HONG KONG RESOURCES HOLDINGS COMPANY LIMITED

香港資源控股有限公司

(Incorporated in Bermuda with limited liability and carrying on business in Hong Kong as HKRH China Limited)

(Stock Code: 2882)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2018

The board of directors (the "**Board**") of Hong Kong Resources Holdings Company Limited (the "**Company**") announces the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 30 June 2018 (the "**Year**" or "**Year 2018**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018

	NOTES	**2018** *HK$'000*	2017 *HK$'000*
Turnover	*3*	**1,459,466**	1,118,550
Cost of sales		**(1,048,012)**	(760,209)
Gross profit		**411,454**	358,341
Other income		**6,016**	11,328
Selling expenses		**(326,665)**	(303,298)
General and administrative expenses		**(88,944)**	(116,595)
Other expenses and other gains and losses		**10,516**	(28,278)
Change in fair value of derivatives embedded in convertible bonds and share option		**3,914**	1,637
Equity-settled share-based payments		**(8,949)**	–
Impairment loss on investment in a film recognised		**–**	(10,000)
Impairment loss on investment in an associate recognised		**–**	(24,081)
Impairment loss on an available-for-sale investments recognised		**(6,040)**	(14,308)
Impairment loss on other receivables recognised		**–**	(7,662)
Finance costs	*4*	**(51,174)**	(45,457)
Share of result of an associate		**–**	(1,202)

	NOTES	2018 HK$'000	2017 HK$'000
Loss before taxation	*5*	**(49,872)**	(179,575)
Taxation	*6*	**(18,404)**	(7,530)
Loss for the year		**(68,276)**	(187,105)
Other comprehensive income (expense)			
Item that will not be reclassified to profit or loss:			
Exchange difference arising on translation		**8,237**	(12,169)
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**6,750**	–
Fair value loss on available-for-sale investment		**(3,420)**	(13,440)
Investment revaluation reserve reclassified to profit or loss in relation to impairment loss on available-for-sale investments		**3,420**	10,920
		–	(2,520)
Other comprehensive income (expense) for the year		**14,987**	(14,689)
Total comprehensive expense for the year		**(53,289)**	(201,794)
Loss for the year attributable to:			
Owners of the Company		**(59,654)**	(143,703)
Non-controlling interests		**(8,622)**	(43,402)
		(68,276)	(187,105)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(47,654)**	(154,821)
Non-controlling interests		**(5,635)**	(46,973)
		(53,289)	(201,794)
			(Restated)
Loss per ordinary share	*8*		
Basic and diluted		**(HK$0.066)**	(HK$0.163)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	NOTES	2018 HK$'000	2017 HK$'000
ASSETS AND LIABILITIES			
Non-current Assets			
Property, plant and equipment		**52,922**	42,834
Deposits paid	9	**10,306**	5,722
Intangible assets		**169,144**	169,144
Interest in a joint venture		–	–
Available-for-sale investments	10	**15,118**	26,980
Deferred tax assets		**17,112**	17,884
		264,602	262,564
Current Assets			
Inventories		**979,354**	801,074
Trade and other receivables and deposits paid	9	**213,712**	124,291
Loan receivable		**14,000**	–
Tax receivable		**1,739**	–
Amount due from a joint venture		–	8
Pledged bank deposits		**742,299**	578,301
Bank balances and cash		**56,988**	114,953
		2,008,092	1,618,627
Current Liabilities			
Trade and bills payables, other payables, accruals and deposits received	12	**333,097**	233,069
Bank and other borrowings		**1,480,000**	1,089,505
Gold loans	13	–	84,823
Amount due to a joint venture		**11**	–
Loan from a non-controlling shareholder of a subsidiary		**43,190**	43,190
Loan from a shareholder		–	2,000
Convertible bonds	11	**49,753**	–
Derivative financial instruments	11	**385**	–
Tax liabilities		**4,103**	1,656
		1,910,539	1,454,243
Net Current Assets		**97,553**	164,384
Total Assets less Current Liabilities		**362,155**	426,948

	NOTES	2018 HK$'000	2017 HK$'000
Non-current Liabilities			
Convertible bonds	*11*	–	43,064
Derivative financial instruments	*11*	–	4,299
Other payable	*12*	**3,593**	–
Bank and other borrowings		**20,000**	20,000
Loan from a non-controlling shareholder of a subsidiary		**100,000**	100,000
Deferred tax liabilities		**42,016**	42,016
		165,609	209,379
NET ASSETS		**196,546**	217,569
CAPITAL AND RESERVES			
Share capital	*14*	**38,224**	35,224
Reserves		**101,527**	119,915
Equity attributable to owners of the Company		**139,751**	155,139
Non-controlling interests		**56,795**	62,430
TOTAL EQUITY		**196,546**	217,569

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

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

Amendments to HKFRSs that are mandatory effective for current year

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

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

Except as described below, the application of the amendments to 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.

Amendments to HKAS 7 *Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair value; and (v) other changes.

Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. The application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised HKFRSs and Interpretations in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

Except for the new HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and revised HKFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 9 *Financial Instruments*

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

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

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS

9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 "Financial Instruments: Recognition and Measurement". The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments as at 30 June 2018, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement:

- Listed equity securities classified as available-for-sale investments carried at fair value: these securities qualified for designation as measured at FVTOCI under HKFRS 9, however, the fair value gains or losses accumulated in the investments revaluation reserve as at 1 July 2018 will no longer be subsequently reclassified to profit or loss under HKFRS 9, which is different from the current treatment. This will affect the amounts recognised in the Group's profit or loss and other comprehensive income but will not affect total comprehensive income;

- Equity securities classified as available-for-sale investments carried at cost less impairment: these securities qualified for designation as measured at FVTOCI under HKFRS 9 and the Group will measure these securities at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognised as other comprehensive income and accumulated in the investment revaluation reserve. Upon initial application of HKFRS 9, the fair value gain relating to these securities would be adjusted to investment revaluation reserve as at 1 July 2018; and

- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that are subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 July 2018 would be slightly increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade and other receivables, and loan receivables. Such further impairment recognised under expected credit loss model would reduce the opening accumulated losses at 1 July 2018.

HKFRS 15 *Revenue from Contracts with Customers*

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

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

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

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

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

The directors of the Company consider that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not consider that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 *Leases*

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

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

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

The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 June 2018, the Group has non-cancellable operating lease commitments of approximately HK$74,605,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16.

In addition, the Group currently considers refundable rental deposits paid of approximately HK$16,906,000 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

3. TURNOVER AND SEGMENT INFORMATION

(a) Turnover

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

	2018	2017
	HK$'000	*HK$'000*
Retail sales of goods	**1,264,249**	1,049,222
Wholesales of goods	**116,822**	–
Franchise income	**5,907**	2,207
Licence income	**71,513**	62,694
Sub-contracting service fee income	**781**	–
Loan interest income	**194**	–
Television programmes and content production income	**–**	1,141
Net return from performance events	**–**	3,286
	1,459,466	1,118,550

(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:

a. Retail sales and franchising operations for gold and jewellery products in Mainland China;

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

c. Wholesales and sub-contracting operations for gold and jewellery products in Mainland China.

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

The following is an analysis of the Group's turnover and results by operating segments for the period under review.

Segment revenues and results

For the year ended 30 June 2018

	Reportable segments					
	Retail sales and franchising operations for gold and jewellery products in Mainland China	Retail sales operations for gold and jewellery products in Hong Kong and Macau	Wholesales and sub-contracting operations for gold and jewellery products in Mainland China	Total	Others *(Note)*	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE						
External sales	890,024	451,645	117,603	1,459,272	194	1,459,466
RESULT						
Segment results	50,684	16,933	(2,117)	65,500	(415)	65,085
Other income						6,016
Unallocated corporate staff and directors' salaries						(32,013)
Other unallocated corporate expenses						(23,578)
Advertising, promotion and business development expenses						(24,057)
Change in fair value of derivatives embedded in convertible bonds						3,914
Exchange gain						20,924
Equity-settled share-based payments						(8,949)
Impairment loss on AFS investments recognised						(6,040)
Finance costs						(51,174)
Loss before taxation						(49,872)
Taxation						(18,404)
Loss for the year						(68,276)

For the year ended 30 June 2017

	Reportable segments				
	Retail sales and franchising operations for gold and jewellery products in Mainland China	Retail sales operations for gold and jewellery products in Hong Kong and Macau	Total	Others *(Note)*	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE					
External sales	775,093	338,806	1,113,899	4,651	1,118,550
RESULT					
Segment results	54,035	(26,084)	27,951	(30,283)	(2,332)
Other income					11,328
Unallocated corporate staff and directors' salaries					(32,577)
Other unallocated corporate expenses					(22,621)
Advertising, promotion and business development expenses					(28,488)
Change in fair value of derivatives embedded in convertible bonds and share option					1,637
Exchange loss					(3,754)
Impairment loss on interest in an associate recognised					(24,081)
Impairment loss on AFS investments recognised					(14,308)
Impairment loss on other receivables recognised					(7,662)
Loss on disposal of subsidiaries					(6,937)
Loss on early redemption of convertible bond					(3,121)
Finance costs					(45,457)
Share of result of an associate					(1,202)
Loss before taxation					(179,575)
Taxation					(7,530)
Loss for the year					(187,105)

Segment profit (loss) represents the profit (loss) of each segment without allocation of other income, advertising, promotion and business development expenses, corporate staff and directors' salaries, change in fair value of derivatives embedded in convertible bonds and share option, exchange gain (loss), equity-settled share-based payments, impairment loss on AFS investments recognised, impairment loss on interest in an associate recognised, impairment loss on other receivables recognised, loss on disposal of subsidiaries, loss on early redemption of convertible bond, finance costs, share of result of an associate and taxation. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

As at 30 June 2018

	Reportable segments					
	Retail sales and franchising operations for gold and jewellery products in Mainland China	Retail sales operations for gold and jewellery products in Hong Kong and Macau	Wholesales and sub-contracting operations for gold and jewellery products in Mainland China	Total	Others *(Note)*	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS						
Segment assets	837,789	319,337	81,134	1,238,260	14,594	1,252,854
Intangible assets						169,144
AFS Investments						15,118
Deferred tax assets						17,112
Pledged bank deposits						742,299
Bank balances and cash						56,988
Other corporate assets						19,179
Consolidated assets						2,272,694
LIABILITIES						
Segment liabilities	212,742	39,370	76,130	328,242	–	328,242
Bank and other borrowings						1,500,000
Loan from a non-controlling shareholder of a subsidiary						143,190
Tax liabilities						4,103
Convertible bonds						49,753
Derivative financial instruments						385
Deferred tax liabilities						42,016
Other corporate liabilities						8,459
Consolidated liabilities						2,076,148

As at 30 June 2017

	Reportable segments				
	Retail sales and franchising operations for gold and jewellery products in Mainland China	Retail sales operations for gold and jewellery products in Hong Kong and Macau	Total	Others *(Note)*	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Segment assets	694,367	261,811	956,178	–	956,178
Intangible assets					169,144
AFS Investments					26,980
Deferred tax assets					17,884
Pledged bank deposits					578,301
Bank balances and cash					114,953
Other corporate assets					17,751
Consolidated assets					1,881,191
LIABILITIES					
Segment liabilities	152,952	71,091	224,043	–	224,043
Bank and other borrowings					1,109,505
Gold loans					84,823
Loan from a non-controlling shareholder of a subsidiary					143,190
Loan from a shareholder					2,000
Tax liabilities					1,656
Convertible bonds					43,064
Derivative financial instruments					4,299
Deferred tax liabilities					42,016
Other corporate liabilities					9,026
Consolidated liabilities					1,663,622

Note: Others represent other operating segments that are not reportable, which include money lending business for the year ended 30 June 2018. Subsidiaries engaged in online marketing, e-commerce, entertainment business including film investments, management and production of concerts and concerts investments, entertainment events and television programmes and content production were disposed of during the year ended 30 June 2017.

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

- all assets are allocated to reportable segments other than intangible assets, AFS investments, deferred tax assets, pledged bank deposits, bank balances and cash, and other corporate assets; and
- all liabilities are allocated to reportable segments other than bank and other borrowings, gold loans, loan from a non-controlling shareholder of a subsidiary, loan from a shareholder, tax liabilities, convertible bonds, derivative financial instruments, deferred tax liabilities and other corporate liabilities.

Other entity-wide segment information

For the year ended 30 June 2018

	Retail sales and franchising operations for gold and jewellery products in Mainland China	Retail sales operations for gold and jewellery products in Hong Kong and Macau	Wholesales and sub-contracting operations for gold and jewellery products in Mainland China	Others	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment result or segment assets:						
Additions of property, plant and equipment	**10,883**	**6,686**	**10,895**	**–**	**2,057**	**30,521**
Depreciation of property, plant and equipment	**12,177**	**5,602**	**450**	**–**	**1,993**	**20,222**
Loss on disposal of property, plant and equipment	**1,203**	**15**	**–**	**–**	**–**	**1,218**

For the year ended 30 June 2017

	Retail sales and franchising operations for gold and jewellery products in Mainland China	Retail sales operations for selling gold and jewellery products in Hong Kong and Macau	Others	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment result or segment assets:					
Additions of property, plant and equipment	11,704	3,579	206	46	15,535
Depreciation of property, plant and equipment	11,852	5,670	324	1,808	19,654
Loss on disposal of property, plant and equipment	662	669	388	39	1,758

Geographical information

Information about the Group's revenue from external customers is presented based on the location of the operation. Information about the non-current assets of the Group (excluding deposits paid, intangible assets, interest in a joint venture, available-for-sale investments and deferred tax assets) is presented based on geographical location of the assets.

For the year ended 30 June 2018

	Non-current assets *HK$'000*	**Revenue from external customers** *HK$'000*
Mainland China	**33,833**	**1,007,627**
Hong Kong and Macau	**19,089**	**451,839**
	52,922	**1,459,466**

For the year ended 30 June 2017

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

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

4. FINANCE COSTS

	2018 *HK$'000*	2017 *HK$'000*
Interests on:		
Bank and other borrowings	**41,030**	24,766
Gold loans	**879**	5,611
Loan from a non-controlling shareholder of a subsidiary	**863**	451
Effective interest on convertible bonds *(note 11(a))*	**8,402**	14,629
	51,174	45,457

5. LOSS BEFORE TAXATION

	2018	2017
	HK$'000	*HK$'000*
Loss before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	**2,520**	2,160
Change in fair value of gold loans (included in cost of sales)	**(539)**	(3,325)
Cost of inventories recognised as an expense	**1,050,206**	751,884
Depreciation of property, plant and equipment	**20,222**	19,654
Exchange (gain) loss, net	**(20,924)**	3,754
Loss on disposal of property, plant and equipment	**1,218**	1,758
Loss on disposal of subsidiaries	**–**	6,937
Loss on early redemption of convertible bond *(note 11(a))*	**–**	3,121
Staff costs, including directors' emoluments:		
– Wages, salaries and other benefits costs	**155,363**	171,576
– Equity-settled share-based payments	**8,949**	–
– Retirement benefit costs	**17,598**	13,104
	181,910	184,680
(Reversal of allowance) allowance of inventories (included in cost of sales)	**(1,655)**	11,265

6. TAXATION

	2018	2017
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax	**11,426**	7,125
PRC Withholding Tax	**6,679**	–
	18,105	7,125
Overprovision in prior years:		
Hong Kong Profits Tax	**(52)**	–
Macau Complementary Tax	**(421)**	–
	(473)	–
	17,632	7,125
Deferred taxation	**772**	405
	18,404	7,530

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for both years. No provision for taxation in Hong Kong has been made for both years as the Group incurred tax losses in Hong Kong.

Pursuant to the Enterprise Income Tax Law and Implementation Rules of the PRC, subsidiaries of the Company established in the PRC are subject to an income tax rate of 25% for both years. Certain subsidiaries established in Chongqing, a municipality in Western China, were engaged in a specific state-encouraged industry as defined under the new "Catalogue of Encouraged Industries in the Western Region" (effective from 1 October 2014) pursuant to《財政部、海關總署、國家稅務總局關於深入實施西部大開發戰略有關稅收政策問題的通知》(Caishui [2011] No. 58) issued in 2011 and were subject to a preferential tax rate of 15% when the annual revenue from the encouraged business exceeded 70% of each subsidiary's total revenue in a fiscal year.

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

PRC withholding income tax of 10% shall be levied on the dividends declared by the companies established in the PRC to their foreign investors out of their profits earned after 1 January 2008.

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:

	2018	2017
	HK$'000	*HK$'000*
Loss before taxation	**(49,872)**	(179,575)
Tax credit at domestic rates applicable to profits of taxable entities in the respective jurisdictions *(Note)*	**(10,868)**	(30,463)
Tax effect of income not taxable for tax purpose	**(5,669)**	(4,307)
Tax effect of expenses not deductible for tax purpose	**9,422**	29,873
Tax effect of tax losses not recognised	**16,796**	15,780
Utilisation of tax losses previously not recognised	**–**	(3,942)
Tax effect of share of result of an associate	**–**	198
Overprovision in respect of prior years	**(473)**	–
PRC withholding tax	**6,679**	–
Others	**2,517**	391
Taxation for the year	**18,404**	7,530

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.

7. DIVIDENDS

The Board has resolved not to recommend a final dividend in respect of the years ended 30 June 2018 and 30 June 2017 to the holders of ordinary shares of the Company.

8. LOSS PER ORDINARY SHARE

	2018	2017
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per ordinary share	**(59,654)**	(143,703)

	2018	2017
	'000	*'000*
		(Restated)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per ordinary share	**908,958**	880,599

Note:

In determining the weighted average number of ordinary shares in issue for the year ended 30 June 2018, the Share Consolidation has been regarded as if these shares were consolidated since 1 July 2016. Loss per ordinary share for the year ended 30 June 2017 were restated accordingly. Details of the Share Consolidation were set out in the announcement of the Company dated 17 July 2018.

For the year ended 30 June 2018, the computation of diluted loss per share does not assume the exercise of share options and bonus warrants, and the conversion of CB 2019 (as defined in note 11(a)) since the assumed exercise of those share options and the conversion of the outstanding convertible bond would result in decrease in loss per share.

For the year ended 30 June 2017, the computation of diluted loss per ordinary share did not assume the exercise of share options and bonus warrants because their exercise price is higher than the average share price, and the conversion of CB 2019 and CGS CB 2018 (as defined in note 11(a)) since their conversion would result in a decrease in loss per ordinary share.

9. TRADE AND OTHER RECEIVABLES AND DEPOSITS PAID

	2018	2017
	HK$'000	*HK$'000*
Deposits paid under non-current assets represent:		
Rental deposits	**10,306**	5,722
Trade and other receivables and deposits paid under current assets comprise:		
Trade receivables	**106,705**	87,600
Less: allowance for doubtful debts	**–**	(11,533)
	106,705	76,067
Rental deposits	**6,600**	10,200
Value added tax receivables	**84,095**	31,402
Other receivables and deposits paid	**16,312**	6,622
	213,712	124,291

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 rental deposits and other receivables and deposits paid as at 30 June 2018 are amounts related to a fellow subsidiary of a non-controlling shareholder of a subsidiary amounting to HK$1,008,000 (2017: HK$566,000).

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.

	2018	2017
	HK$'000	*HK$'000*
0-30 days	**76,032**	55,732
31-60 days	**9,902**	6,340
61-90 days	**12,854**	3,067
Over 90 days	**7,917**	10,928
	106,705	76,067

Included in the Group's trade receivables balance are debtors with aggregate amount of HK$33,735,000 (2017: HK$20,335,000) which are past due as at the end of the reporting period for which the Group has not provided for impairment loss.

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

	2018	2017
	HK$'000	*HK$'000*
1-30 days	**12,342**	4,284
31-60 days	**10,947**	4,503
61-90 days	**8,360**	3,276
Over 90 days	**2,086**	8,272
Total	**33,735**	20,335

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

	2018	2017
	HK$'000	*HK$'000*
At beginning of the year	**11,533**	14,877
Amounts written off as uncollectable	**(11,533)**	(3,344)
At end of the year	**–**	11,533

As at 30 June 2017, the allowance of doubtful debts of HK$11,533,000 mainly relate to customers which are under liquidation or in severe financial difficulties. It was assessed that the amounts are unlikely to be recovered and the amount was fully written off during the year ended 30 June 2018. The Group does not hold any collateral over these balances.

In estimating the recoverability of trade receivables, it is the Group's policy to take into consideration the aging analysis, subsequent settlements of the receivables, repayment history and credit worthiness of debtors.

10. AVAILABLE-FOR-SALE INVESTMENTS

		2018	2017
	Notes	*HK$'000*	*HK$'000*
Available-for-sale investments:			
– private entities	*(a)*	**–**	2,620
– equity investment listed in Hong Kong	*(b)*	**15,118**	24,360
		15,118	26,980

Notes:

(a) Investment in Gane Energy & Resources (China) Limited is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably. The balance was fully impaired during the year ended 30 June 2018 taking into consideration of the future operation of the investee.

(b) The listed investment is stated at its fair value, determined by reference to bid prices quoted in an active market. The management considered that the investment at the end of the reporting period is held for strategic purpose and is not to be disposed of in the foreseeable future. During the year ended 30 June 2018, 23,040,000 shares amounted to HK$5,822,000 was disposed of (2017: nil). Impairment of HK$3,420,000 (2017: nil) was recognised as the management considered that the decrease in fair value is prolong and significant.

11. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS

(a) Convertible bonds

Convertible bonds due 2019 ("CB 2019")

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

The conversion can be made at anytime commencing on the date falling the second anniversary of the issue date and expiring on the date which is 3 days preceding the maturity date, at a conversion price of HK$0.18 per ordinary shares (adjusted to HK$0.712 upon completion of the Share Consolidation, 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 2018, CB 2019 with a carrying amount of HK$49,753,000 (2017: HK$43,064,000) (principal amount of HK$57,080,000) remains outstanding.

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

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

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

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

On 31 May 2017 (the "Early Redemption Date"), the Group redeemed all of the CGS CB 2018 with principal amount of US$5,000,000 together with all interest accrued and outstanding up to the Early Redemption Date, and a redemption premium, for a cash consideration of US$5,950,000 (equivalent to HK$46,410,000), and resulted in a loss on early redemption of convertible bonds of HK$3,121,000 recognised in the profit or loss in the year ended 30 June 2017.

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

	Liability component		
	CB 2019	**CGS CB 2018**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 July 2016	37,465	36,894	74,359
Coupon interest accrued at 1 July 2016 and included in other payables	869	985	1,854
Interest charged during the year	7,270	7,359	14,629
Payment of coupon interest	(1,717)	(1,949)	(3,666)
Coupon interest accrued at 30 June 2017 and included in other payables	(823)	–	(823)
Repayment of principal	–	(46,410)	(46,410)
Loss on early redemption of convertible bond	–	3,121	3,121
At 30 June 2017	43,064	–	43,064
Coupon interest accrued at 1 July 2017 and included in other payables	823	–	823
Interest charged during the year	8,402	–	8,402
Payment of coupon interest	(1,712)	–	(1,712)
Coupon interest accrued at 30 June 2018 and included in other payables	(824)	–	(824)
At 30 June 2018	49,753	–	49,753

For the year ended 30 June 2018, the effective interest rates of CB 2019 was 19.47% per annum (2017: 19.47% and 18.02% per annum for CB 2019 and CGS CB 2018 respectively).

(b) Derivative financial instruments

	2018	2017
	HK$'000	*HK$'000*
Derivatives embedded in convertible bonds *(i)*	**385**	4,299

(i) Derivatives embedded in convertible bonds

	Embedded derivatives		
		CGS	
	CB 2019	**CB 2018**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 July 2016	5,925	5	5,930
Change in fair value	(1,626)	(5)	(1,631)
At 30 June 2017	4,299	–	4,299
Change in fair value	(3,914)	–	(3,914)
At 30 June 2018	385	–	385

The fair values of the embedded derivatives at 30 June 2017 and 30 June 2018 are based on valuation carried out on those dates by an independent professional valuer.

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 2018 CB 2019	At 30 June 2017 CB 2019
Share price	**HK$0.068**	HK$0.11
Exercise price	**HK$0.18**	HK$0.18
Expected dividend yield	**0.00%**	0.00%
Volatility	**55.23%**	42.14%
Risk free rate	**1.68%**	0.78%

(ii) CGS Share Option

In connection with the disposal of 50% of the Group's interest in CGS on 6 June 2014, CGS issued its share option ("CGS Share Option") to the Purchaser at a cash consideration of US$1. Upon full exercise of the CGS Share Option, the Purchaser shall be entitled to subscribe for such number of new shares of CGS, free from all encumbrances and ranking pari passu with other CGS shares then existing, that may result from dividing US$5,000,000 by the CGS Share Option exercise price, i.e. US$24,390.24 per share subject to anti-dilutive adjustments. The CGS Share Option shall remain valid and in force during the period between the date of issue of the CGS Share Option and 3 months (or such longer period as CGS and the Purchaser may agree) after (i) 15 January 2018, or (ii) the date as extended once by one year by mutual agreement of CGS and the Purchaser (both days inclusive). Such share option was vest immediately upon its issuance. The CGS Share Option shall be exercisable in full (and not in part) upon any of the following events occurring:

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

(i) during the 10 business day immediately before 15 January 2018, or the date as extended once by one year by mutual agreement of CGS and the Purchaser;

(ii) on the flotation date; or

(iii) such other date or period as may be mutually agreed by CGS and the Purchaser in writing;

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

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

For the year ended 30 June 2017, the CGS Share Option lapsed upon the early redemption of the CGS CB 2018 with principal amount of US$5,000,000 together with all interest accrued and outstanding up to the Early Redemption Date, and a redemption premium, for a cash consideration of US$5,950,000 (equivalent to HK$46,410,000). The change in fair value of HK$6,000 has been credited to profit or loss for the year ended 30 June 2017.

12. TRADE AND BILLS PAYABLES, OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**107,441**	91,533
Bills payables	**22,964**	–
Deposits received from customers *(Note (a))*	**25,783**	16,185
Franchisee guarantee deposits *(Note (b))*	**50,701**	47,912
Value added tax payables	**36,884**	1,918
Salary and bonus payables	**58,470**	51,078
Payables in respect of the acquisition of a property	**3,593**	–
Other payables, accruals and other deposits	**30,854**	24,443
	336,690	233,069
Less: Amounts due within one year and shown under current liabilities	**(333,097)**	(233,069)
Amounts shown under non-current liabilities	**3,593**	–

Notes:

(a) Deposits received from customers represent deposits and receipts in advance from the franchisees and customers for purchase of inventories.

(b) Franchisee guarantee deposits represent deposits from the franchisees for use of the trademarks "3D-GOLD".

The credit period on purchase of goods ranges from 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled with the credit timeframe.

Included in trade payables as at 30 June 2018 are trade payables to certain fellow subsidiaries of a non-controlling shareholder of a subsidiary amounting to HK$3,519,000 (2017: HK$26,185,000).

Included in franchisee guarantee deposits and other payables, accruals and other deposits as at 30 June 2018 are deposits received from and other payables to certain fellow subsidiaries of a non-controlling shareholder of a subsidiary amounting to HK$1,586,000 (2017: HK$1,392,000) and HK$3,017,000 (2017: HK$2,572,000) respectively.

Included in other payables, accruals and other deposits are accruals for service fee payable to a company in which a director of a subsidiary has beneficial interest amounting to HK$2,680,000 (2017: HK$2,477,000).

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

	2018	2017
	HK$'000	*HK$'000*
0-30 days	**72,216**	35,360
31-60 days	**49,971**	16,250
61-90 days	**1,219**	11,257
Over 90 days	**6,999**	28,666
	130,405	91,533

13. GOLD LOANS

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

As at 30 June 2017, the gold loan from a fellow subsidiary of a non-controlling shareholder of a subsidiary amounting to RMB73,737,000 (equivalent to HK$84,823,000)) was unsecured, interest bearing at a fixed rate of 4.5% per annum and repayable on demand. Such gold loan was fully repaid in current year.

The gain arising from change in fair value of gold loans of HK$539,000 (2017: HK$3,325,000) has been recognised in profit or loss for the year ended 30 June 2018. Fair values of the gold loans have been determined by reference to the quoted bid prices of gold on the Shanghai Gold Exchange at the end of the reporting period.

14. SHARE CAPITAL

	Notes	Number of shares '000	Amount HK$'000
Authorised:			
Ordinary shares of HK$0.01 each			
At 1 July 2016 and 30 June 2017		6,000,000	60,000
Increase on 10 August 2017	*(a)*	14,000,000	140,000
At 30 June 2018		20,000,000	200,000
Preference shares of HK$0.01 each			
At 1 July 2016, 30 June 2017 and 30 June 2018		3,000,000	30,000
Total:			
At 1 July 2016 and 30 June 2017		9,000,000	90,000
At 30 June 2018		23,000,000	230,000
Ordinary shares issued and fully paid:			
Ordinary shares of HK$0.01 each			
At 1 July 2016 and 30 June 2017		3,522,394	35,224
Exercise of warrants	*(b)*	29	–
Issue of shares	*(c)*	300,000	3,000
At 30 June 2018		3,822,423	38,224

Notes:

(a) Pursuant to the ordinary resolution passed on 10 August 2017, the total authorised share capital of the Company was increased from HK$60,000,000 divided into 6,000,000,000 ordinary shares of par value HK$0.01 each to HK$200,000,000 by the creation of additional 14,000,000,000 ordinary shares of par value HK$0.01 each.

(b) On 24 July 2017 and 6 February 2018, the Company issued 3,000 and 26,059 (2017: nil) ordinary shares of HK$0.01 at the exercise price of HK$0.245 per ordinary share upon exercise of the bonus warrants granted by the Company.

(c) On 13 February 2018, the Company issued 300,000,000 ordinary shares by way of placing at price of HK$0.08 per share.

15. CAPITAL COMMITMENTS

	2018	2017
	HK$'000	*HK$'000*
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements	**560**	919

16. PLEDGE OF ASSETS

As at 30 June 2018, the Group's bank deposits with carrying amounts of HK$742,299,000 (2017: HK$578,301,000) were pledged to banks as securities to obtain the banking facilities granted to subsidiaries of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is principally engaged in trademark licensing and retailing for selling gold and jewellery products in Hong Kong, Macau and Mainland China and the wholesaling and processing of gold and jewellery products in Mainland China.

Driven by an improved market environment since the second half of 2017 and the growing number of tourists visiting Hong Kong and Macau from Mainland China, the retail environment of Hong Kong and Macau market has improved. According to the Hong Kong Tourism Board, visitor arrivals from Mainland China have increased 9% for the Year over the same period last year ("**Last Year**"). As surveyed by the government, the retail value index for jewellery, watches, clocks, and valuable gifts as surveyed by the government has risen 16% during the same period.

The Group recorded a total turnover of approximately HK$1,459 million for the Year, representing an increase of 30% as compared to the turnover of approximately HK$1,119 million Last Year. The loss for the Year attributable to the owners was approximately HK$60 million compared to approximately HK$144 million Last Year, representing a decrease of 58%. This was mainly attributable to (i) increased in turnover as a result of the increase in the number of shops and counters in Hong Kong and Mainland China and an increase in overall same-store growth in Hong Kong and Macau as well as Mainland China; (ii) turnaround of the exchange loss Last Year to exchange gain for the Year; (iii) absence of recognition of impairment loss on investment in an associate and a film for the Year.

FINANCIAL REVIEW

Retailing of gold and jewellery products accounted for 87% (2017: 94%) of total turnover. The Group recorded retail revenue of approximately HK$1,264 million for the Year, representing a 21% increase from approximately HK$1,049 million Last Year. Mainland China continued to be the Group's major market, contributing 64% (2017: 68%) of retail sales for the Year. The retail revenue from Mainland China rose by 15% to HK$813 million for the Year from HK$710 million Last Year. Hong Kong and Macau market had robust growth in retail revenue. The Group recorded retail revenue from Hong Kong and Macau of approximately HK$452 million for the Year, representing a 33% increase from HK$339 million Last Year. Overall same-store growth also increased by 29% (2017: flat), of which same-store growth in Mainland China rose by 26% (2017: increase of 3%) and in Hong Kong and Macau by 15% (2017: decline of 16%. The wholesaling and processing of gold and jewellery products in Mainland China are new businesses for the Group, and accounted for 8% (2017: 0%) of total turnover. Coupled with the increase of franchising and licensing income, turnover and gross profit for the year rose by 30% and 15% to HK$1,459 million and HK$411 million, respectively.

In line with the increase in turnover, the Group's selling and distribution expenses increased this Year to HK$327 million (2017: HK$303 million), whereas the percentage to total turnover decreased to 22% (2017: 27%) this Year. Advertising and promotional expenses amounted to HK$23 million (2017: HK$26 million), equivalent to 2% (2017: 2%) of total revenue. Rental expenses amounted to HK$127 million (2017: HK$128 million), representing 9% (2017: 11%) of total revenue. The rental reduction was generally in line with the market trend, yet the percentage to turnover remained at a relatively low level. It is the Group's intention to negotiate with individual landlords on rental level in spite of the current economic environment.

The Group has successfully implemented various cost control measures. General and administrative expenses have decreased by HK$28 million to HK$89 million (2017: HK$117 million).

The Group's other expenses and other gains and losses have turned to a positive HK$11 million for the Year, compared to a negative HK$28 million Last Year. Included in other expenses and other gains and losses are exchange gain of HK$21 million for the Year.

FINAL DIVIDENDS

The Board has resolved not to declare any final dividend in respect of the year ended 30 June 2018 to the holders of ordinary shares of the Company.

BUSINESS REVIEW

Retail business

Overall revenue from the retail business reached HK$452 million (2017: HK$339 million) for Hong Kong and Macau and HK$813 million (2017: HK$710 million) for Mainland China. The increase was mainly due to the increment of 2 shops in Hong Kong and 29 shops and counters in Mainland China and an increase in overall same-store growth in Hong Kong and Macau as well as Mainland China.

As at 30 June 2018, the Group had 9 points-of-sale in Hong Kong, 2 points-of-sale in Macau and 374 points-of-sale in Mainland China under the brand name "3D-GOLD." Of the points-of-sale in Mainland China, 86 are self-operated points-of-sale and 288 are licensee points-of-sale. During the Year, 101 new shops and counters were opened in Mainland China and 72 loss-making shops and counters were closed.

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

The Group's strategy in Mainland China is to continue to focus on the growth of licensee stores. This model gives the Group the option to leverage the capital, local knowledge and premises of its licensees, a flexible and fast roll out strategy that requires minimal capital outlay from the Group. This model enables the management to make critical decisions at times of market changes with minimal adverse impact on the Group.

With an aim to improve the profitability, the management has focused on the following areas through implementing various measures: (i) adjusting the sales network by focusing on profit-making stores and closing down non-performing stores, (ii) introducing a new regional franchisee system to strengthen the retail operations, (iii) continuing to develop and promote new product series, (iv) persistent costs control; and (v) improving cash flow.

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

Products and Design

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

During the Year, the Group has enlarged its product portfolio to capture different market segments. Newly launched products include:

– “Love Rhythm” Collection

– “Spellbound” Collection

– “Peter Rabbit™” Pure Gold with Enamel Collection

– Pure Gold Chinese Zodiac Collection

– “Love Lane” Collection

– Wedding Collection

– Pure Gold Wedding Collection

– “Golden Allure” Collection

– “Starry Shimmer” Collection

– “Precious Dear” Collection

– “Cool Love” Collection

Marketing and Promotion

The Group strongly believes in the value of a quality brand. The Group continues to promote the “3DG Jewellery” brand through a comprehensive marketing programme. Some of Group's marketing programme include:

– Organized a “2017 Summer Brand Licensee Business Seminar” in Shenzhen of PRC;

– Being the scepter and crown sponsor of “Miss Chinese International Pageant 2018” for the 8th consecutive year, with a presentation ceremony has been held in the Tsim Sha Tsui shop of Hong Kong;

– Organized a “2018 Spring Brand Licensee Business Seminar” in Shenzhen of PRC;

– Organized a “3DG Jewellery x Peter RabbitTM Roadshow” in Tuen Mun of Hong Kong.

Awards and Achievements

The Group has also achieved industry awards as recognition for brand excellence and for its efforts in promoting service excellence in the jewellery retail sector.

– "2017 Hong Kong Awards for Environmental Excellence (HKAEE) - Certificate of Merit (Shops and Retailers Sector)" awarded by the Environmental Campaign Committee and the Environmental Protection Department

– "Q-Mark Service Elite 2017" awarded by Hong Kong Q-Mark Council

– "Service Category Leader of Mystery Shopper Programme (Jan - Mar 2018)" award by HKRMA

– "Charter on External Lighting – Gold Award" awarded by the Environment Bureau

– "TVB Weekly Brand Award 2017" by TVB Weekly

– "Elite Jewellery Brand Awards 2017" by Ming Pao Weekly

– "Best Label Award 2017/2018 - Best Jewelry" by Marie Claire
(《Marie Claire》Best Label Award 2017/2018)

Wholesale business

The Group launched new wholesaling and processing businesses for gold and jewellery products in Mainland China during the Year. The Group will continue to explore more opportunities to work with business partners in Mainland China to facilitate the growth of its wholesale business network.

OUTLOOK

The stabilization of political environment in Hong Kong and increased visitor arrivals from Mainland China all point to a better consumption sentiment. However, under the influence of US-China trade war and geopolitics, uncertainties are still around. The Group remains prudently optimistic about the prospects of its business growth in the coming year. Looking ahead, the Group is positive about the business outlook in the medium-to-long run, despite short-term market volatility. Mainland China continues to be the major market and it remains one of the fastest-growing economies in the world and buttresses the Group's optimistic business outlook in the medium-to-long run.

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

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

USE OF PROCEEDS FROM PLACING OF NEW SHARES

The Company has received net proceeds of approximately HK$23 million in connection with the placing of new shares completed on 13 February 2018. As of 30 June 2018, all net proceeds have been used by the Group. Set forth below is a summary of the utilization of the net proceeds:

Intended use as disclosed in the Company's announcement dated 5 February 2018	**Amount of net proceeds intended to be allocated** *HK$million (approximately)*	**Acutal utilized amount as of 30 June 2018** *HK$million (approximately)*	**Unutilized amount as of 30 June 2018** *HK$million (approximately)*
Repayment of loans	23,000,000	23,000,000	0

INVESTOR RELATIONS

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

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

OTHERS

Liquidity, Financial Resources and Capital Structure

The Group centralises funding for all its operations through the corporate treasury based in Hong Kong. As at 30 June 2018, the Group had total cash and cash equivalents amounting to HK$799 million (30 June 2017: HK$693 million) whilst total net assets were HK$197 million (30 June 2017: HK$218 million). The Group's net gearing ratio as at 30 June 2018 was 454% (30 June 2017: 317%), being a ratio of total borrowing of HK$1,693 million (30 June 2017: HK$1,383 million) less pledged bank deposits and bank balances and cash of HK$799 million (30 June 2017: HK$693 million) to total equity of HK$197 million (30 June 2017: HK$218 million). After taking into account the gold inventories of HK$386 million (30 June 2017: HK$308 million), the Group's adjusted net gearing ratio as at 30 June 2018 was 258% (30 June 2017: 175%), being a ratio of total borrowing less pledged bank deposits, bank balances and cash and gold inventories to total equity. As at 30 June 2018, the Group has no available unutilised revolving banking facilities (30 June 2017: HK$76 million).

Capital Commitments

Capital commitments of the Group as at 30 June 2018 are set out in note 15.

Pledged Assets and Contingent Liabilities

Pledged assets of the Group as at 30 June 2018 are set out in note 16. The Group did not have any material contingent liabilities as at 30 June 2018.

Event after the end of the reporting period

(a) On 1 June 2018, a wholly-owned subsidiary of the Group entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with an independent third party. Pursuant to the Sale and Purchase Agreement, the Group will acquire the entire equity interest of a company, which owns three wholly-owned subsidiaries principally engaged in an integrated property development project being developed in PRC, at expected consideration of HK$53,000,000. The expected completion date was 31 August 2018, and was extended to 31 October 2018. Further details of the subscription agreement are set out in the Group's announcement dated 3 June 2018.

(b) Pursuant to the resolution passed on 17 July 2018, the consolidation of every four issued and unissued ordinary shares of par value of HK$0.01 each in the share capital of the Company into one consolidated ordinary share of par value of HK$0.04 each in the share capital of the Company (the "Share Consolidation") became effective on 18 July 2018. Upon the completion of the Share Consolidation, the conversion price and the number of share issued upon conversion of the convertible bond (as disclosed in note 11) and the exercise price and the number of underlying shares comprised in the outstanding options of the Company have been adjusted.

(c) On 18 July 2018, the Company issued 216,000,000 ordinary shares by way of placing at a price of HK$0.07 per share, which has been consolidated into 54,000,000 shares upon the completion of the Share Consolidation.

(d) On 20 July 2018, the Company entered into a subscription agreement with an independent third party, pursuant to which the independent third party agreed to subscribe 47,110,000 shares of the Company at the subscription price of HK$0.25 per share. The subscription was completed on 30 July 2018. Further details of the subscription are set out in Group's announcement dated 20 July 2018 and 30 July 2018.

(e) On 7 September 2018, the Company entered into a memorandum of understanding with Huscoke Resources Holdings Limited ("Huscoke Resources"), whose shares are listed on the Stock Exchange, pursuant to which the Group intended to acquire and Huscoke Resources intended to sell not more than 23% of the entire issued share capital of its indirect wholly-owned subsidiary, which is principally engaged in the operation of coke production business in the PRC. The expected consideration will be not less than HK$160 million. Further details are set out in the Group's announcement dated 7 September 2018.

Financial Risk and Exposure

Except for the financial derivatives set out in notes 11 and 13, the Group did not have any outstanding material foreign exchange contracts, interest or currency swaps, or other financial derivatives as at 30 June 2018.

Employees and Remuneration Policy

As at 30 June 2018, the Group had 1,456 employees (2017: 1,330). The Group's remuneration policy is periodically reviewed by the Remuneration Committee and the Board. Remuneration is determined by reference to market conditions, company performance, and individual qualifications and performance.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

COMPLIANCE WITH THE CODE PROVISIONS ON CORPORATE GOVERNANCE CODE

The Company's code on corporate governance practices was adopted with reference to the code provisions on Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The Company principally complied with the CG Code throughout the Year, except for the following deviations:

CG Code A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Wu Xiaolin was appointed as an executive Director on 31 May 2017, and has then taken up the role of chief executive and assumed the role of chairman of the Company. After the appointment of Mr. Xu Zhigang as an executive Director and chief executive officer on 14 February 2018, Mr. Xu has been assuming the role of chairman of the Company. The Board is of the view that currently vesting the roles of chairman and chief executive in Mr. Xu Zhigang provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long term business strategies.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

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

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters. The Group's consolidated financial statements for the year ended 30 June 2018 have been reviewed by the Audit Committee and audited by the Company's external auditor Deloitte Touche Tohmatsu. As at the date of this announcement, the Audit Committee comprises three independent non-executive directors, namely, Dr. Loke Yu alias Loke Hoi Lam, Mr. Xu Xiaoping and Mr. Fan, Anthony Ren Da.

PUBLICATION OF ANNUAL RESULTS AND DESPATCH OF ANNUAL REPORT

This results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the Company (www.hkrh.hk). The annual report 2018 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and available on the above websites in due course.

By order of the Board of
Hong Kong Resources Holdings Company Limited
Mr. Xu Zhigang
Executive Director & Chief Executive Officer

Hong Kong, 26 September 2018

As at the date of this announcement, the Board comprises Mr. Lam Kwok Hing, Wilfred, J.P., Mr. Xu Zhigang (Chief Executive Officer), Mr. Zhao Jianguo and Ms. Dai Wei as executive Directors, and Dr. Loke Yu alias Loke Hoi Lam, Mr. Xu Xiaoping and Mr. Fan, Anthony Ren Da as independent non-executive Directors.