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

EXPLORE

annual report 2018

OPPORTUNITIES

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

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

Contents

HKRH is poised to take advantage of excellent opportunities ahead.

Mission

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

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

"Starry Shimmer" Collection

Corporate Information

DIRECTORS

Executive Directors

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

Mr. Wu Xiaolin[c] *(resigned on 28 August 2018)*

Mr. Xu Zhigang[c] *(appointed on 14 February 2018)*

Mr. Zhao Jianguo

Ms. Dai Wei

Non-executive Director

Mr. Cheung Pak To, Patrick, BBS *(resigned on 17 November 2017)*

Independent Non-executive Directors

Dr. Loke Yu alias Loke Hoi Lam[a,b,c]

Mr. Xu Xiaoping[a,b,c]

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

COMPANY SECRETARY

Ms. Ho Suet Man Stella

[a] *Member of the Audit Committee*

[b] *Member of the Remuneration Committee*

[c] *Member of the Nomination Committee*

AUDITORS

Deloitte Touche Tohmatsu

Certified Public Accountants

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton, HM11

Bermuda

PRINCIPAL OFFICE IN HONG KONG

Room 905, 9th Floor, Star House

3 Salisbury Road, Tsim Sha Tsui

Kowloon

Hong Kong

Corporate Information

PRINCIPAL BANKERS

Hang Seng Bank
DBS Bank
Shanghai Commercial Bank
United Overseas Bank

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

2882

WEBSITE

www.hkrh.hk

Major Events

AUGUST 2017

3D-GOLD Jewellery has organized a "2017 Summer Brand Licensee Business Seminar" in Shenzhen of PRC.

DECEMBER 2017

"Luxury Diamond and Gemstones Roadshow" of 3DG Jewellery in Xian and Tianjin of PRC.

DECEMBER 2017

3DG Jewellery shop opening celebration (Tsim Sha Tsui of Hong Kong).

DECEMBER 2017

Being awarded the "TVB Weekly Brand Award 2017" by TVB Weekly.

JANUARY 2018

3D-GOLD Jewellery continued to be the scepter and crown sponsor of "Miss Chinese International Pageant 2017" for the 8th consecutive year, and a presentation ceremony was held in the Tsim Sha Tsui shop of Hong Kong.

Major Events

MARCH 2018

3D-GOLD Jewellery has organized a "3DG Jewellery x Peter Rabbit™ Roadshow" in Tuen Mun of Hong Kong.

MARCH 2018

3D-GOLD Jewellery has organized a "2018 Spring Brand Licensee Business Seminar" in Shenzhen of PRC.

MARCH 2018

Being awarded the "Elite Jewellery Brand Awards 2017" by Ming Pao Weekly.

MAY 2018

Being awarded the "Best Label Award 2017/2018-Best Jewelry" by Marie Claire.

MAY 2018

Kick-off Ceremony of "Starry Shimmer" Roadshow in Nanning of PRC.

Letter to the Shareholders

Dear shareholders,

On behalf of Hong Kong Resources Holdings Company Limited ("**HKRH**" or the "**Group**"). I present to you the Group's results for the year ended 30 June 2018.

We see growing number of tourists visiting Hong Kong and Macau from Mainland China and rise of retail sales value. The Group will continue to promote our brand "3D-GOLD" to secure higher recognition and trust and continue to seize the market opportunities to increase the number of shops and revenue mix of Mainland China, Hong Kong and Macau.

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

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

Xu Zhigang
Executive Director & Chief Executive Officer

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.

over 370 shops in China

374 shops in Mainland China
9 shops in Hong Kong
2 shops in Macau

22	Anhui
24	Beijing
5	Chongqing
12	Fujian
2	Gansu
81	Guangdong
16	Guangxi
16	Hebei
8	Heilongjiang
10	Henan
9	Hong Kong
33	Hubei
4	Hunan
6	Inner Mongolia
30	Jiangsu
1	Jiangxi
3	Jilin
10	Liaoning
2	Macau
5	Ningxia
8	Shaanxi
45	Shandong
1	Shanghai
7	Shanxi
3	Sichuan
15	Tianjin
4	Xinjiang
3	Zhejiang

金至尊
3D-GOLD

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 Rabbit™ 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 31.

Pledged Assets and Contingent Liabilities

Pledged assets of the Group as at 30 June 2018 are set out in note 33. 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 22) 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 22 and 27, the Group did not have any outstanding material foreign exchange contracts, interest or currency swaps, or other financial derivatives as at 30 June 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.

Environmental, Social and Governance Report

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

Reporting Period and Scope

For the period from 1 July 2017 to 30 June 2018, the report covers Hong Kong Resources Holdings Company Limited and its subsidiaries (the "**Group**"), including 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.

Message to Stakeholders

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

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

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

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

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

ESG Management Approach

Engaging in different business segments including 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, the Group has minor environmental impact compared to that of many other industries. Nevertheless, the Group conducts its business with respect and consideration for the environment. While the ultimate responsibility for our ESG management responsibility rests with the Board, our management team has responsibility for day-to-day management of ESG aspects. Although our supply chain has minimal environmental and social impacts, we do encourage procurement of environmentally-friendly products and consumables.

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

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

A. Environmental

A.1 Emissions

The business segments of the Group including 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, the Group has responsibility to make a positive impact and put effort in sustainability. During the financial year ended 30 June 2018, the business segments of the Group produce a certain degree of emissions, most of which are attributed to retail stores operations. Emissions profile typically consists of indirect emissions from purchased electricity, paper, transportation and other store consumables. The following data is collected by the company's offices, retail stores and a gold jewellery processing factory.

For the retail and franchising operations for selling gold and jewellery products in the Mainland China, during the year ended 30 June 2018, air emission for nitrogen oxides ("**NOx**"), sulphur oxides ("**SOx**") and respiratory suspended particles ("**RSP**", also known as Particulate Matter ("**PM**")) were about 1,804 g, 72 g and 133 g respectively, which were mainly produced as a result of company vehicles usage.

The main source of the Group's greenhouse gas emissions is attributed to direct emission from the mobile combustion sources ("**Scope 1**"), indirect emission from acquired electricity emissions ("**Scope 2**") and other indirect emissions ("**Scope 3**"). The greenhouse gas of Scope 1 refers to greenhouse gas generated by vehicles usage, Scope 2 refers to greenhouse gas generated by electricity usage and Scope 3 refers to greenhouse gas generated by water consumption and paper used. Certain electricity consumption is not accounted for as the cost of electricity is included in the rent and management fees, hence such data is not available for calculation. The total greenhouse gases emissions from Scope1, Scope 2 and Scope 3 for the year ended 30 June 2018 were approximately 13,272 kg, 384,186 kg and 78,206 respectively.

For the retail operations for selling gold and jewellery products in Hong Kong, during the year ended 30 June 2018, air emission for NOx, SOx and PM were about 3,237 g, 72 g and 238 g respectively, which were mainly produced as a result of company vehicles usage.

Also, the main source of the Hong Kong and Macau's greenhouse gas emissions is attributed to direct emission from Scope 1, Scope 2 and Scope 3. The greenhouse gas of Scope 1 was generated by vehicles usage, Scope 2 was generated by electricity usage and Scope 3 was generated by paper used and business travel by employees and water consumption. The total greenhouse gases emissions from Scope 1, Scope 2 and Scope 3 for the year ended 30 June 2018 were about 13,305 kg, 612,703 kg and 15,419 kg respectively.

For the gold jewellery processing operation in the Mainland China, during March 2017 (business commencement date) to year ended 30 June 2018, the main source of the is derived from direct emission from Scope 2 and Scope 3. The greenhouse gas of Scope 2 was generated by electricity usage and Scope 3 was generated by business travel by employees and water consumption. The total greenhouse gases emissions from Scope 2 and Scope 3 for the year ended 30 June 2018 were about 65,547 kg and 1,867 kg respectively.

The Group has implemented the policies to mitigate carbon dioxide emission. The Group also encourage staff to make a good use of public transportation, switch off electrical appliances when not in use and use conference calls to reduce the frequency of business travel.

As the operations of the Group does not involve any heavy machineries, for the year 30 June ended 2018, the Group did not produce any substantial hazardous waste. Non-hazardous waste produced by the Group is limited to domestic garbage. The Group promotes waste reduction and recycling practices, the Group encourages employees to reuse and recycle useful parts of disposed jewellery packaging to reduce the waste. The Group will continue looking for ways to reduce waste and wastage through different measures.

Also, the Group is not aware of any non-compliance of relevant laws and regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

A.2 Use of resources

The Group is committed to reducing our environmental impact to the minimum. Given that the Group engages principally 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, the environmental impact of our business operations is relatively limited compared to other business industries.

Nevertheless, the Group aims to better manage its use of resources. The Group is also committed to promote saving and recycling culture to encourage staff to consume less resources in carrying out their daily operations.

In offices and factories, the Group adopts natural lighting where possible and to use LED lighting whenever possible. General light intensity is controlled and the lightings will be adjusted according to the needs of different working areas.

Also, reducing total paper consumption in offices by keeping electronic format copy instead of printing the documents for filing, publishing advertisements on digital channels and reusing single-sided papers.

For the retail and franchising operations for selling gold and jewellery products in the Mainland China, the following consumption data was recorded in the year ended 30 June 2018:

- electricity consumption: 442,815 kWh
- water consumption: 2,840 tons
- petrol consumption: 4,901 Litres
- paper consumption: 4,530 kg
- packaging material used: 1,155,613 units

For the retail operations for selling gold and jewellery products in Hong Kong, the following consumption data was recorded in the year ended 30 June 2018:

- electricity consumption: 862,962 kWh
- water consumption: 903 tons
- petrol consumption: 4,913 Litres
- paper consumption: 2,850 kg
- packaging material used: 6.45 tons

For the gold jewellery processing operation in the Mainland China, the following consumption data was recorded in the year ended 30 June 2018:

- electricity consumption: 75,550 kWh
- water consumption: 425 tons
- packaging material used: 0.35 tons

A.3 Environment and natural resources

Engaging in different business segments including 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, the Group has limited environmental impact compared to that of many other industries.

The Group continues to review the environmental impact of its operations and apply best practices across their functions and to develop monitoring of resources consumption data and implementing better performance strategies as the Group's contributions to sustainability. The Group recognize the opportunity to contribute to sustainability at the office space, and that is why the Group enhances environmental awareness among employees through promotion of news and means to promote sustainability via internal communications.

B. Social

B.1 Employment

The Group provides an equal and fair working environment and strives to comply with practices and policies of Employment Ordinance in Hong Kong and the Labour Law of the People's Republic of China《中華人民共和國勞動法》, and any other relevant laws. The workplace is also committed to be free from discrimination and received equal opportunities for all despite of age, gender, race, colour, sexual orientation, disability or marital status to increases employee satisfaction.

Employment contract in PRC has been reviewed by the legal consultant. The contract specifies the terms including compensation and dismissal, working hours, leaves and other benefits and welfare for staff. Important policies on business conduct and the rights of termination had been included and highlighted in Staff handbook.

To further promote good relationship with employees there will be activities such as staff gathering, social activities and team building for employees to participate to promote work-life balance. The Group had no reported incidents of non-compliance with regulations concerning employment during the year ended 31 March 2018.

A good workplace practice attributes from being free from discrimination and equal opportunities for all despite of age, gender, race, colour, sexual orientation, disability or marital status to increase employee satisfaction. The Group would diversify its staff by means of gender and age to balance the culture and communications between staff. To put the principle of fairness into practices the Group encourages labour diversity and regard potential staff based on their skill sets instead of personal attributes.

B.2 Health and safety

The Group implements national law and regulations and other standards, such as the Labour Law of the People's Republic of China《中華人民共和國勞動法》related to work safety and occupational health. The Group provides regular safety training and free physical examination to all staff.

In order to minimise workplace incidents and put the health and safety of the staffs as the priority of productions, the Group has established a set of safety policy and procedures. Every worker was required to follow safety instructions. Workplaces are equipped with fire and safety facilities to prevent and control outbreak of fire accidents. Occupational hazard warning signs and warning instructions at prominent place around every workplace.

During the Reporting Year, no work-related injury or fatality or loss days due to injury was recorded and the Group was not aware of any material non-compliance with relevant laws and regulations that would have any significant impact on the Group.

B.3 Development and training

The Group believes the personal development of staff not only enable them to discover their value within the Group, but also contribute to and grow along with the Group. The Group has established a comprehensive training system, topics for training included theoric trainings, sales technique, and product knowledge. The Group provides orientation and on-the-job training for new staff. Furthermore, Senior staff offers mentorship to new staff to ensure that the culture of the Group and skills of craftsmanship can be pass on between different generations of staff. Apart from on-site training mentioned, the Group also offer an online training platform for training for senior staff.

B.4 Labour standards

The Group has formulated policies to ensure all employees and job applicants are entitled to fair opportunity and treatment. The Group strives to complies with the local laws and regulation throughout the recruitment and employment process. Provisions on the Prohibition of Using Child Labor of the People's Republic of China《中華人民共和國禁止使用童工規定》and Employment Law of Hong Kong prohibit the employment of child labor in any job positions. The human resources department responsible for identity check for every job applicant to ensure there is no employment of under-age person. The Group has a clear staff manual to prohibits forced labor and ensure legal and voluntary employment of all employees.

During the year, the Group does not aware of any non-compliance with any laws and regulations relating to employment and labour practices.

B.5 Supply chain management

The Group established an integrated and systematic procurement procedure and process in selecting new potential suppliers and reviewing the performance of existing suppliers. All approved suppliers and subcontractors have to fulfil the Group's internal approval processes before entering into the Supplier Agreement. This has been a very effective means to ensure products and services provided by the supplier are up-to-standard. For potential suppliers within PRC has to provide the environmental report showing the supplier meets with the national standard of PRC. Suppliers are subject to ongoing and regular inspections and assessments as part of the regulatory monitoring process of the Group.

The Group conducts sample testing for every batch of raw materials to ensure the quality of the raw materials meets with the industry standard of PRC.

B.6 Product responsibility

Due to the nature of our products, the Group seldom subjects to recall for safety and health reasons. The Group exercises tight quality control right from the start: raw materials procurement, production to sales and after-sales services. Quality check is performed before dispatching the jewellery to the retails shop. All qualified items are marked by batch number. During the Reporting Year the Group had not been subject to any material claims in relation to product safety.

The Group understands the importance of intellectual property and makes every effort to safeguard and protect the intellectual property. By the same token, the Group placed much emphasis on the infringement of other intellectual property rights. During the Reporting Year, the Group was not aware of any material non-compliance with relevant laws and regulations that would have any significant impact on the Group in respect of the privacy issue.

B.7 Anti-corruption

The Group recognizes the importance of the ethical conducts and integrity of all employees and senior management team in order to maintain a fair, honest and integrity-based business culture. The Group has formulated a clear code of conduct in respect of the prevention of bribery, employees' interests, conflicts of interest, prevention of extortion and fraud in the employee handbook. Besides, the Group has an anti-bribery policy in place to further provide clear guidelines in respect of anti-bribery and maintaining honesty and integrity. The Group reminds the employees by internal notice to avoid bribery and acceptance of advantages as and when appropriate. Furthermore, employees should report any suspected corruption, bribery or misconducts through the whistleblowing mechanism established by the Group. Such reports are kept confidential and the Group has established a procedure to protect the whistleblowers from unfair treatment.

During the year ended 30 June 2018, the Group was not aware of any material non-compliance with relevant laws and regulations that would have any significant impact on the Group, nor any corruption litigation against the Group or its employees.

B.8 Community investment

For the year ended 30 June 2018, the Group upholds the spirit of giving back to the society by playing a part in a series of activities.

- Two subsidiaries of the Group, 3D-GOLD Jewellery (HK) Limited and 3D-GOLD Management Services Limited, were awarded as Caring Company for 5 consecutive years or above by The Hong Kong Council of Social Service ("**HKCSS**"). The scheme aims at cultivating good corporate citizenship. It is specifically geared to build strategic partnerships among businesses and non-profit organizations to create a more cohesive society.

- In December 2017, the Group participated in "Love Teeth Day 2017/2018" (2017/2018公益愛牙日) which was jointly held by the Hong Kong Community Chest, the Hong Kong Dental Association and the Department of Health. The campaign with an aim of enhancing the oral health services for the needy.

- In March 2018, the Group participated in "Skip Lunch Day 2018" (公益行善「折」食日 2018) held by the Community Chest which encouraged our employees to donate their lunch fees to support the services for street sleepers and residents in cage homes.

- During the year, the Group supported "People Food Bank" of St. James' Settlement by making donation for providing food to Hong Kong people in need on a short-term and weekly basis. The Group also forms a volunteer team to join the volunteer service of St. James' Settlement.

	ESG Reporting Guide General Disclosures
	A. Environmental
Aspect A1	**Emissions**
General Disclosure with KPI	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.
Aspect A2	**Use of Resources**
General Disclosure with KPI	Policies on efficient use of resources, including energy, water and other raw materials.
Aspect A3	**The Environment and Natural Resources**
General Disclosure with KPI	Policies on minimizing the issuer's significant impact on the environment and natural resources.
	B. Social
Aspect B1	**Employment**
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.
Aspect B2	**Health and Safety**
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.
Aspect B3	**Development and Training**
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.
Aspect B4	**Labour Standards**
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour.
Aspect B5	**Supply Chain Management**
General Disclosure	Policies on managing environmental and social risks of the supply chain.

	ESG Reporting Guide General Disclosures
	B. Social
Aspect B6	**Product Responsibility**
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.
Aspect B7	**Anti-Corruption**
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.
Aspect B8	**Community Investment**
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.

Profiles of Directors

EXECUTIVE DIRECTORS

Mr. Lam Kwok Hing, Wilfred, *J.P.*, aged 59, was appointed as an Executive Director and Group Vice President on 17 August 2011, re-designated as a Non-executive Director on 1 July 2015 and then re-designated again as an Executive Director on 12 April 2017. Mr. Lam holds a bachelor degree in Law with honours from the University of Hong Kong.

Mr. Lam is the chairman and executive director of Chinese Strategic Holdings Limited (Stock Code: 8089). Mr. Lam was the non-executive director of The Hong Kong Building and Loan Agency Limited (Stock Code: 145) from 21 October 2011 to 21 October 2017. Mr. Lam was the chairman and executive director of Lamtex Holdings Limited (formerly known as China New Energy Power Group Limited) (Stock Code: 1041) from 16 June 2015 to 13 March 2016. Mr. Lam was an independent non-executive director of PME Group Limited (Stock Code: 379) from 14 April 2011 to 30 December 2014. Mr. Lam was a director (appointed as an independent non-executive director on 13 May 2009, re-designated to a non-executive director on 3 February 2010, appointed as a non-executive vice-chairman on 5 August 2010 and resigned on 11 July 2014) of National Arts Entertainment and Culture Group Limited (Stock Code: 8228) from 13 May 2009 to 11 July 2014. Mr. Lam was an independent non-executive director of Value Convergence Holdings Limited (Stock Code: 821) from 4 January 2010 to 30 May 2013. All of these companies are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Mr. Xu Zhigang, aged 47, was appointed as an Executive Director and chief executive officer on 14 February 2018. Mr. Xu holds a master's degree in business management from Southwest Jiaotong University in the PRC. Mr. Xu was the chairman and an executive director of Prosten Health Holdings Limited (stock code: 8026) up to 12 February 2018 and was then re-designated to a nonexecutive director. Mr. Xu was a vice president of Kaisa Health Group Holdings Limited (formerly known as "Mega Medical Technology Limited", "Wing Tai Investment Holdings Limited" and "Wing Lee Holdings Limited") (stock code: 876) and an executive director and later re-designated as a nonexecutive director of Aurum Pacific (China) Group Limited (stock code: 8148). All of these companies are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Xu has extensive experience in areas such as corporate management, business financing, corporate investment and asset acquisition.

Mr. Zhao Jianguo, aged 38, was appointed as an Executive Director on 31 May 2017. Mr. Zhao holds a bachelor degree in civil engineering from Shijiazhuang Railway Institute and a master degree in finance from University of International Business and Economics, China. Mr. Zhao worked for China Minmetals Corporation from 2006 to 2016, and has served as the manager of planning department and investment department of China National Metal Products Co., Ltd. and, from 2013 to 2016, the deputy general manager of China National Metal Hong Kong Corporation Limited. Mr. Zhao is currently the general manager of equity investment department and the deputy general manager of Kerui Jinrong Limited.

Ms. Dai Wei, aged 38, was appointed as an Executive Director on 31 May 2017. Ms. Dai holds a double master degree in Financial and Acturial Engineering from Katholic University of Leuven, Belgium. Ms. Dai has worked for ING Bank and China Sonangol International Limited. Ms. Dai was the chief financial officer of Titan Petrochemicals Group Limited (stock code: 1192), a company listed on the main board of the Stock Exchange. Ms. Dai has been assigned key positions in a number of cross border merger and acquisition and investment projects in gas, oil and mining.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Loke Yu alias Loke Hoi Lam, aged 69, was appointed as an Independent Non-executive Director on 31 May 2017. Dr. Loke has over 40 years of experience in accounting and auditing for private and public companies, financial consultancy and corporate management. He holds a master of business administration degree from Universiti Teknologi Malaysia and a doctor of business administration degree from University of South Australia. Dr. Loke is a fellow member of The Institute of Chartered Accountants in England & Wales, The Hong Kong Institute of Certified Public Accountants, The Hong Kong Institute of Chartered Secretaries and Hong Kong Independent Non-Executive Directors Association.

Dr. Loke serves as an independent non-executive director of V1 Group Limited (stock code: 82), China Beidahuang Industry Group Holdings Limited (stock code: 39), CIMC-TianDa Holdings Company Limited (stock code: 445), Matrix Holdings Limited (stock code: 1005), Zhong An Real Estate Limited (stock code: 672), Chiho Environment Group Limited (stock code: 976), Tianjin Development Holdings Limited (stock code: 882), Tianhe Chemicals Group Limited (stock code: 1619), Lamtex Holdings Limited (stock code: 1041), Forebase International Holdings Limited (stock code: 2310), Hang Sang (Siu Po) International Holding Company Limited (stock code: 3626), Zhenro Properties Group Limited (stock code: 6158), TC Orient Lighting Holdings Limited (stock code: 0515) and TradeGo FinTech Limited (stock code: 8017). He was an independent non-executive director of Mega Medical Technology Limited (stock code: 876) from 20 June 2014 to 10 January 2017, Winfair Investment Company Limited (stock code: 287) from 2 April 2007 to 2 April 2018, China Household Holdings Limited (stock code: 692) from 9 August 2013 to 6 August 2018 and Scud Group Limited (stock code: 1399) from 14 May 2009 to 27 September 2018. All of these companies are listed on the main board of the Stock Exchange.

Mr. Xu Xiaoping, aged 53, was appointed as an Independent Non-executive Director on 31 May 2017. Mr. Xu is an experienced management personnel. Mr. Xu started his career in 1989 and has served in 深華貿易有限公司 (Shen Hua Trading Limited) and 天奇電子有限公司 (Tian Qi Electrons Limited), which were companies carrying on the business of online banking services in the PRC. Mr. Xu has also acted as the chairman of the board of directors of 深圳市奔翔物流有限公司 (Shenzhen Ben Xiang Logistics Limited), a company carrying on the business of air cargo services in the PRC. Mr. Xu is currently the investor of 嘉興友夲投資合夥企業 (Jia Xing You Ben Investment Partnership), which is engaged in the venture capital business. Mr. Xu is an independent non-executive director of Prosten Health Holdings Limited (stock code: 8026), a company listed on the Growth Enterprise Market of the Stock Exchange. He was a non-executive director of PPS International (Holdings) Limited (stock code: 8201), a company listed on the Growth Enterprise Market of the Stock Exchange, from 22 October 2015 to 3 July 2016.

Mr. Fan, Anthony Ren Da, aged 58, was appointed as an Independent Non-executive Director on 30 September 2008. Mr. Fan holds a master degree of business administration from the United States. He is the chairman and managing director of AsiaLink Capital Limited. Prior to that, he held senior positions with various international financial institutions and was the managing director of a company listed on the Stock Exchange.

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

Corporate Governance Report

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

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

The Company principally complied with the CG Code throughout the year ended 30 June 2018 (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 independent non-executive directors. However, all independent non-executive directors are subject to retirement by rotation at least every three years and re-election at the annual general meeting of the Company pursuant to the Company's bye-laws. As such, the Board considers that sufficient measures have been taken to ensure the Company's corporate governance practices are no less exacting than those in the CG Code.

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

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

The Board comprises the following Directors during the Year and up to the date of this annual report. Brief profiles of the Directors are set out on pages 26 to 27 of this annual report. During the Year, fifteen board meetings and two general meetings were held and the attendance of each Director is set out below:

	Attendance/Number of meetings		
	Board meetings	**Annual general meeting**	**Special general meeting**
Executive Directors			
Mr. Lam Kwok Hing, Wilfred	15/15	1/1	1/1
Mr. Wu Xiaolin *(resigned on 28 August 2018)*	15/15	0/1	1/1
Mr. Xu Zhigang *(appointed on 14 February 2018)*	5/5	N/A	N/A
Mr. Zhao Jianguo	12/15	0/1	0/1
Ms. Dai Wei	13/15	1/1	1/1
Non-executive Director			
Mr. Cheung Pak To, Patrick *(resigned on 27 November 2017)*	6/6	1/1	1/1
Independent Non-executive Directors			
Dr. Loke Yu alias Loke Hoi Lam	12/15	1/1	0/1
Mr. Xu Xiaoping	14/15	1/1	1/1
Mr. Fan, Anthony Ren Da	13/15	0/1	0/1

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

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

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

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

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

BOARD COMMITTEES

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

Remuneration Committee

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

Remuneration Committee	**Attendance/Number of meetings**
Independent Non-executive Directors	
Mr. Xu Xiaoping, *Chairman*	3/3
Dr. Loke Yu alias Loke Hoi Lam	3/3
Mr. Fan, Anthony Ren Da	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 remuneration of the executive Directors, non-executive Directors and independent non-executive Directors, after assessing the individual performance and in consultation with the proposals of the Chairman of the Company.

Nomination Committee

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

Nomination Committee	**Attendance/Number of meetings**
Independent Non-executive Directors	
Dr. Loke Yu alias Loke Hoi Lam	2/2
Mr. Xu Xiaoping	2/2
Mr. Fan, Anthony Ren Da	2/2
Executive Directors	
Mr. Wu Xiaolin, *Chairman (resigned on 28 August 2018)*	2/2

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

During the Year, the Nomination Committee had considered matters relating to the structure, size and composition of the Board, the re-election of retiring directors at the 2017 annual general meeting of the Company, the re-designation of directorship and the appointment of new directors and committee members.

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

Audit Committee

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

Audit Committee	**Attendance/Number of meetings**
Independent Non-executive Directors	
Dr. Loke Yu alias Loke Hoi Lam, *Chairman*	2/2
Mr. Xu Xiaoping	2/2
Mr. Fan, Anthony Ren Da	1/2

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

During the Year, the Audit Committee had:

(i) reviewed the Group's annual report for the year ended 30 June 2018 and the Group's interim report for the 6 months ended 31 December 2017 with the external auditors;

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

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

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

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

The Audit Committee had reviewed with the external auditors the financial statements of the Group for the year ended 30 June 2018.

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	2,460
Deloitte Touche Tohmatsu	Non-audit services	605

FINANCIAL REPORTING

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

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

COMPANY SECRETARY

Mr. Fu Yat Ming was the company secretary of the Company between 29 January 2014 to 29 March 2018. Ms. Ho Suet Man Stella has been appointed as the company secretary of the Company with effect from 30 March 2018. Ms. Ho is the chief financial officer of the Company.

SHAREHOLDERS' RIGHTS

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

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

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

INVESTOR RELATIONS

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

Directors' Report

The directors of the Company (the "Directors") present their annual report and audited consolidated financial statements of the Company and of the Group for the year ended 30 June 2018 (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 40 to the consolidated financial statements.

RESULTS, DIVIDEND AND OTHER DISTRIBUTION

The results of the Group for the year ended 30 June 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 47.

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

BUSINESS REVIEW

A fair review and the outlook of the Group's business are provided in the Letter to Shareholders on page 9 and the Management Discussion and Analysis on pages 10 to 16 of this annual report. The financial risk management objectives and policies of the Group are set out in note 37 to the consolidated financial statements.

An account of the Group's relationship with its key stakeholders and discussions on the Group's environmental policies and performance and compliance with relevant laws and regulations are included in the Environmental, Social and Governance Report on pages 17 to 25 and the Corporate Governance Report on pages 28 to 33.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

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

RESERVES

Details of movements in reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity and note 39 to the consolidated financial statements.

DIRECTORS

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

Executive Directors

Mr. Lam Kwok Hing, Wilfred
Mr. Wu Xiaolin *(resigned on 28 August 2018)*
Mr. Xu Zhigang *(appointed on 14 February 2018)*
Mr. Zhao Jianguo
Ms. Dai Wei

Non-executive Director

Mr. Cheung Pak To, Patrick *(resigned on 27 November 2017)*

Independent Non-executive Directors

Dr. Loke Yu alias Loke Hoi Lam
Mr. Xu Xiaoping
Mr. Fan, Anthony Ren Da

In accordance with the Company's bye-laws, Mr. Lam Kwok Hing, Wilfred, J.P., Mr. Xu Zhigang and Mr. Fan, Anthony Ren Da shall retire from office at the forthcoming annual general meeting and, being eligible, offers themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

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 2018, the interests and short positions of the directors and chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(a) Long positions in shares

	Number of ordinary shares				
Name of director	**Personal interests**	**Family interests**	**Corporate interests**	**Total**	**% of issued ordinary shares**
Mr. Lam Kwok Hing, Wilfred	8,880,000	560,000 (Note a, b)	–	9,440,000	0.25%
Mr. Wu Xiaolin	–	–	–	–	–
Mr. Xu Zhigang	–	–	–	–	–
Mr. Zhao Jianguo	–	–	–	–	–
Ms. Dai Wei	–	–	–	–	–
Dr. Loke Yu alias Loke Hoi Lam	–	–	–	–	–
Mr. Xu Xiaoping	–	–	–	–	–
Mr. Fan, Anthony Ren Da	–	–	–	–	–

Notes:

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

(b) As at 30 June 2018, the total number of the issued shares of the Company was 3,822,424,049 ordinary shares of HK$0.01 each. The number of shares or underlying shares held by the Director and Chief Executive is not adjusted for the effect of the share consolidation after the Year.

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

Name of director	**Capacity**	**Number of shares interested**	**% of issued ordinary shares**
Mr. Lam Kwok Hing, Wilfred	Beneficial owner (Note a, b)	45,398,591	1.19%
Mr. Wu Xiaolin	Beneficial owner (Note a, b)	35,000,000	0.92%
Mr. Zhao Jianguo	Beneficial owner (Note a, b)	35,000,000	0.92%
Ms. Dai Wei	Beneficial owner (Note a, b)	35,000,000	0.92%
Dr. Loke Yu alias Loke Hoi Lam	Beneficial owner (Note a, b)	3,500,000	0.09%
Mr. Xu Xiaoping	Beneficial owner (Note a, b)	3,500,000	0.09%
Mr. Fan, Anthony Ren Da	Beneficial owner (Note a, b)	5,941,942	0.16%

Notes:

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

(b) As at 30 June 2018, the total number of the issued shares of the Company was 3,822,424,049 ordinary shares of HK$0.01 each. The above table showing the number of shares interested are not adjusted for the effect of the share consolidation after the Year.

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 2018.

SHARE OPTIONS AND CONVERTIBLE BONDS

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

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save for the share options 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 2018, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company.

(a) Long positions in shares of the Company

Name of substantial shareholder	Capacity	Number of issued ordinary shares held	% of issued ordinary shares
Mr. Wen Jialong	Beneficial owner (Note d)	5,661,957	0.15%
	Corporate interest (Note a,d)	980,222,476	25.64%
Weltrade Group Limited	Beneficial owner (Note a,d)	980,222,476	25.64%
Dr. Liu Wangzhi	Beneficial owner (Note d)	15,556,000	0.41%
	Corporate interest (Note b,d)	186,874,847	4.89%
Mr. Wong Wai Sheung	Beneficial owner (Note d)	5,831,430	0.15%
	Corporate interest (Note c, d)	76,899,993	2.01%
Mr. Chan Wai	Beneficial owner (Note d)	1,000,000	0.03%
	Family interest (Note d)	100,000	0.00%
	Corporate interest (Note c, d)	76,899,993	2.01%
Mr. Tse Moon Chuen	Beneficial owner (Note d)	200,000	0.01%
	Corporate interest (Note c, d)	76,899,993	2.01%
Mr. Lee Shu Kuan	Corporate interest (Note c, d)	76,899,993	2.01%
Kwai Kee Cheung Jewellery & Goldsmith Company Limited	Corporate interest (Note c, d)	76,899,993	2.01%
Luk Fook (Control) Limited	Corporate interest (Note c, d)	76,899,993	2.01%
Luk Fook Holdings (International) Limited	Corporate interest (Note c, d)	76,899,993	2.01%

Notes:

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

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

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

(d) As at 30 June 2018, the total number of the issued shares of the Company was 3,822,424,049 ordinary shares of HK$0.01 each. The number of shares or underlying shares held by the substantial shareholders are not adjusted for the effect of the share consolidation after the Year.

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

Name of substantial shareholder	Capacity	Number of shares interested	% of issued ordinary shares
Mr. Wen Jialong	Beneficial owner (Note a)	20,000,000 (Note c)	0.52%
Mr. Wong Wai Sheung	Corporate interest (Note b)	320,674,157(Note c, d)	8.39%
Mr. Chan Wai	Corporate interest (Note b)	320,674,157(Note c, d)	8.39%
Mr.Tse Moon Chuen	Corporate interest (Note b)	320,674,157(Note c, d)	8.39%
Mr. Lee Shu Kuan	Corporate interest (Note b)	320,674,157(Note c, d)	8.39%
Kwai Kee Cheung Jewellery & Goldsmith Company Limited	Corporate interest (Note b)	320,674,157(Note c, d)	8.39%
Luk Fook (Control) Limited	Corporate interest (Note b)	320,674,157(Note c, d)	8.39%
Luk Fook Holdings (International) Limited	Corporate interest (Note b)	320,674,157(Note c, d)	8.39%
Luk Fook 3D Management Company Limited	Beneficial owner (Note b)	320,674,157(Note c, d)	8.39%

Notes:

(a) These derivatives comprise interests in 20,000,000 shares in the form of share option held by Mr. Wen.

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

(c) As at 30 June 2018, the total number of the issued shares of the Company was 3,822,424,049 ordinary shares of HK$0.01 each. The number of shares or underlying shares held by the substantial shareholders are not adjusted for the effect of the share consolidation after the Year.

(d) As at 30 June 2018, the total number of shares interested has been adjusted to 320,674,157 at an adjusted conversion price of HK$0.178.

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 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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

APPOINTMENT OF INDEPENDENT NON EXECUTIVE DIRECTORS

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

CONTINUING CONNECTED TRANSACTIONS

On 29 June 2016, China Gold Silver Group Company Limited ("CGS") and Maxigood Enterprises Limited ("Maxigood") entered into a framework agreement for supply of goods ("Supply Agreement"), pursuant to which Maxigood shall sell to CGS, and CGS shall purchase from Maxigood, raw materials and/or finished goods in respect of platinum and gold jewelleries and gold ornaments, gem-set jewelleries, jadeites, gemstones and other accessory items for a term of three years from 1 July 2016 to 30 June 2019. The maximum annual amount of consideration payable by CGS to Maxigood under the Supply Agreement shall be no more than HK$300,000,000, HK$385,000,000 and HK$480,000,000 for each of the three years ending 30 June 2017, 2018, and 2019, respectively. During the year ended 30 June 2018, the purchases of CGS and its subsidiaries from Maxigood and its fellow subsidiaries pursuant to the Supply Agreement amounted to approximately HK$34,038,000. CGS is owned as to 50% by each of the Company and Luk Fook 3D Management Company Limited ("Luk Fook"), and is accounted for as a subsidiary of the Company. Luk Fook and Maxigood are wholly-owned subsidiaries of Luk Fook Holdings (International) Limited ("Luk Fook Holdings"). As such, Luk Fook, Luk Fook Holdings and Maxigood are connected persons of the Company at the subsidiary level and the Supply Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. Details of the above are set out in the announcement of the Company dated 29 June 2016.

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

On 1 September 2015, CGS entered into a service agreement ("Service Agreement") with GS Tech Company Limited ("GS Tech"), a company incorporated in Hong Kong and 92% indirectly owned by the Wong's family trust, of which Mr. Wong Ho Lung Danny, an executive director of CGS and one of the discretionary beneficiaries, pursuant to which CGS shall pay to GS Tech a monthly maintenance fee covering the maintenance services provided by GS Tech for the Computer Programs used by the CGS Group's retail outlets and head offices for a term of the period from 1 September 2015 to 30 June 2018. The maximum annual maintenance fee payable by CGS to GS Tech pursuant to the Service Agreement shall be no more than HK$4,600,000, HK$5,800,000 and HK$6,700,000 for each of the three years ending 30 June 2016, 2017 and 2018, respectively. During the year ended 30 June 2018, the service fee charged by GS Tech to CGS pursuant to the Service Agreement was approximately HK$5,171,000. The Service Agreement constitutes a continuing connected transaction as GS Tech is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Details of the above are set out in the announcement of the Company dated 1 September 2015.

On 14 December 2015, 至尊金業(深圳)有限公司 ("CGS Shenzhen"), a wholly owned subsidiary of CGS, entered into a framework agreement ("Framework Agreement") with 重慶福華珠寶首飾有限公司 ("Chongqing Fook-Wah") for a term of the period from 14 December 2015 to 30 June 2018. The Framework Agreement governs the terms in respect of the opening of franchised retail outlets by Chongqing Fook-Wah in the PRC, which include, for each franchised retail outlet to be opened, the entering into of (i) a franchise agreement between CGS Shenzhen and Chongqing Fook-Wah; (ii) a service agreement between 重慶金至尊營銷策劃有限公司 ("CGS Marketing") and Chongqing Fook-Wah; and (iii) a purchase agreement between 重慶金至尊飾品設計有限公司 ("CGS Design") and Chongqing Fook-Wah. Pursuant to the franchise agreement and service agreement, Chongqing Fook-Wah shall be granted the license from CGS Shenzhen to use the "3D-GOLD" brand and CGS Marketing shall provide support services in relation to the use of the brand by Chongqing Fook-Wah, respectively. Pursuant to the purchase agreement, CGS Design shall supply, and Chongqing Fook-Wah shall purchase from CGS Design, finished goods in respect of platinum and gold jewelleries and gold ornaments, gem-set jewelleries, gemstones and other accessory items. The maximum annual service fee payable by Chongqing Fook-Wah to CGS Shenzhen and CGS Marketing for the support services in relation to the use of the brand pursuant to the framework agreement, franchise agreement and service agreement shall be no more than RMB13,600,000, RMB18,800,000 and RMB25,200,000 (equivalent to approximately HK$16,592,000, HK$22,936,000 and HK$30,744,000) for each of the three years ending 30 June 2016, 2017 and 2018, respectively. The maximum amount payable by Chongqing Fook-Wah to CGS Design for the purchase of finished goods pursuant to the purchase agreement shall be no more than RMB4,000,000, RMB6,900,000 and RMB10,400,000 (equivalent to approximately HK$4,880,000, HK$8,418,000 and HK$12,688,000) for each of the three years ending 30 June 2016, 2017 and 2018, respectively. During the year ended 30 June 2018, the service fee charged by CGS Shenzhen, CGS Marketing and its fellow subsidiary to Chongqing Fook-Wah pursuant to the framework agreement, franchise agreement and service agreement was approximately RMB1,268,000 (equivalent to approximately HK$1,519,000), and the purchases of Chongqing Fook-Wah from CGS Design pursuant to the purchase agreement amounted to approximately RMB7,537,000 (equivalent to approximately HK$9,027,000). As Chongqing Fook-Wah is indirectly owned as to 51% by Luk Fook Holdings, Chongqing Fook-Wah is a connected person of the Company at the subsidiary level and the transactions contemplated under the Framework Agreement, franchise agreement, service agreement and purchase agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of the above are set out in the announcement of the Company dated 14 December 2015.

On 22 November 2016, CGS Shenzhen (as tenant) entered into a tenancy agreement with 六福珠寶營銷策劃(深圳)有限公司 ("Luk Fook Shenzhen") (as landlord) for the rental of the premise located at Units 3401, 3402, 3403, 3405, 3406, 3407 and 3408 of 34/F, Tower A, Reith International Building, Xinxiu Road, Luohu District, Shenzhen, Guangdong Province, PRC (中國廣東省深圳市羅湖區新秀路新秀村瑞思大廈 3401, 3402, 3403, 3405, 3406, 3407 及 3408 室) which was used by the Group as its office premise in Shenzhen, the PRC for a term of the period from 22 November 2016 to 31 July 2019. The maximum amount of annual rental payable by CGS Shenzhen to Luk Fook Shenzhen under the tenancy agreement shall be no more than RMB1,860,000, RMB3,000,000, RMB3,240,000 and RMB280,000 (equivalent to approximately HK$2,120,400, HK$3,420,000, HK$3,693,600 and HK$319,200) for each of the four years ending 30 June 2017, 2018, 2019 and 2020, respectively. During the year ended 30 June 2018, the rental charged by Luk Fook Shenzhen to CGS Shenzhen pursuant to the tenancy agreement was approximately RMB2,700,902 (equivalent to approximately HK$3,235,000). As Luk Fook Shenzhen is wholly owned by Luk Fook Holdings, Luk Fook Shenzhen is a connected person of the Company at the subsidiary level and the tenancy agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. Details of the above are set out in the announcement of the Company dated 22 November 2016.

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

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

RELATED PARTY TRANSACTIONS

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

MANAGEMENT CONTRACTS

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

PERMITTED INDEMNITY PROVISION

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

EMOLUMENT POLICY

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

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

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

PRE EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float throughout the year ended 30 June 2018.

DONATIONS

During the Year, the Group made charitable and other donations amounting to approximately HK$16,971.

MAJOR CUSTOMERS AND SUPPLIERS

For the Year, 39% of the total purchases were gold purchased from Shanghai Gold Exchange and the five largest suppliers of the Group accounted for 70% of the Group's purchases.

Aggregate sales attributable to the Group's five largest customers were less than 13% 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 2018 have been audited by Messrs. Deloitte Touche Tohmatsu, who will retire and, being eligible, offer themselves for re-appointment. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Mr. Xu Zhigang
Executive Director & Chief Executive Officer

Hong Kong, 26 September 2018

Independent Auditor's Report

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Hong Kong Resources Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 47 to 125, which comprise the consolidated statement of financial position as at 30 June 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Valuation of inventories	
We identified the valuation of inventories as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole and the judgement associated with the determination of allowance for inventories. As disclosed in note 19 to the consolidated financial statements, the carrying amount of inventories is HK$979,354,000 as at 30 June 2018. In estimating the amount of allowance for inventories, management reviews the net realisable value of inventories periodically with reference to the condition of the inventories, historical and current sales information, as well as the aging of inventories to identify slow-moving items to ascertain the amount of allowance for inventories. In addition, management appoints an independent external valuer to perform valuation on certain jewellery items as reference for allowance consideration.	Our procedures in relation to the valuation of inventories included: • Understanding management's process of how to determine the allowance for inventories; • Evaluating the reasonableness of the net realisable value of inventories, with reference to the condition of the inventories, historical and current sales information, and aging of inventories; • Checking the historical and current sales information and aging of inventories, on a sample basis, to source documents; • Evaluating the competence, capabilities and objectivity of the independent external valuer and obtaining an understanding of their scope of work; and • Evaluating the reasonableness of valuation techniques and key inputs adopted by the independent external valuer, checking key inputs, on a sample basis, to source documents.
Valuation of the trademarks "3D-Gold"	
We identified the valuation of the trademarks "3D-Gold" as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole and the judgment associated in determining the impairment loss on the trademarks "3D-Gold". As disclosed in note 15 to the consolidated financial statements, the carrying amount of the trademarks "3D-Gold" is HK$168,066,000 as at 30 June 2018. In estimating the amount of impairment loss on the trademarks "3D-Gold", management estimates the future cash flows expected to arise from the trademarks "3D-Gold"and a suitable discount rate in order to calculate the recoverable amount. The recoverable amount is determined based on a value in use calculation as detailed in the note 4 to the consolidated financial statements in relation to the impairment of the trademarks "3D-Gold".	Our procedures in relation to the valuation of the trademarks "3D-Gold" included: • Understanding the Group's impairment assessment process in respect of the trademarks "3D-Gold"; • Evaluating the appropriateness of the valuation model adopted and the reasonableness of key assumptions used in the valuation with reference to the economic outlook, the Group's past sales experience, market data and our industry knowledge; • Evaluating the historical accuracy of financial budgets prepared by the management by comparing the historical financial budgets with the actual performance; • Evaluating the sufficiency of the disclosure of impairment assessment by management in the consolidated financial statements; and • Involving our internal valuation experts to review and assess whether the valuation model used by the management was appropriate and whether the key assumptions used in the valuation model were reasonable.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 September 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	5(a)	**1,459,466**	1,118,550
Cost of sales		**(1,048,012)**	(760,209)
Gross profit		**411,454**	358,341
Other income	6	**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	22(b)	**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	17(a) & (b)	**(6,040)**	(14,308)
Impairment loss on other receivables recognised		**–**	(7,662)
Finance costs	7	**(51,174)**	(45,457)
Share of result of an associate		**–**	(1,202)
Loss before taxation	8	**(49,872)**	(179,575)
Taxation	10	**(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 investment		**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	12		
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	13	**52,922**	42,834
Deposits paid	14	**10,306**	5,722
Intangible assets	15	**169,144**	169,144
Interest in a joint venture	16	**–**	–
Available-for-sale investments	17	**15,118**	26,980
Deferred tax assets	18	**17,112**	17,884
		264,602	262,564
Current Assets			
Inventories	19	**979,354**	801,074
Trade and other receivables and deposits paid	14	**213,712**	124,291
Loan receivable	20	**14,000**	–
Tax receivable		**1,739**	–
Amount due from a joint venture	21	**–**	8
Pledged bank deposits	23	**742,299**	578,301
Bank balances and cash	23	**56,988**	114,953
		2,008,092	1,618,627
Current Liabilities			
Trade and bills payables, other payables, accruals and deposits received	24	**333,097**	233,069
Bank and other borrowings	26	**1,480,000**	1,089,505
Gold loans	27	**–**	84,823
Amount due to a joint venture	21	**11**	–
Loan from a non-controlling shareholder of a subsidiary	25	**43,190**	43,190
Loan from a shareholder	25	**–**	2,000
Convertible bonds	22(a)	**49,753**	–
Derivative financial instruments	22(b)	**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

Consolidated Statement of Financial Position

As at 30 June 2018

	NOTES	2018 HK$'000	2017 HK$'000
Non-current Liabilities			
Convertible bonds	22(a)	–	43,064
Derivative financial instruments	22(b)	–	4,299
Other payable	24	**3,593**	–
Bank and other borrowings	26	**20,000**	20,000
Loan from a non-controlling shareholder of a subsidiary	25	**100,000**	100,000
Deferred tax liabilities	18	**42,016**	42,016
		165,609	209,379
NET ASSETS		**196,546**	217,569
CAPITAL AND RESERVES			
Share capital	28	**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

The consolidated financial statements on pages 47 to 125 were approved and authorised for issue by the Board of Directors on 26 September 2018 and are signed on its behalf by:

Mr. Xu Zhigang
DIRECTOR

Ms. Dai Wei
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

	Attributable to owners of the Company												
	Ordinary share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Other reserve HK$'000 (Note (a))	Share option reserve HK$'000	Warrant reserve HK$'000 (Note (b))	Investment revaluation reserve HK$'000	Exchange reserve HK$'000	PRC statutory reserve HK$'000 (Note (c))	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 July 2016	35,224	717,743	55,327	(256,051)	17,200	21,819	2,520	15,458	28,929	(325,121)	313,048	92,072	405,120
Loss for the year	–	–	–	–	–	–	–	–	–	(143,703)	(143,703)	(43,402)	(187,105)
Exchange difference arising on translation	–	–	–	–	–	–	–	(8,598)	–	–	(8,598)	(3,571)	(12,169)
Fair value loss on available-for-sale investment	–	–	–	–	–	–	(13,440)	–	–	–	(13,440)	–	(13,440)
Investment revaluation reserve reclassified to profit or loss in relation to impairment loss on available-for-sale investment	–	–	–	–	–	–	10,920	–	–	–	10,920	–	10,920
Total comprehensive expense for the year	–	–	–	–	–	–	(2,520)	(8,598)	–	(143,703)	(154,821)	(46,973)	(201,794)
Transfer between reserves	–	–	–	–	–	–	–	–	1,405	(1,405)	–	–	–
Acquisition of additional interest in a subsidiary (Note (a)(iv))	–	–	–	(1,656)	–	–	–	–	–	–	(1,656)	1,656	–
Reclassified to accumulated losses upon disposal of subsidiaries (note 34)	–	–	–	–	–	–	–	(1,398)	–	1,398	–	–	–
Disposal of partial interests in subsidiaries (Notes (a)(v) & (vi))	–	–	–	(1,432)	–	–	–	–	–	–	(1,432)	1,432	–
Disposal of subsidiaries (Note (a)(vii))	–	–	–	3,088	–	–	–	–	–	(3,088)	–	14,243	14,243
Lapse of share options	–	–	–	–	(3,795)	–	–	–	–	3,795	–	–	–
At 30 June 2017	35,224	717,743	55,327	(256,051)	13,405	21,819	–	5,462	30,334	(468,124)	155,139	62,430	217,569
Loss for the year	–	–	–	–	–	–	–	–	–	(59,654)	(59,654)	(8,622)	(68,276)
Exchange difference arising on translation	–	–	–	–	–	–	–	12,000	–	–	12,000	2,987	14,987
Fair value loss on available-for-sale investment	–	–	–	–	–	–	(3,420)	–	–	–	(3,420)	–	(3,420)
Investment revaluation reserve reclassified to profit or loss in relation to impairment loss on available-for-sale investment	–	–	–	–	–	–	3,420	–	–	–	3,420	–	3,420
Total comprehensive income (expense) for the year	–	–	–	–	–	–	–	12,000	–	(59,654)	(47,654)	(5,635)	(53,289)
Transfer between reserves	–	–	–	–	–	–	–	–	3,203	(3,203)	–	–	–
Issue of shares by way of a placing, net of transaction costs	3,000	20,310	–	–	–	–	–	–	–	–	23,310	–	23,310
Exercise of warrants	–	10	–	–	–	(3)	–	–	–	–	7	–	7
Recognition of equity-settled share-based payments	–	–	–	–	8,949	–	–	–	–	–	8,949	–	8,949
Lapse of warrants	–	–	–	–	–	(21,816)	–	–	–	21,816	–	–	–
Lapse of share options	–	–	–	–	(1,227)	–	–	–	–	1,227	–	–	–
At 30 June 2018	38,224	738,063	55,327	(256,051)	21,127	–	–	17,462	33,537	(507,938)	139,751	56,795	196,546

Notes:

(a) Other reserve comprises:

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

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

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

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

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

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

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

(b) Warrant reserve arises from the issue of warrants less the expenses incurred on warrants issue. On 31 January 2013, the Company executed an warrant instrument relating to the issue of warrants conferring rights to subscribe up to 196,908,602 new ordinary shares of the Company at the subscription price of HK$0.245 per share, which are exercisable during the 5 years period from 31 January 2013 to 30 January 2018, both days inclusive. As at 30 June 2018, the Company had no outstanding (2017: 196,811,925) units of warrants.

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2018

	2018 HK$'000	2017 HK$'000
Operating activities		
Loss before taxation	**(49,872)**	(179,575)
Adjustments for:		
Bank interest income	**(3,922)**	(5,767)
Change in fair value of derivatives embedded in convertible bonds and share option	**(3,914)**	(1,637)
Change in fair value of gold loans	**(539)**	(3,325)
Depreciation of property, plant and equipment	**20,222**	19,654
Equity-settled share-based payments	**8,949**	–
Finance costs	**51,174**	45,457
Impairment loss on other receivables recognised	**–**	7,662
Impairment loss on available-for-sale investments recognised	**6,040**	14,308
Impairment loss on investment in a film recognised	**–**	10,000
Impairment loss on investment in an associate recognised	**–**	24,081
Loan interest income	**(194)**	–
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	**–**	3,121
(Reversal of allowance) allowance of inventories	**(1,655)**	11,265
Share of result of an associate	**–**	1,202
Unrealised exchange (gain) loss	**(20,855)**	3,754
Operating cash flows before movements in working capital	**6,652**	(41,105)
Decrease in investments in entertainment events	**–**	2,370
Increase in inventories	**(152,618)**	(34,812)
(Increase) decrease in trade and other receivables and deposits paid	**(89,076)**	13,055
Increase in loan receivable	**(14,000)**	–
Increase in trade and bills payables, other payables, accruals and deposits received	**93,726**	17,805
Increase in amount due to a joint venture	**11**	–
Cash used in operations	**(155,305)**	(42,687)
Income taxes paid	**(16,987)**	(16,596)
Net cash used in operating activities	**(172,292)**	(59,283)

Consolidated Statement of Cash Flows

For the year ended 30 June 2018

	NOTES	2018 HK$'000	2017 HK$'000
Investing activities			
Interest received		**4,264**	6,326
Net cash outflow arising on disposal of subsidiaries	34(a)	**–**	(3,804)
Acquisition of subsidiaries	34(b)	**–**	(1,478)
Purchase of property, plant and equipment		**(26,928)**	(15,535)
Proceeds from disposal of property, plant and equipment		**19**	5,267
Proceeds from disposal of available-for-sale investments		**5,822**	–
Repayment from (advance to) a joint venture		**8**	(8)
Placement of pledged bank deposits		**(415,364)**	(578,301)
Withdrawal of pledged bank deposits		**262,063**	339,469
Net cash used in investing activities		**(170,116)**	(248,064)
Financing activities			
Interest paid		**(44,484)**	(34,494)
Proceeds from the issue of new shares by way of a placing		**23,310**	–
Proceeds from exercise of warrants		**7**	–
New bank and other borrowings raised		**770,000**	878,800
Repayments of bank and other borrowings		**(379,505)**	(399,954)
Repayment from an associate		**–**	50
Repayments of gold loans		**(86,505)**	(93,192)
Repayment of convertible bond		**–**	(46,410)
Loan from a non-controlling shareholder of a subsidiary		**–**	23,190
(Repayment of) loan from a shareholder		**(2,000)**	2,000
Net cash from financing activities		**280,823**	329,990
Net (decrease) increase in cash and cash equivalents		**(61,585)**	22,643
Cash and cash equivalents at beginning of the year		**114,953**	94,079
Effect of foreign exchange rate changes		**3,620**	(1,769)
Cash and cash equivalents at end of the year, represented by bank balances and cash		**56,988**	114,953

1. GENERAL

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

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries are set out in note 40.

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

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

2. APPLICATION OF NEW AND 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.

A reconciliation between the opening and closing balances of these items is provided in note 38. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 38, the application of these amendments has had no impact on the Group's consolidated financial statements.

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

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.

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

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

HKFRS 9 *Financial Instruments*

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

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

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at 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 as disclosed in note 17(b): 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 as disclosed in note 17(a): 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.

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

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

HKFRS 9 *Financial Instruments* *(Continued)*

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 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.

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

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

HKFRS 16 *Leases*

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

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

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. 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 as disclosed in note 30. 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. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

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

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

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

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.

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 relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of the Company.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Acquisition of a subsidiary not constituting a business

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

Revenue recognition

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

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

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

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

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

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

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

Service income is recognised when services are provided.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

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

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

Intangible assets

Intangible assets acquired separately

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

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.

Impairment on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

Recoverable amount is the higher of fair value less costs of disposal to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interest in a joint venture

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 a joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of a joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of a joint venture equals or exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the 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 joint venture.

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

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs 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 a joint venture of the Group, profits and losses resulting from the transactions with a joint venture are recognised in the Group's consolidated financial statements only to the extent of interest in a joint venture that are not related to the Group.

Inventories

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

Foreign currencies

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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

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

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

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

Borrowing costs

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

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

Equity-settled share-based payment transactions

Share options granted to employees

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

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Equity-settled share-based payment transactions *(Continued)*

Share options granted to consultants

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

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.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

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

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

Financial instruments

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

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

Financial assets

The Group's financial assets are classified as available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

AFS financial assets

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

Equity and debt securities held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Changes in the carrying amount of AFS debt instruments relating to interest income calculated using the effective interest method, are recognised in profit or loss. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Loans and receivables

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

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

Impairment of financial assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

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

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

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

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.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Effective interest method

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

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

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

Other financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Convertible bonds contain liability component and conversion option derivative

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

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

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

Embedded derivatives

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

Derecognition

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENT 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.

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

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 judgement in applying accounting policies

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

Control over CGS

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

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

Key sources of estimation uncertainty

Valuation of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. In estimating the amount of allowance of inventories, it is the Group's policy to review the net realisable value of inventories periodically with reference to the condition of the inventories, historical and current sales information, as well as the aging of inventories to identify slow-moving items to ascertain the amount of inventory allowance. In addition, management appoints an independent external valuer to perform valuation on certain jewellery items as reference for allowance consideration. The Group carries out an inventory review at the end of the reporting period and makes allowance when the subsequent estimated net realisable value of inventories is less than the original estimate. It could change significantly as a result of changes in customer taste and competitor actions in response to changes to adverse economic conditions. As at 30 June 2018, the carrying amount of the Group's inventories is HK$979,354,000 (2017: HK$801,074,000).

Estimated impairment of intangible assets

Determining whether intangible assets are impaired requires an estimation of the recoverable amount of these intangible assets. The recoverable amounts of the trademarks have been determined based on a value in use calculation, which is based on the financial budgets approved by management covering a ten-year period, in which the key assumptions include the discount rate, short-term and long-term growth rate, taking into account the economic outlook, the Group's past sales experience and industry growth forecasts to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 30 June 2018, the carrying amount of the Group's intangible assets is HK$169,144,000 (2017: HK$169,144,000).

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

Key sources of estimation uncertainty *(Continued)*

Recoverability of trade receivables

In estimating the allowance for doubtful debts, it is the Group's policy to takes into consideration the aging analysis, subsequent settlements of the receivables, repayment history and credit worthiness of debtors. If the financial conditions of the debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required. As at 30 June 2018, the carrying amount of the Group's trade receivables is HK$106,705,000 (2017: HK$76,067,000).

5. 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
Retails 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.

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

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 HK$'000	Retail sales operations for gold and jewellery products in Hong Kong and Macau HK$'000	Wholesales and sub-contracting operations for gold and jewellery products in Mainland China HK$'000	Total HK$'000	Others (Note) HK$'000	Consolidated HK$'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)

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

Segment revenues and results *(Continued)*

For the year ended 30 June 2017

	Reportable segments				
	Retail sales and franchising operations for gold and jewellery products in Mainland China HK$'000	Retail sales operations for gold and jewellery products in Hong Kong and Macau HK$'000	Total HK$'000	Others (Note) HK$'000	Consolidated HK$'000
REVENUE					
External sales	775,093	338,806	1,113,899	4,651	1,118,550
RESULT					
Segment results	54,035	(26,084)	27,951	(30,283)	(2,332)
Other income					11,328
Unallocated corporate staff and directors' salaries					(32,577)
Other unallocated corporate expenses					(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)

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

Segment revenues and results *(Continued)*

Segment profit (loss) represents the profit (loss) of each segment without allocation of other income, advertising, promotion and business development expenses, corporate staff and directors' salaries, change in fair value of derivatives embedded in convertible bonds and share option, 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

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

Segment assets and liabilities *(Continued)*

As at 30 June 2017

	Reportable segments				
	Retail sales and franchising operations for gold and jewellery products in Mainland China HK$'000	Retail sales operations for gold and jewellery products in Hong Kong and Macau HK$'000	Total HK$'000	Others (Note) HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	694,367	261,811	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. As disclosed in note 34(a), 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.

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

Segment assets and liabilities *(Continued)*

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

- all assets are allocated to reportable segments other than 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 HK$'000	Retail sales operations for gold and jewellery products in Hong Kong and Macau HK$'000	Wholesales and sub-contracting operations for gold and jewellery products in Mainland China HK$'000	Others HK$'000	Unallocated HK$'000	Consolidated HK$'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

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

Other entity-wide segment information *(Continued)*

For the year ended 30 June 2017

	Retail sales and franchising operations for gold and jewellery products in Mainland China HK$'000	Retail sales operations for gold and jewellery products in Hong Kong and Macau HK$'000	Others HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment result or segment assets:					
Additions of 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**

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

Geographical information *(Continued)*

For the year ended 30 June 2017

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

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

6. OTHER INCOME

	2018 HK$'000	2017 HK$'000
Bank interest income	**3,922**	5,767
Consultancy fee income	**–**	2,812
Other income	**2,094**	2,749
	6,016	11,328

7. 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 22(a))	**8,402**	14,629
	51,174	45,457

8. LOSS BEFORE TAXATION

	2018 HK$'000	2017 HK$'000
Loss before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	2,460	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 (note 34(a))	–	6,937
Loss on early redemption of convertible bond (note 22(a))	–	3,121
Staff costs, including directors' emoluments:		
– Wages, salaries and other benefits costs	164,312	171,576
– Equity-settled share-based payments	8,949	–
– Retirement benefit costs	17,598	13,104
	190,859	184,680
(Reversal of allowance) allowance of inventories (included in cost of sales)	(1,655)	11,265

9. DIRECTORS' AND EMPLOYEE'S EMOLUMENTS

(a) Directors' emoluments

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

		For the year ended 30 June 2018				
Name of director	Notes	Fees HK$'000	Salaries HK$'000	Retirement benefit costs HK$'000	Share options HK$'000	Total HK$'000
Executive directors						
Mr. Xu Zhigang	(a)	–	225	8	–	233
Mr. Lam Kwok Hing Wilfred		–	1,441	18	1,152	2,611
Mr. Wu, Xiaolin	(b)	–	1,441	18	1,152	2,611
Mr. Zhao Jianguo		–	720	18	1,152	1,890
Ms. Dai Wei		–	600	18	1,152	1,770
Non-executive director						
Mr. Cheung Pak To, Patrick	(c)	125	–	–	–	125
Independent non-executive directors						
Mr. Fan Anthony Ren Da		360	–	–	115	475
Dr. Loke, Yu Hoi Lam		300	–	–	115	415
Mr. Xu Xiaoping		300	–	–	115	415
		1,085	4,427	80	4,953	10,545

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

(a) Directors' emoluments *(Continued)*

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

Notes:

(a) Appointed on 14 February 2018.

(b) Resigned on 28 August 2018.

(c) Resigned on 27 November 2017.

(d) Resigned on 31 May 2017.

(e) Re-designated as executive director on 12 April 2017.

(f) Appointed on 31 May 2017.

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

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

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

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

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

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

(b) Five highest paid employees

Of the five individuals with the highest emoluments in the Group, four (2017: two) were directors of the Company whose emoluments are included in note 9(a) above.

The emoluments of the remaining one (2017: three) individual are as follows:

	2018 HK$'000	2017 HK$'000
Salaries	**3,707**	5,988
Bonuses	**303**	211
Retirement benefit costs	**18**	53
	4,028	6,252

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

	2018 Number of employees	2017 Number of employees
Emolument bands		
HK$500,001 to HK$1,000,000	–	1
HK$1,000,001 to HK$2,000,000	–	1
HK$3,000,001 to HK$4,000,000	–	1
HK$4,000,001 to HK$5,000,000	**1**	–
	1	3

10. TAXATION

	2018 HK$'000	2017 HK$'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 (note 18)	**772**	405
	18,404	7,530

10. TAXATION *(Continued)*

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

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

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

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 **HK$'000**	2017 HK$'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.

11. 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.

12. 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 (as defined in note 41(b)) 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 22(a)) since the assumed exercise of those share options and bonus warrants, 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 22(a)) since their conversion would result in a decrease in loss per ordinary share.

13. PROPERTY, PLANT AND EQUIPMENT

	Building HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
As at 1 July 2016	–	54,224	66,992	2,618	123,834
Exchange realignment	–	(670)	(1,188)	(5)	(1,863)
Additions	–	11,689	3,846	–	15,535
Disposals	–	(7,776)	(13,266)	(263)	(21,305)
Disposal of subsidiaries (note 34(a))	–	(161)	(1,169)	–	(1,330)
As at 30 June 2017	–	57,306	55,215	2,350	114,871
Exchange realignment	–	1,390	1,591	–	2,981
Additions	6,234	17,441	6,846	–	30,521
Disposals	–	(238)	(5,788)	–	(6,026)
As at 30 June 2018	6,234	75,899	57,864	2,350	142,347
Depreciation					
As at 1 July 2016	–	28,947	37,299	2,383	68,629
Exchange realignment	–	(397)	(742)	(5)	(1,144)
Provided for the year	–	10,618	8,843	193	19,654
Eliminated upon disposals	–	(4,597)	(9,418)	(263)	(14,278)
Eliminated upon disposal of subsidiaries (note 34(a))	–	(129)	(695)	–	(824)
As at 30 June 2017	–	34,442	35,287	2,308	72,037
Exchange realignment	–	859	1,096	–	1,955
Provided for the year	104	13,275	6,806	37	20,222
Eliminated upon disposals	–	(238)	(4,551)	–	(4,789)
As at 30 June 2018	104	48,338	38,638	2,345	89,425
Carrying values					
As at 30 June 2018	6,130	27,561	19,226	5	52,922
As at 30 June 2017	–	22,864	19,928	42	42,834

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

Building	Over the estimated useful lives of 20 years
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%

Note: At 30 June 2018, the Group was in the process of obtaining the real estate ownership certificate for building in the PRC with an aggregate carrying amount of HK$6,130,000 (2017: nil).

14. TRADE AND OTHER RECEIVABLES AND DEPOSITS PAID

	2018 HK$'000	2017 HK$'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 HK$'000	2017 HK$'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.

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

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

	2018 **HK$'000**	2017 HK$'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 **HK$'000**	2017 HK$'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.

15. INTANGIBLE ASSETS

	Trademarks			Core technology and	
	3D-GOLD	Watches	License	Apps	Total
	HK$'000 (Note)	HK$'000	HK$'000	HK$'000	HK$'000
Cost					
At 1 July 2016	168,066	3,120	1,200	6,101	178,487
Acquisition of subsidiaries (note 34(b))	–	–	1,078	–	1,078
Disposals of subsidiaries (note 34(a))	–	(3,120)	(1,200)	(6,101)	(10,421)
At 30 June 2017 and 30 June 2018	168,066	–	1,078	–	169,144
Amortisation and impairment					
At 1 July 2016	–	3,120	1,200	6,101	10,421
Eliminated upon disposal of subsidiaries (note 34(a))	–	(3,120)	(1,200)	(6,101)	(10,421)
At 30 June 2017 and 30 June 2018	–	–	–	–	–
Carrying values					
At 30 June 2017 and 30 June 2018	168,066	–	1,078	–	169,144

Note:

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

On 30 June 2018, management of the Group conducted impairment review on the trademarks. The recoverable amounts of the trademarks have been determined based on a value in use calculation, which is based on the financial budgets approved by management covering a ten-year period and a discount rate of 12% (2017: 16.5%). The cash flows beyond the ten-year period are extrapolated using a 3% (2017: 3%) growth rate. The key assumptions for the value in use calculations are discount rate and growth rate. The growth rate does not exceed the long-term average growth rate for the relevant industry. Based on the assessments, management expects the carrying amount of the trademarks to be recoverable and there is no impairment of the trademarks. Management considers that any reasonable possible change in these key assumptions would not cause the carrying amount of the trademarks to exceed the recoverable amount.

16. INTEREST IN A JOINT VENTURE

	2018 HK$'000	2017 HK$'000
Unlisted investments, at cost	**2,000**	2,000
Share of post-acquisition losses	**(2,000)**	(2,000)
	–	–

As at 30 June 2018 and 30 June 2017, the Group had interests in the following joint venture:

Name of entity	Attributable interest to the Group 2018	2017	Proportion of voting power held 2018	2017	Principal activity
La Milky Way International Company Limited (Note)	**50%**	50%	**50%**	50%	Holding of trademark

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

Information of a joint venture that is not material:

	2018 HK$'000	2017 HK$'000
The unrecognised share of profit of a joint venture for the year	**15**	1,901
Cumulative unrecognised share of losses of a joint venture	**(19,619)**	(19,634)

17. AVAILABLE-FOR-SALE INVESTMENTS

	Notes	2018 HK$'000	2017 HK$'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.

18. DEFERRED TAXATION

	2018 HK$'000	2017 HK$'000
Deferred tax assets	**(17,112)**	(17,884)
Deferred tax liabilities	**42,016**	42,016
	24,904	24,132

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

	Fair value adjustment on intangible assets HK$'000 (Note)	Fair value adjustment on gold loans HK$'000	Provision on trade and other receivables HK$'000	Provision on staff benefits in the PRC HK$'000	Provision on inventories HK$'000	Others HK$'000	Total HK$'000
At 1 July 2016	42,016	(3,764)	(3,984)	(1,825)	(3,636)	(5,080)	23,727
Charge (credit) to profit or loss (note 10)	–	2,819	–	(594)	(1,552)	(268)	405
As at 30 June 2017	42,016	(945)	(3,984)	(2,419)	(5,188)	(5,348)	24,132
Charge (credit) to profit or loss (note 10)	–	945	3,984	(1,474)	(185)	(2,498)	772
As at 30 June 2018	42,016	–	–	(3,893)	(5,373)	(7,846)	24,904

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 2018, the Group has unused tax losses of HK$714,889,000 (2017: HK$601,290,000) available to offset against future profits. No deferred tax asset has been recognised in respect of unused tax losses due to the unpredictability of future profit streams.

18. DEFERRED TAXATION *(Continued)*

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

	2018 HK$'000	2017 HK$'000
2018	**–**	–
2019	**–**	–
2020	**358**	343
2021	**398**	382
2022	**263**	253
2023	**20,413**	–
Carried forward indefinitely	**693,457**	600,312
	714,889	601,290

Under the Enterprise Income Tax Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$263,346,000 (2017: HK$301,770,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

19. INVENTORIES

	2018 HK$'000	2017 HK$'000
Raw materials	**77,841**	38,681
Finished goods	**901,513**	762,393
	979,354	801,074

Inventories are measured at the lower of cost and net realisable value. The Group has reversed allowance of HK$1,655,000 (2017: recognised allowance of HK$11,265,000) and included in "cost of sales".

20. LOAN RECEIVABLE

	2018 HK$'000	2017 HK$'000
Unsecured loan	**14,000**	–

The loan receivable is unsecured, carries fixed-rate interests at 22% per annum and with maturity of 1 year. The principal will be receivable on maturity date.

Before accepting any new borrower, the Group carries out research on the creditability of the new borrower and assesses the potential customer's credit quality and defines loan terms with borrower. The credit of the borrowers granted with loans are reviewed once a year.

There were no loan receivables past due at the end of the reporting period. The Group reviews the recoverable amount of each individual loan receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amount. Accordingly, the directors of the Company believe that there is no allowance or impairment required.

21. AMOUNTS DUE FROM/TO A JOINT VENTURE

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

22. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS

(a) Convertible bonds

Convertible bonds due 2019 ("CB 2019")

In connection with the disposal of 50% of the Group's interest in CGS on 6 June 2014, the Company entered into a subscription agreement with 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 (as defined in note 41(b)), 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.

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

(a) Convertible bonds *(Continued)*

Convertible bonds due 2019 ("CB 2019") (Continued)

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

	Liability component		
	CB 2019	**CGS CB 2018**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 July 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

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

(b) Derivative financial instruments *(Continued)*

(i) Derivatives embedded in convertible bonds

	Embedded derivatives		
	CB 2019	**CGS CB 2018**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 July 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:

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

(b) Derivative financial instruments *(Continued)*

(ii) CGS Share Option (Continued)

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

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

(ii) on the flotation date; or

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

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

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

For the year ended 30 June 2017, the CGS Share Option lapsed upon the early redemption of the CGS CB 2018 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.

23. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Pledged bank deposits represent deposits pledged to the banks to secure the banking facilities granted to the Group. Deposits amounting to HK$742,299,000 (2017: HK$578,301,000) have been pledged to secure certain short-term bank loans (2017: bank loans and gold loans) and are therefore classified as current assets. Pledged bank deposits will be released upon the settlement of relevant loans.

Bank balances carry interest at market rates which range from 0.01% to 0.35% (2017: 0.01% to 0.35%) per annum. Pledged bank deposits carry interest at fixed rates ranging from 1.65% to 2.25% (2017: 1.43% to 2.5%) per annum.

Included in the bank balances and cash of the Group as at 30 June 2018 are bank balances amounting to HK$2,100,000 (2017: HK$2,938,000) which are denominated in currencies other than the functional currencies of the respective group entities.

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

	2018 HK$'000	2017 HK$'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 HK$'000	2017 HK$'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

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

The loan from a non-controlling shareholder of a subsidiary is unsecured, interest-free and mutually agreed by the Group and the lender not to be repaid within one year after the end of the reporting period, except for amounts of HK$20,000,000 (2017: HK$20,000,000) and HK$23,190,000 (2017: HK$23,190,000) which are unsecured, interest bearing at 2% per annum and repayable on 23 August 2018 (2017: 4 May 2018) and 20 September 2018 (2017: 4 May 2018) respectively.

The loan from a shareholder is unsecured, interest-free and repayable on demand. Such loan from a shareholder was fully repaid in current year.

26. BANK AND OTHER BORROWINGS

	2018 **HK$'000**	2017 HK$'000
Bank borrowings:		
Secured floating rate bank loans	**1,450,000**	1,080,890
Other borrowings:		
Unsecured fixed rate other borrowings		
– Independent third parties	**50,000**	28,615
	1,500,000	1,109,505
Secured	**1,450,000**	1,080,890
Unsecured	**50,000**	28,615
	1,500,000	1,109,505
Carrying amounts repayable:		
Within one year*	**180,000**	158,615
More than two years but not exceeding five years*	**20,000**	20,000
	200,000	178,615
Carrying amount of bank loans that contain a repayment on demand clause (shown under current liabilities) – repayable within one year*	**1,300,000**	930,890
	1,500,000	1,109,505
Less: Amounts due within one year and shown under current liabilities	**(1,480,000)**	(1,089,505)
Amounts shown under non-current liabilities	**20,000**	20,000

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

26. BANK AND OTHER BORROWINGS *(Continued)*

Borrowings comprise:

	Notes	Maturity date	Effective interest rate 2018	Effective interest rate 2017	Carrying amount 2018 HK$'000	Carrying amount 2017 HK$'000
Bank borrowings:						
Secured HK$ bank loans	(a)	July 2018 (2017: July 2017 to March 2018)	**3.64%**	3.06%	**700,000**	731,000
Secured HK$ bank loans	(b)	November 2018 to June 2019 (2017: December 2017 to March 2018)	**3.47%**	3.01%	**600,000**	199,890
Secured HK$ bank loans	(b)	June 2019 (2017: February 2018 to June 2018)	**4.12%**	2.99%	**150,000**	150,000
Total bank borrowings					**1,450,000**	1,080,890
Unsecured other borrowings:						
Former substantial shareholder	(c)	28 November 2017	–	5%	–	8,615
An independent third party	(d)	11 November 2020	**5%**	5%	**20,000**	20,000
An independent third party	(e)	16 July 2018	**18%**	N/A	**15,000**	–
An independent third party	(e)	29 November 2018	**18%**	N/A	**15,000**	–
					50,000	28,615
Total bank and other borrowings					**1,500,000**	1,109,505

Notes:

(a) The bank loans are secured by pledged bank deposits and interest bearing at 1-month Hong Kong Interbank Offered Rate ("HIBOR") plus 1.08% to 2.5%.

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

(c) The loan is interest bearing at a fixed rate of 5.0% per annum and was fully repaid during current year.

(d) The loan is interest bearing at a fixed rate of 5.0% per annum.

(e) The loan is interest bearing at a fixed rate of 18% per annum.

27. 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.

28. 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.

29. SHARE-BASED PAYMENT TRANSACTIONS

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

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

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

As at 30 June 2018, the number of options which remain outstanding under the 2009 Share Option Scheme was 375,907,529 (2017: 68,389,219) which, if exercise in full, representing 8.95% (2017: 2.46%) of the enlarged capital of the Company. Upon the Share Consolidation (as defined in note 41(b)) becoming effective, adjustments will be made to the exercise prices and the number of shares of the Company. Subject to the issue of a circular and the approval of the shareholders of the Company in general meeting and/or such other requirements prescribed under the Rules Governing the Listing of Securities on the Stock Exchange from time to time, the Board may refresh the limit at any time to 10% of the total number of shares in issue as at the date of approval by the shareholders of the Company in general meeting. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2009 Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares issue from time to time.

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

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

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

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

				Number of options					
Eligible person	Date of grant	Exercisable period	Exercise price HK$ (Note b)	Outstanding as at 1.7.2016	Lapsed during the year (Note a)	Outstanding as at 30.6.2017	Granted during the year	Lapsed during the year (Note a)	Outstanding as at 30.6.2018
Directors	23.1.2009	23.1.2009 to 22.1.2019	0.4280	525,604	–	525,604	–	–	525,604
	20.7.2009	20.7.2009 to 19.7.2019	1.2980	2,559,436	(698,028)	1,861,408	–	(581,690)	1,279,718
	26.7.2011	26.7.2011 to 25.7.2021	0.4810	2,326,760	(1,163,380)	1,163,380	–	–	1,163,380
	26.7.2011	26.7.2012 to 25.7.2021	0.4810	3,490,140	(1,745,070)	1,745,070	–	–	1,745,070
	26.7.2011	26.7.2013 to 25.7.2021	0.4810	4,653,522	(2,326,761)	2,326,761	–	–	2,326,761
	25.1.2013	28.2.2013 to 24.1.2023	0.2288	5,200,000	(2,600,000)	2,600,000	–	(2,000,000)	600,000
	25.1.2013	28.2.2014 to 24.1.2023	0.2288	7,200,000	(2,600,000)	4,600,000	–	(2,000,000)	2,600,000
	25.1.2013	28.2.2015 to 24.1.2023	0.2288	7,200,000	(2,600,000)	4,600,000	–	(2,000,000)	2,600,000
	12.1.2018	12.1.2018 to 11.1.2028	0.0808	–	–	–	150,500,000	–	150,500,000
				33,155,462	(13,733,239)	19,422,223	150,500,000	(6,581,690)	163,340,533
Employees	20.7.2009	20.7.2009 to 19.7.2019	1.2980	1,163,380	–	1,163,380	–	–	1,163,380
	25.1.2013	28.2.2013 to 24.1.2023	0.2288	2,800,000	(1,800,000)	1,000,000	–	–	1,000,000
	25.1.2013	28.2.2014 to 24.1.2023	0.2288	2,800,000	(1,800,000)	1,000,000	–	–	1,000,000
	25.2.2013	28.2.2015 to 24.1.2023	0.2288	4,300,000	(1,800,000)	2,500,000	–	–	2,500,000
	12.1.2018	12.1.2018 to 11.1.2028	0.0808	–	–	–	131,000,000	–	131,000,000
				11,063,380	(5,400,000)	5,663,380	131,000,000	–	136,663,380

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

Eligible person	Date of grant	Exercisable period	Exercise price HK$ (Note b)	Number of options: Outstanding as at 1.7.2016	Lapsed during the year (Note a)	Outstanding as at 30.6.2017	Granted during the year	Lapsed during the year (Note a)	Outstanding as at 30.6.2018
Consultants	20.7.2009	20.7.2009 to 19.7.2019	1.2980	1,396,056	(1,163,380)	232,676	–	–	232,676
	13.4.2010	13.4.2009 to 12.4.2020	1.2030	2,326,761	–	2,326,761	–	–	2,326,761
	13.4.2010	13.7.2010 to 12.4.2020	1.2030	5,816,901	–	5,816,901	–	–	5,816,901
	13.4.2010	13.10.2010 to 12.4.2020	1.2030	5,816,901	–	5,816,901	–	–	5,816,901
	13.4.2010	13.1.2011 to 12.4.2020	1.2030	6,710,377	–	6,710,377	–	–	6,710,377
	25.1.2013	28.2.2013 to 24.1.2023	0.2288	800,000	–	800,000	–	(800,000)	–
	25.1.2013	28.2.2014 to 24.1.2023	0.2288	800,000	–	800,000	–	(800,000)	–
	25.1.2013	28.2.2015 to 24.1.2023	0.2288	800,000	–	800,000	–	(800,000)	–
	27.2.2013	28.2.2014 to 24.1.2023	0.2288	10,000,000	–	10,000,000	–	–	10,000,000
	27.2.2013	28.2.2015 to 24.1.2023	0.2288	10,000,000	–	10,000,000	–	–	10,000,000
	12.1.2018	12.1.2018 to 11.1.2028	0.0808	–	–	–	35,000,000	–	35,000,000
				44,466,966	(1,163,380)	43,303,616	35,000,000	(2,400,000)	75,903,616
				88,685,838	(20,296,619)	68,389,219	316,500,000	(8,981,690)	375,907,529
Exercisable at the end of the year				88,685,838		68,389,219			375,907,529
Weighted average exercise price				0.5485	0.3919	0.5950	0.0808	0.2980	0.1692

Notes:

(a) The lapse of the share options is due to the expiry of the exercisable period.

(b) The number of share options and the corresponding exercise price were adjusted from 375,907,529 to 93,976,879 with exercise price ranging from HK$0.3232 to HK$5.1920 per share option as a result of Share Consolidation (as defined in note 41(b)) on 17 July 2018.

On 12 January 2018, the Company granted share options exercisable for 316,500,000 ordinary shares of HK$0.01 each in the Company to certain eligible directors, employees and consultants under 2009 Share Option Scheme with an exercise price of HK$0.0808 per share and no vesting period. The fair value of the share options granted was HK$8,949,000.

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

The fair value of the share options was calculated using the Black-Scholes model. The inputs of model were as follows:

	Director	Employee	Consultant
Grant date	12 January 2018	12 January 2018	12 January 2018
Grant date share price	HK$0.0800	HK$0.0800	HK$0.0800
Exercise price	HK$0.0808	HK$0.0808	HK$0.0808
Risk-free rate	1.9282%	1.9282%	1.9282%
Expected option life	10 years	10 years	10 years
Expected volatility	44.995%	44.995%	44.995%
Expected dividend yield	0%	0%	0%
Sub-optimal factor	2.60902	1.42043	2.60902
Forfeiture rate	8.86928%	4.47630%	10.58308%

The volatility adopted was based on the average historical daily volatilities of the share prices of the Company as at the valuation date. The fair value calculated for share options is inherently subjective due to the assumptions made and the limitations of the model utilised.

No share options were granted during the year ended 30 June 2017.

The Group recognised the share-based payments of HK$8,949,000 for the year ended 30 June 2018 (30 June 2017: Nil) in relation to share options granted by the Company.

30. OPERATING LEASES

The Group as lessee

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

	2018 **HK$'000**	2017 HK$'000
Operating lease rentals in respect of retail shops, offices and warehouses		
Minimum lease payments	**55,388**	60,520
Contingent rental	**41,774**	62,300
	97,162	122,820

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:

	2018 **HK$'000**	2017 HK$'000
Within one year	**40,747**	29,882
In the second to fifth year inclusive	**33,858**	28,424
	74,605	58,306

Leases are negotiated for lease terms of one to five years (2017: one to five years).

30. OPERATING LEASES *(Continued)*

The Group as lessee *(Continued)*

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

The above lease commitments as at 30 June 2018 included the non-cancellable operating leases with a fellow subsidiary of a non-controlling shareholder of the Company amounted to HK$3,872,000 (2017: HK$556,000) in the band of "within one year" and HK$324,000 (2017: HK$6,918,000) in the band of "in the second to fifth year inclusive".

31. CAPITAL COMMITMENTS

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

32. RETIREMENT BENEFIT PLANS

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

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

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

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

As at 30 June 2018 and 30 June 2017, the Group had no significant obligation apart from the contribution as stated above.

33. 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.

34. DISPOSAL AND ACQUISITION OF SUBSIDIARIES

(a) Disposal of subsidiaries

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

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

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

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

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

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

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

The acquisition have been accounted for as an asset acquisition.

35. RELATED PARTY DISCLOSURES

(a) Related party transactions

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

Relationship	Nature of transactions	2018 HK$'000	2017 HK$'000
A joint venture	Purchase of jewellery	**35**	1
An associate	Consultancy fee income	**–**	2,812
A substantial shareholder of the Company	Consultancy fee	**–**	1,375
A non-controlling shareholder of a subsidiary	Interest expense	**863**	451
Fellow subsidiaries of a non-controlling shareholder of a subsidiary	Interests on gold loans	**880**	4,330
	License income	**1,519**	1,367
	Purchase of gold and jewellery products	**34,038**	29,855
	Rental expense	**3,235**	1,758
	Sale of jewellery	**9,027**	5,175
	Sale of consumables	**16**	32
	Speciality fee	**287**	273
	Subcontracting fee	**526**	407
	Company secretarial fee	**–**	40
A company in which a director of a subsidiary has beneficial interest	License and service fee	**5,171**	4,578

As at 30 June 2018, the ultimate holding company of a non-controlling shareholder of a subsidiary issued financial guarantee amounting to HK$927,419,000 (2017: HK$772,953,000) to banks in respect of banking facilities granted to the Group. No fee is paid or payable by the Group to the guarantor.

(b) Related party balances

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

(c) Compensation of key management personnel

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

36. CAPITAL RISK MANAGEMENT

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

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

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. As at 30 June 2018, the net gearing ratio of the Group is 454% (2017: 317%). The directors balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debts or the redemption of existing debts.

37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2018 **HK$'000**	2017 HK$'000
Financial assets		
Available-for-sale investments	**15,118**	26,980
Loans and receivables (including cash and cash equivalents)	**931,125**	771,385
Financial liabilities		
Financial liabilities at fair value through profit or loss	**385**	89,122
Amortised costs	**1,945,199**	1,494,815

(b) Financial risk management objectives and policies

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

37. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk

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

Interest rate risk

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

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

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

Interest rate risk sensitivity analysis

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

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

	2018	2017
	HK$'000	HK$'000
Increase/decrease in loss for the year	**7,250**	5,404

37. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

Currency risk

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange fluctuations arise. Certain of the Group's financial assets and liabilities are denominated in Hong Kong Dollar ("HK$"), Renminbi ("RMB"), Macau Patacas ("MOP") and United States Dollar ("US$") 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 trade and other receivables, bank balances and cash, trade and other payables, accruals and deposits received, bank and other borrowings, loan from a shareholder, loan from a non-controlling shareholder of a subsidiary and convertible bonds, that are denominated in currencies other than the functional currencies of the respective group entities of the Group at the end of the reporting period are as follows:

	Assets		**Liabilities**	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**20,691**	28,523	**251,490**	191,152
RMB	**94**	580	**1,974**	4,135
US$	**77**	815	**7,201**	7,218

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

Currency risk sensitivity analysis

The foreign currency risk of the Group is mainly concentrated on the fluctuations of RMB against HK$ 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 a 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.

37. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

Currency risk sensitivity analysis (Continued)

	2018 **HK$'000**	2017 HK$'000
Loss for the year		
RMB against HK$	**11,540**	8,131
RMB against US$	**356**	320

Price risk

The Group is engaged in the sale of jewellery includes gold products. The gold market is influenced by global as well as regional supply and demand conditions. A significant decline in prices of gold could adversely affect the Group's financial performance. In order to reduce the commodity price risk, the Group closely monitor the commodity price and may consider to use 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 when need.

In addition, the Group is exposed to equity price risk through its investments in listed equity securities as disclosed in note 17. Management of the Group monitors the price risk and will consider hedging the risk exposure should the need arise.

Price risk sensitivity analysis

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

If the market price of gold had been higher or lower by 10%, the loss after taxation for the year would increase or decrease approximately by HK$5,800,000, arising from the changes in fair value of gold loans for the year ended 30 June 2017.

If the price of the equity investment had been 10% higher/lower, investment valuation reserve would increase/decrease by HK$1,512,000 (2017: HK$2,436,000) for the Group as a result of the changes in fair value of available-for-sale investments.

Credit risk

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

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

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

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

37. FINANCIAL INSTRUMENTS *(Continued)*

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

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 2018, the Group has no available unutilised revolving banking facilities (2017: HK$76,173,000). Management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

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

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

Liquidity table

	Weighted average interest rate %	On demand or in 30 days HK$'000	31 to 90 days HK$'000	91 to 365 days HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
As at 30 June 2018								
Non-derivative financial liabilities								
Trade and bills payables and other payables	–	201,555	–	–	–	–	201,555	201,555
Franchisee guarantee deposits	–	–	–	50,701	–	–	50,701	50,701
Bank and other borrowings								
– fixed rate	12.80	15,450	1,450	15,450	1,000	21,000	54,350	50,000
– variable rate	3.74	1,300,512	1,024	154,305	–	–	1,455,841	1,450,000
Loan from a non-controlling shareholder of a subsidiary								
– interest free	–	–	–	–	100,000	–	100,000	100,000
– fixed rate	2.00	–	43,373	–	–	–	43,373	43,190
Convertible bonds	17.82	132	296	58,233	–	–	58,661	49,753
		1,517,649	46,143	278,689	101,000	21,000	1,964,481	1,945,199
Derivatives								
Derivate financial instruments		–	–	385	–	–	385	385

37. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

Liquidity table (Continued)

	Weighted average interest rate %	On demand or in 30 days HK$'000	31 to 90 days HK$'000	91 to 365 days HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
As at 30 June 2017								
Non-derivative financial liabilities								
Trade and other payables	–	149,144	–	–	–	–	149,144	149,144
Franchisee guarantee deposits	–	–	–	47,912	–	–	47,912	47,912
Bank and other borrowings								
– fixed rate	5.00	–	9,615	–	–	26,000	35,615	28,615
– variable rate	3.04	843,133	1,192	243,853	–	–	1,088,178	1,080,890
Loan from a non-controlling shareholder of a subsidiary								
– interest free	–	–	–	–	100,000	–	100,000	100,000
– fixed rate	2.00	–	–	44,054	–	–	44,054	43,190
Loan from a shareholder	–	2,000	–	–	–	–	2,000	2,000
Convertible bonds	19.47	132	296	1,284	58,661	–	60,373	43,064
		994,409	11,103	337,103	158,661	26,000	1,527,276	1,494,815
Derivatives								
Gold loans-fixed rate	4.50	84,823	–	–	–	–	84,823	84,823
Derivate financial instruments	–	–	–	–	4,299	–	4,299	4,299
		84,823	–	–	4,299	–	89,122	89,122

37. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

Liquidity table (Continued)

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 2018, the aggregate amounts of these bank loans amounted to HK$1,300,000,000 (2017: HK$930,890,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment.

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

	On demand or in 30 days HK$'000	31 to 90 days HK$'000	91 to 365 days HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
As at 30 June 2018					
Bank borrowings with a repayment on demand clause	**704,002**	**3,532**	**606,585**	**1,314,119**	**1,300,000**
As at 30 June 2017					
Bank borrowings with a repayment on demand clause	643,361	1,427	292,724	937,512	930,890

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 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.

37. FINANCIAL INSTRUMENTS *(Continued)*

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

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

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), as well as the level of fair value hierarchy into which the fair value measurements are categorised (level 1 to 3) based on the degree of which the inputs to the fair value measurements is observable.

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

Financial assets/liabilities included in the consolidated statement of financial position		Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
		30.6.2018 HK$'000	30.6.2017 HK$'000			
1)	Available-for-sale financial assets	**15,118**	24,360	Level 1	Bid prices quoted in active market	Not applicable
2)	Gold loans	**–**	(84,823)	Level 2	Derived from quoted bid prices of gold	Not applicable
3)	Conversion option derivatives embedded in convertible bonds	**(385)**	(4,299)	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 (Note)

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

There is no transfer between different levels of the fair value hierarchy for the years ended 30 June 2018 and 30 June 2017.

37. FINANCIAL INSTRUMENTS *(Continued)*

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

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

Reconciliation of Level 3 fair value measurements

	Conversion option derivatives HK$'000
At 1 July 2016	5,930
Fair value gain recognised in profit or loss	(1,631)
At 30 June 2017	4,299
Fair value gain recognised in profit or loss	(3,914)
At 30 June 2018	385

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

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

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

38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest payables HK$'000	Bank and other borrowings HK$'000 (Note 26)	Gold loans HK$'000 (Note 27)	Loan from a non-controlling shareholder of a subsidiary HK$'000 (Note 25)	Loan from a shareholder HK$'000 (Note 25)	Convertible bonds HK$'000 (Note 22)	Total HK$'000
As at 1 July 2017	823	1,109,505	84,823	143,190	2,000	43,064	1,383,405
Financing cash flows:							
– New bank borrowings raised	–	770,000	–	–	–	–	770,000
– Repayments of bank borrowings	–	(379,505)	–	–	–	–	(379,505)
– Interest paid	–	(41,030)	(879)	(863)	–	(1,712)	(44,484)
– Repayments of gold loans	–	–	(86,505)	–	–	–	(86,505)
– Repayment of loan from a shareholder	–	–	–	–	(2,000)	–	(2,000)
Total change from financing cash flows	–	349,465	(87,384)	(863)	(2,000)	(1,712)	257,506
Change in fair value of gold loans	–	–	(539)	–	–	–	(539)
Interest expenses	–	41,030	879	863	–	8,402	51,174
Coupon interest accrued at 1 July 2017 and included in other payables	(823)	–	–	–	–	823	–
Coupon interest accrued at 30 June 2018 and included in other payables	824	–	–	–	–	(824)	–
Foreign exchange translation	–	–	2,221	–	–	–	2,221
As at 30 June 2018	824	1,500,000	–	143,190	–	49,753	1,693,767

39. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY

	2018 HK$'000	2017 HK$'000
ASSETS AND LIABILITIES		
Non-current Assets		
Property, plant and equipment	**57**	50
Loan to a subsidiary	**100,000**	100,000
Investments in subsidiaries	**320,147**	320,147
Available-for-sale investments	**15,118**	24,360
	435,322	444,557
Current Assets		
Other receivables and deposits paid	**3,942**	311
Amounts due from subsidiaries	**27,434**	–
Loan to a subsidiary	**43,190**	43,190
Bank balances and cash	**599**	1,549
	75,165	45,050
Current Liabilities		
Trade and other payables, accruals and deposits received	**5,800**	2,899
Other borrowings	**30,000**	8,615
Loan from a shareholder	**–**	2,000
Amount due to a subsidiary	**17,709**	17,717
Convertible bonds	**49,753**	–
Derivative financial instruments	**385**	–
	103,647	31,231
Net Current (Liabilities) Assets	**(28,482)**	13,819
Total Assets Less Current Liabilities	**406,840**	458,376
Non-current Liabilities		
Convertible bonds	**–**	43,064
Derivative financial instruments	**–**	4,299
Other borrowings	**20,000**	20,000
	20,000	67,363
NET ASSETS	**386,840**	391,013
CAPITAL AND RESERVES		
Share capital	**38,224**	35,224
Reserves (Note)	**348,616**	355,789
TOTAL EQUITY	**386,840**	391,013

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

Note: The movements of reserves are as follows:

	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Warrant reserve HK$'000	Investment revaluation reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2016	717,743	55,327	17,200	21,819	2,520	(18,312)	(249,548)	546,749
Loss for the year	–	–	–	–	–	–	(183,040)	(183,040)
Exchange difference arising on translation	–	–	–	–	–	(5,400)	–	(5,400)
Fair value loss on available-for-sale investment	–	–	–	–	(13,440)	–	–	(13,440)
Investment revaluation reserve reclassified to profit or loss in relation to impairment loss on available-for-sale investment	–	–	–	–	10,920	–	–	10,920
Total comprehensive expense for the year	–	–	–	–	(2,520)	(5,400)	(183,040)	(190,960)
Lapse of share options	–	–	(3,795)	–	–	–	3,795	–
At 30 June 2017	717,743	55,327	13,405	21,819	–	(23,712)	(428,793)	355,789
Loss for the year	–	–	–	–	–	–	(45,439)	(45,439)
Exchange difference arising on translation	–	–	–	–	–	9,000	–	9,000
Fair value loss on available-for-sale investment	–	–	–	–	(3,420)	–	–	(3,420)
Investment revaluation reserve reclassified to profit or loss in relation to impairment loss on available-for-sale investment	–	–	–	–	3,420	–	–	3,420
Total comprehensive income (expense) for the year	–	–	–	–	–	9,000	(45,439)	(36,439)
Exercise of warrants	10	–	–	(3)	–	–	–	7
Recognition of equity-settled share-based payments	–	–	8,949	–	–	–	–	8,949
Lapse of warrants	–	–	–	(21,816)	–	–	21,816	–
Lapse of share options	–	–	(1,227)	–	–	–	1,227	–
Issue of shares net of transaction cost	20,310	–	–	–	–	–	–	20,310
At 30 June 2018	738,063	55,327	21,127	–	–	(14,712)	(451,189)	348,616

40. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries as at 30 June 2018 and 30 June 2017 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)) 2018	2017	Attributable equity interest held 2018	2017	Principal activities
3D-GOLD Company Limited	Hong Kong	N/A	HK$100	100%	100%	50%*	50%*	Investment holding
金至尊實業發展(深圳)有限公司 (3D-GOLD Enterprises Development (Shenzhen) Co. Ltd.) (Note b)	PRC	US$60,000,000	US$60,000,000	100%	100%	50%*	50%*	Retailing and franchising operations of gold and jewellery products in Mainland China
3D-GOLD International Company Limited	Hong Kong	N/A	HK$2	100%	100%	50%*	50%*	Holding of trademark
3D-GOLD Jewellery (HK) Limited	Hong Kong	N/A	HK$100	100%	100%	50%*	50%*	Retailing of gold and jewellery products in Hong Kong
金至尊珠寶股份有限公司 (3D-GOLD Jewellery Co. Ltd.) (Note c)	PRC	RMB100,000,000	RMB20,000,000	100%	100%	50%*	50%*	Sale of jewellery
3D-GOLD Management Services Limited	Hong Kong	N/A	HK$1	100%	100%	50%*	50%*	Provision of management services
3D-GOLD (PRC Holding) Company Limited	Hong Kong	N/A	HK$100	100%	100%	50%*	50%*	Investment holding
TP Properties (HK) Limited	Hong Kong	N/A	HK$100	100%	100%	100%	100%	Investment holding
Brand New Management Limited	British Virgin Islands	US$50,000	US$1	100%	100%	100%	100%	Investment holding
China Gold Silver Group Company Limited	British Virgin Islands	US$50,000	US$3,334	50%	50%	50%	50%	Investment holding
China Gold Silver (JV) Company Limited	British Virgin Islands	US$50,000	US$100	100%	100%	50%*	50%*	Investment Holding
China Gold Silver (JV) HK Company Limited	Hong Kong	N/A	HK$100	100%	100%	50%*	50%*	Investment Holding
Dian Guo Industrial Development Limited (Note e)	Hong Kong	N/A	HK$10,000	100%	–	100%	–	Investment Holding
Dian Guo Investment Development Limited (Note e)	British Virgin Islands	US$50,000	US$50,000	100%	–	100%	–	Investment Holding
Goldace Development Limited	British Virgin Islands	US$50,000	US$100	100%	100%	100%	100%	Investment holding
Great Tactic Limited	British Virgin Islands	US$50,000	US$1	100%	100%	50%*	50%*	Rental holding
Gold Ocean Jewellery Company Limited	Macau	MOP500,000	MOP500,000	100%	100%	50%*	50%*	Retailing of gold and jewellery products in Macau

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

Name of subsidiaries	Place of incorporation/ establishment	Authorised ordinary share capital/ registered capital	Issued and fully-paid ordinary share capital/ paid up capital	Percentage of issued ordinary share capital/ registered capital held by the Group (Note (1))		Attributable equity interest held		Principal activities
				2018	2017	2018	2017	
Golden Zone International Limited	British Virgin Islands	US$50,000	US$1	100%	100%	50%*	50%*	Investment holding
Jin Song Shu Gold & Jewellery Limited (Note e)	Hong Kong	N/A	HK$100	100%	–	100%	–	Investment Holding
Jin Song Shu Properties Limited (Note e)	Hong Kong	N/A	HK$100	100%	–	100%	–	Investment Holding
Joyrise Ventures Limited	British Virgin Islands	US$50,000	US$1	100%	100%	100%	100%	Investment holding
Prosten Finance Limited	Hong Kong	N/A	HK$10,000	100%	100%	100%	100%	Money Lender
Prosten Wealth Investment Limited	British Virgin Islands	US$50,000	US$50,000	100%	100%	100%	100%	Investment Holding
Rise Rich International Limited	Hong Kong	N/A	HK$10,000	100%	100%	50%*	50%*	Trading of jewellery
Special Link Limited	Hong Kong	N/A	HK$1	100%	100%	50%*	50%*	Investment holding
Talent Wonder Limited	British Virgin Islands	US$50,000	US$1	100%	100%	100%	100%	Investment holding
Think Bright Global Limited (Note e)	British Virgin Islands	US$1	US$1	100%	–	100%	–	Investment Holding
上海金至尊鑽石有限公司(Note b)	PRC	RMB1,000,000	RMB1,000,000	100%	100%	50%*	50%*	Sales of jewellery
尊福珠寶(重慶)有限公司(Note b)	PRC	RMB1,000,000	RMB1,000,000	100%	100%	50%*	50%*	Retailing of gold & jewellery product
深圳勝力供應鏈技術有限公司 (Notes b, e)	PRC	RMB10,000,000	N/A (Note d)	100%	–	100%	–	Investment Holding
深圳市滇國實業有限公司 (Notes b, e)	PRC	HK$2,000,000	N/A (Note d)	100%	–	100%	–	Investment Holding
深圳金銀豐珠寶有限公司 (Notes b, e)	PRC	RMB10,000,000	RMB30,000	100%	–	100%	–	Subcontracting of gold & jewellery
至尊金業(深圳)有限公司(Note b)	PRC	RMB1,000,000	RMB1,000,000	100%	100%	50%*	50%*	Investment holding
重慶金至尊珠寶有限公司(Note b)	PRC	RMB5,000,000	RMB1,000,000	100%	100%	50%*	50%*	Sale of gold and jewellery
重慶金至尊營銷策劃有限公司 (Note b)	PRC	RMB5,000,000	RMB1,000,000	100%	100%	50%*	50%*	Strategic planner in jewellery industry
重慶金至尊飾品設計有限公司 (Note b)	PRC	RMB5,000,000	RMB1,000,000	100%	100%	50%*	50%*	Design of gold and jewellery products
茂名市金松鼠金銀珠寶有限公司 (Notes b, e)	PRC	RMB10,000,000	RMB10,000,000	100%	–	100%	–	Subcontracting of gold and jewellery

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

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

Notes:

(a) 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.

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

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

(d) Registered capital of the subsidiary was not paid-up as at 30 June 2018.

(e) These companies were established or acquired during the year ended 30 June 2018.

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	
			2018	2017	**2018**	2017	**2018**	2017
					HK$'000	HK$'000	**HK$'000**	HK$'000
CGS	British Virgin Islands	PRC	**50%**	50%	**(8,622)**	(42,161)	**56,795**	62,430
Individually immaterial subsidiaries with non-controlling interests					**–**	(1,241)	**–**	–
					(8,622)	(43,402)	**56,795**	62,430

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.

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

China Gold Silver Group Company Limited and its subsidiaries

	2018 **HK$'000**	2017 HK$'000
Current assets	**1,915,439**	1,616,444
Non-current assets	**237,699**	234,456
Current liabilities	**(1,797,533)**	(1,484,024)
Non-current liabilities	**(242,016)**	(242,016)
Equity attributable to owners of CGS	**113,589**	124,860
Revenue	**1,341,669**	1,113,898
Expenses	**(1,358,913)**	(1,198,220)
Loss for the year attributable to owners of CGS	**(17,244)**	(84,322)
Other comprehensive income (expense) for the year attributable to owners of CGS	**5,973**	(7,142)
Total comprehensive expense for the year attributable to owners of CGS	**(11,271)**	(91,464)
Net cash outflow from operating activities	**(137,661)**	(18,428)
Net cash outflow from investing activities	**(168,605)**	(242,315)
Net cash inflow from financing activities	**242,711**	327,916
Net cash (outflow) inflow	**(63,555)**	67,173

41. EVENTS AFTER THE REPORTING PERIOD

The Group had the following events 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 22(a)) and the exercise price and the number of underlying shares comprised in the outstanding options of the Company (as disclosed in note 29) 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 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 2018 HK$'000	Year ended 30 June 2017 HK$'000	Year ended 30 June 2016 HK$'000	Year ended 30 June 2015 HK$'000	Year ended 30 June 2014 HK$'000
Turnover	**1,459,466**	1,118,550	1,155,787	1,370,905	1,561,659
Loss before taxation	**(49,872)**	(179,575)	(112,094)	(139,248)	(200,293)
Taxation	**(18,404)**	(7,530)	(8,764)	(20,721)	8,284
Loss for the year	**(68,276)**	(187,105)	(120,858)	(159,969)	(192,009)
Total comprehensive expense for the year attributable to owners of the Company	**(47,654)**	(154,821)	(96,297)	(86,921)	(187,558)

ASSETS AND LIABILITIES

	As at 30 June 2018 HK$'000	As at 30 June 2017 HK$'000	As at 30 June 2016 HK$'000	As at 30 June 2015 HK$'000	As at 30 June 2014 HK$'000
Total assets	**2,272,694**	1,881,191	1,730,734	2,017,732	2,241,611
Total liabilities	**(2,076,148)**	(1,663,622)	(1,325,614)	(1,480,004)	(1,555,359)
Non-controlling interests	**(56,795)**	(62,430)	(92,072)	(167,929)	(230,607)
Equity attributable to owners of the Company	**139,751**	155,139	313,048	369,799	455,645