The higher the volatility of the share price of the Company and CGS, the higher the fair value of the conversion option derivative and share option. For the volatility of the share price of the Company and CGS used in the fair value measurement, please refer to note 24 (b).

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

40. FINANCIAL INSTRUMENTS (Continued)

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

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

There is no transfer between different levels of the fair value hierarchy for the year ended 30 June 2013 and 2014.

Reconciliation of Level 3 fair value measurements

	CGS Share Option HK\$'000	Conversion option derivatives HK\$'000
At 1 July 2012	—	428
Fair value gain recognised in profit or loss	—	(428)
At 30 June 2013	—	—
At issue	4,531	69,022
Fair value gain recognised in profit or loss	—	(7,225)
Exchange realignment	—	81
At 30 June 2014	4,531	61,878

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

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

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

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For the year ended 30 June 2014

41. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY

	2014 HK\$'000	2013 HK\$'000
Investments in subsidiaries	320,147	640,299
Amounts due from subsidiaries	266,344	222,000
Other assets	70,447	27,221
Total assets	656,938	889,520
Total liabilities	(110,949)	(229,919)
Net assets	545,989	659,601
Share capital	31,885	29,541
Reserves (Note)	514,104	630,060
Total equity	545,989	659,601

Note:

The movements of reserves are as follows:

	Share premium HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Warrant reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 July 2012	521,306	55,327	15,582	–	(52,888)	539,327
Issue of new shares under rights issue	88,439	–	–	21,830	–	110,269
Issue of new shares by way of placing of shares, net of transaction costs	32,943	–	–	–	–	32,943
Transaction costs attributable to issue of new shares under rights issue	(2,843)	–	–	–	–	(2,843)
Lapse of share options	–	–	(907)	–	907	–
Equity-settled share-based payments	–	–	4,335	–	–	4,335
Loss for the year and total comprehensive expense for the year	–	–	–	–	(53,971)	(53,971)
At 30 June 2013	639,845	55,327	19,010	21,830	(105,952)	630,060
Exercise of warrants	32	–	–	(10)	–	22
Exercise of share options	4,738	–	(953)	–	–	3,785
Lapse of share options	–	–	(1,901)	–	1,901	–
Equity-settled share-based payments	–	–	2,606	–	–	2,606
Issue of new shares by way of placing of shares, net of transaction costs	36,262	–	–	–	–	36,262
Loss for the year and total comprehensive expense for the year	–	–	–	–	(158,631)	(158,631)
At 30 June 2014	680,877	55,327	18,762	21,820	(262,682)	514,104

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

42. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries as at 30 June 2014 and 30 June 2013 are as follows:

Name of subsidiaries	Place of incorporation/ establishment	Authorised ordinary share capital/ registered capital	Issued and fully-paid ordinary share capital/ paid up capital	Percentage of issued ordinary share capital/ registered capital held by the Group (Note (1))		Attributable equity interest held		Principal activities
				2014	2013	2014	2013	
3D-GOLD Business Development Limited	Hong Kong	HK\$ 10,000	HK\$ 100	70%	70%	70%	70%	Investment holding
3D-GOLD Company Limited	Hong Kong	HK\$10,000	HK\$100	100%	100%	50%	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	US\$60,000,000	US\$60,000,000	100%	100%	50%	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%	50%	100%	Holding of trademark
3D-GOLD Jewellery (HK) Limited	Hong Kong	HK\$10,000	HK\$100	100%	100%	50%	100%	Retailing of gold and jewellery products in Hong Kong
3D-GOLD Jewellery (Taiwan) Limited	Hong Kong	HK\$ 10,000	HK\$100	100%	100%	50%	100%	Investment holding
金至尊珠寶股份有限公司 (3D-GOLD Jewellery Co. Ltd.) (Note 3)	PRC	RMB100,000,000	RMB20,000,000	100%	100%	50%	100%	Sale of jewellery
3D-GOLD Management Services Limited	Hong Kong	HK\$5,000,000	HK\$1	100%	100%	50%	100%	Provision of management services
Zunl Interactive Technology Limited (formerly known as 3D-GOLD Online Limited)	Hong Kong	HK\$10,000	HK\$100	91%	91%	73%	73%	Online marketing and E-commerce
3D-GOLD (PRC Holding) Company Limited	Hong Kong	HK\$10,000	HK\$100	100%	100%	50%	100%	Investment holding
3D-GOLD Properties (HK) Limited	Hong Kong	HK\$10,000	HK\$100	100%	100%	100%	100%	Investment holding
Brand New Management Limited	British Virgin Islands	US\$50,000	US\$1	100%	100%	100%	100%	Investment holding
China Gold Silver Group Company Limited	British Virgin Islands	US\$50,000	US\$3,334	50%	100%	50%	100%	Investment holding
Elite Art International Limited	Hong Kong	HK\$10,000	HK\$1	100%	100%	100%	100%	Investment holding
Goldace Development Limited	British Virgin Islands	US\$50,000	US\$100	100%	100%	100%	100%	Investment holding
Great Network Holdings Limited	British Virgin Islands	US\$50,000	US\$100	80%	80%	80%	80%	Investment holding
Great Tactic Limited	British Virgin Islands	US\$50,000	US\$1	100%	100%	50%	100%	Rental holding
Gold Ocean Jewellery Company Limited	Macau	MOP500,000	MOP500,000	100%	100%	50%	100%	Retailing of gold and jewellery products in Macau

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

42. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY (Continued)

Particulars of the Company's subsidiaries as at 30 June 2014 and 30 June 2013 are as follows: (Continued)

Name of subsidiaries	Place of incorporation/ establishment	Authorised ordinary share capital/ registered capital	Issued and fully-paid ordinary share capital/ paid up capital	Percentage of issued ordinary share capital/ registered capital held by the Group (Note (1))		Attributable equity interest held		Principal activities
				2014	2013	2014	2013	
Golden Zone International Limited	British Virgin Islands	US\$50,000	US\$1	100%	100%	50%	100%	Investment holding
Rise Rich International Limited	Hong Kong	HK\$ 10,000	HK\$10,000	100%	68%	50%	68%	Trading of jewellery
Special Link Limited	Hong Kong	HK\$ 10,000	HK\$1	100%	100%	50%	100%	Investment holding
Trump Power Limited	Hong Kong	HK\$10,000	HK\$100	100%	100%	100%	100%	Trading of precious metals related products
尊一互動科技(深圳)有限公司 (Formerly known as 淘至尊數碼 科技(深圳)有限公司) (Note 2)	PRC	RMB500,000	RMB500,000	100%	100%	73%	73%	Online marketing and E-commerce
上海金至尊鑽石有限公司 (Note 2)	PRC	RMB1,000,000	RMB1,000,000	100%	100%	50%	100%	Sales of jewellery
金至尊珠寶股份有限公司	Taiwan	NTD10,000,000	NTD5,000,000	100%	100%	50%	100%	Inactive
至尊金業(深圳)有限公司	PRC	RMB1,000,000	RMB1,000,000	100%	100%	50%	100%	Investment holding
重慶金至尊珠寶有限公司	PRC	RMB5,000,000	–	100%	–	50%	–	Inactive
重慶金至尊營銷策劃有限公司	PRC	RMB5,000,000	–	100%	–	50%	–	Inactive
重慶金至尊飾品設計有限公司	PRC	RMB5,000,000	–	100%	–	50%	–	Inactive
A Stars Entertainment Group Limited (Note 4)	British Virgin Islands	US\$50,000	US\$6,500	70%	–	70%	–	Investment holding
A Stars World Entertainment Group Limited (Note 4)	British Virgin Islands	US\$50,000	US\$10	50%	–	35%	–	Investment holding
App Stars World Group Limited (Note 4)	British Virgin Islands	US\$50,000	US\$10	70%	–	42%	–	Investment holding
A Stars World Resort Group Limited (Note 4)	British Virgin Islands	US\$50,000	US\$10	80%	–	56%	–	Investment holding
A Stars World Entertainment Limited (Note 4)	Hong Kong	HK\$10,000	HK\$1	100%	–	35%	–	Event marketing and talent management
A Stars World Limited (Note 4)	Hong Kong	HK\$10,000	HK\$1	100%	–	35%	–	Inactive
A Stars Production Limited (Note 4)	Hong Kong	HK\$10,000	HK\$10	80%	–	28%	–	Content production and distribution
App Stars World Limited (Note 4)	Hong Kong	HK\$10,000	HK\$10	100%	–	42%	–	Content management and licensing services
A Stars World Resort Limited (Note 4)	Hong Kong	HK\$10,000	HK\$1	100%	–	56%	–	Inactive
上海名星網絡軟件有限公司 (Note 4)	PRC	HK\$1,000,000	HK\$1,000,000	100%	–	42%	–	Inactive

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

42. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY (Continued)

Notes:

- (1) The Company directly holds the interest in Brand New Management Limited, China Gold Silver Group Company Limited and Goldace Development Limited. All other interests in subsidiaries shown above are indirectly held by the Company.
- (2) These companies established in the PRC are wholly owned foreign enterprises.
- (3) 3D-GOLD Jewellery Co. Ltd. established in the PRC is a sino-foreign joint venture company.
- (4) As at 30 June 2014, the Company held 30% interest in A Stars Group and accounted for as associate of the Company.

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

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

Name of subsidiary	Place of incorporation	Principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
			2014	2013	2014	2013	2014	2013
					HK\$'000	HK\$'000	HK\$'000	HK\$'000
China Gold Silver Group Company Limited ("CGS")	British Virgin Islands	PRC	50%	–	(6,246)	–	241,214	–
Individually immaterial subsidiaries with non-controlling interests					(1,637)	–	(10,607)	–
					(7,883)	–	230,607	–

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

Notes to the Consolidated Financial Statements

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42. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY (Continued)

China Gold Silver Group Company Limited and its subsidiaries

	2014 HK\$'000	2013 HK\$'000
Current assets	1,853,946	1,592,672
Non-current assets	276,308	360,097
Current liabilities	(1,367,455)	(1,263,633)
Non-current liabilities	(280,370)	(57,045)
Equity attributable to owners of CGS	482,429	632,091
Revenue	1,557,273	2,878,020
Expenses	(1,692,372)	(2,937,936)
Loss for the year attributable to owners of CGS	(135,099)	(59,916)
Other comprehensive (expense) income for the year attributable to owners of CGS	(3,247)	16,843
Total comprehensive expense for the year attributable to owners of CGS	(138,346)	(43,073)
Net cash (outflow) inflow from operating activities	(35,890)	141,198
Net cash outflow from investing activities	(126,301)	(373,793)
Net cash inflow from financing activities	357,316	170,738
Net cash inflow (outflow)	195,125	(61,857)

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 2014 HK\$'000	Year ended 30 June 2013 HK\$'000	Year ended 30 June 2012 HK\$'000	15 months ended 30 June 2011 HK\$'000	Year ended 31 March 2010 HK\$'000 (Restated)
Turnover	1,561,659	2,886,550	3,840,630	3,223,377	1,290,110
(Loss) Profit before taxation	(200,293)	(107,054)	(18,732)	73,907	228,793
Taxation	8,284	(8,748)	(10,539)	(35,395)	(21,247)
(Loss) Profit for the year/period	(192,009)	(115,802)	(29,271)	38,512	207,546
Total comprehensive (expense) income for the year/period attributable to owners of the Company	(187,558)	(100,554)	(21,230)	63,264	113,803

ASSETS AND LIABILITIES

	As at 30 June 2014 HK\$'000	As at 30 June 2013 HK\$'000	As at 30 June 2012 HK\$'000	As at 30 June 2011 HK\$'000	As at 31 March 2010 HK\$'000 (Restated)
Total assets	2,241,611	1,990,940	1,838,358	1,749,600	1,239,091
Total liabilities	(1,555,359)	(1,353,756)	(1,251,723)	(1,140,015)	(552,643)
Non-controlling interests	(230,607)	3,446	—	—	(226,612)
Equity attributable to owners of the Company	455,645	640,630	586,635	609,585	459,836