HONG KONG RESOURCES HOLDINGS COMPANY LIMITED

香港資源控股有限公司

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

(Stock code: 2882)

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2010

The board of directors (the "**Board**") of Hong Kong Resources Holdings Company Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2010 (the "**Year**") as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

	Notes	**2010**	2009
		HK$'000	*HK$'000*
Turnover	*4*	**1,290,110**	95,138
Cost of sales		**(942,125)**	(94,479)
Gross profit		**347,985**	659
Other income		**3,682**	1,138
Selling expenses		**(196,211)**	–
General and administrative expenses		**(83,670)**	(11,885)
Discount on acquisition of business	*13*	**200,865**	–
Equity-settled share-based payments		**(4,199)**	(9,295)
Gain on disposal of subsidiaries		–	344,714
Loss on debt restructuring		–	(34,905)
Restructuring costs		–	(12,145)
Other operating expenses		**(15,561)**	(2,633)
Finance costs	*5*	**(8,104)**	(402)
Profit before taxation	*6*	**244,787**	275,246
Taxation	*7*	**(21,247)**	(13)
Profit for the year and total comprehensive income for the year		**223,540**	275,233
Profit for the year and total comprehensive income attributable to:			
Owners of the Company		**123,399**	275,664
Non-controlling interests		**100,141**	(431)
		223,540	275,233
			(Restated)
Earnings per ordinary share	*9*		
Basic		**HK$0.13**	HK$1.04
			(Restated)
Diluted		**HK$0.07**	HK$0.34

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**41,811**	438
Deposit for acquisition of property, plant and equipment		**10,349**	–
Deposit for acquisition of business		**–**	101,686
Intangible assets	*10*	**168,066**	–
		220,226	102,124
Current assets			
Inventories		**734,755**	1,147
Trade and other receivables and deposits paid	*11*	**127,850**	280
Bank balances and cash		**156,260**	115,803
		1,018,865	117,230
Current liabilities			
Trade and other payables, accruals and deposits received	*12*	**207,765**	3,566
Amounts due to non-controlling shareholders of a subsidiary		**48,183**	–
Bank and other borrowings		**217,955**	–
Tax liabilities		**19,770**	30
		493,673	3,596
Net current assets		**525,192**	113,634
Total assets less current liabilities		**745,418**	215,758

	2010	2009
	HK$'000	*HK$'000*
Non-current liability		
Deferred tax liabilities	**42,976**	–
NET ASSETS	**702,442**	215,758
CAPITAL AND RESERVES		
Share capital	**17,274**	16,014
Reserves	**452,158**	166,842
Equity attributable to owners of the Company	**469,432**	182,856
Non-controlling interests	**233,010**	32,902
TOTAL EQUITY	**702,442**	215,758

1. GENERAL

The Company is as 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 1402-03, 14th Floor, Admiralty Centre, Tower 2, 18 Harcourt Road, Hong Kong.

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries are engaged in the retail and franchising operations for selling gold and jewellery products in Hong Kong, Macau and other regions ("Mainland China") in the People's Republic of China ("PRC") under the trade name of "3D-GOLD".

The functional currency of the Company was originally Hong Kong dollars ("HK$"). On 28 July 2009, a subsidiary of the Company acquired the Restructure Group, as defined in note 2, the major operating entities of which have Renminbi ("RMB") as their functional currency. The Directors of the Company are of the opinion that after the acquisition of the Restructure Group, the primary economic environment in which the Company operates is the PRC, taking into consideration that the Company's principal activity was holding of investments in subsidiaries. The Directors of the Company have therefore determined that the functional currency of the Company was changed to RMB after the acquisition of the Restructure Group.

The consolidated financial statements are presented in HK$, that is different from the functional currency of the Company which is RMB. The Directors of the Company consider that HK$ is the appropriate presentation currency since the shares of the Company are listed on the Stock Exchange.

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

2. SIGNIFICANT EVENTS

On 23 December 2008, China Gold Silver Group Company Limited ("China Gold Silver"), a direct non-wholly owned subsidiary of the Company, entered into a conditional restructuring agreement (the "Agreement") with 3D-GOLD Jewellery Holdings Limited (Provisional Liquidators Appointed) (Subject to Scheme of Arrangement) ("3D-GOLD (PLA)"), a listed entity now suspended from trading in the Stock Exchange and its provisional liquidators, for the acquisition of the 100% equity interest in the restructured group of 3D-GOLD (PLA) and its subsidiaries and its business ("Restructured Group" as defined in the Company's circular dated 12 June 2009) at a cash consideration as detailed in note 13.

The Restructured Group is principally engaged in the retail and franchising operations for selling gold and jewellery products in Hong Kong, Macau and Mainland China in the PRC under the trade name of "3D-GOLD".

On 27 February 2009, the Company and Mr. Liu Wang Zhi ("Mr. Liu"), a director of China Gold Silver, subscribed for 1,999 and 1,000 new shares in China Gold Silver, for an aggregate consideration of HK$200,000,000 and HK$100,000,000 respectively, resulting in the Company and Mr. Liu holding 66.67% and 33.33% respectively of the issued share capital in China Gold Silver.

On 5 May 2009, China Gold Silver and Ace Captain Investments Limited ("Ace Captain"), a company wholly-owned by Mr. Martin Lee Ka Shing, an associate of Mr. Chui Chuen Shun who is a director of the Company, entered into a subscription agreement whereby Ace Captain conditionally agreed to subscribe for 333 new shares in China Gold Silver at an aggregate consideration of HK$33,300,000 (the "Subscription"). Upon the completion of the Subscription on 4 June 2009, Ace Captain owns a 10% interest in China Gold Silver while the Company and Mr. Liu own 60% and 30% interest in China Gold Silver, respectively, reducing the Company's equity interest in China Gold Silver from 66.67% to 60%, which has no significant financial impact.

The Agreement and the transaction contemplated thereunder was approved by the shareholders of the Company at a special general meeting held on 29 June 2009, details of which are set out in the Company's circular dated 12 June 2009. The acquisition of the Restructured Group (the "3D-GOLD Acquisition") was completed on 28 July 2009.

The assets and liabilities of the Restructured Group acquired by the Group, which did not include 3D-GOLD (PLA), upon the completion of the 3D-GOLD Acquisition are set out in note 13.

Subsequent to 31 March 2010, the Company has acquired the remaining 40% equity interest in China Gold Silver, details of which are set out in the Company's circular dated 1 April 2010.

In addition, on 28 July 2009, China Gold Silver, 3D-GOLD (PLA) and its provisional liquidators entered into a conditional agreement (the "Exclusivity Agreement"). Pursuant to the terms of the Exclusivity Agreement, if certain conditions as set out in the Exclusivity Agreement were met, China Gold Silver would have the right, for a period of ninety days from and inclusive of 28 July 2009, or up to the date when the Resumption Proposal (as defined in the Exclusivity Agreement) is rejected by the Stock Exchange (in the manner as described in the Exclusivity Agreement) if that is earlier, to acquire a controlling shareholding interest in 3D-GOLD (PLA) (the "Proposed Acquisition"). Details of the arrangement is set out in the Company's announcement dated 29 July 2009.

Pursuant to announcements made by 3D-GOLD (PLA) dated 20 May 2010, 3D-GOLD (PLA) submitted a resumption proposal to the Stock Exchange on 23 October 2009; and on 11 May 2010, the Stock Exchange informed 3D-GOLD (PLA) that it is required to submit a revised resumption proposal to the Stock Exchange at least 10 business days before 10 November 2010.

The Proposed Acquisition has not been completed up to the date of this announcement, the Company and 3D-GOLD (PLA) are still in the process of negotiating the terms of Proposed Acquisition under the Exclusivity Agreement.

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

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

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRS affecting presentation and disclosure only

HKAS 1 (Revised 2007) *Presentation of Financial Statements*

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 24 (Revised)	Related Party Disclosures[7]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[5]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[4]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[6]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[1]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[4]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[8]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[7]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

[1] Effective for annual periods beginning on or after 1 July 2009

[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

[3] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

[4] Effective for annual periods beginning on or after 1 January 2010

[5] Effective for annual periods beginning on or after 1 February 2010

[6] Effective for annual periods beginning on or after 1 July 2010

[7] Effective for annual periods beginning on or after 1 January 2011

[8] Effective for annual periods beginning on or after 1 January 2013

The adoption of HKFRS 3 (Revised) *Business Combinations* may affect the Group's accounting for business combinations for which the acquisition date is on or after 1 April 2010. HKFRS 27 (Revised) *Consolidated and Separate Financial Statements* will affect the accounting treatment on changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The Directors of the Company anticipate that the application of other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

4. TURNOVER AND SEGMENT INFORMATION

(a) Turnover

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

	2010	2009
	HK$'000	*HK$'000*
Sales of goods	**1,283,843**	95,138
Franchise income	**6,267**	–
	1,290,110	95,138

(b) Segment information

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1 April 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision makers that are the Directors of the Company, in order to allocate resources to segments and to assess their performance. In contrast, the predecessor standard (HKAS 14, *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group was only engaged in the trading of gold salt, precious metals and electroplating chemicals in Hong Kong and accordingly, no segmental information is presented. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

On the completion of the 3D-GOLD Acquisition as detailed in note 2, the Group's reportable segments under HKFRS 8 have increased and the Group's operating segments are as follows:

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

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

c. Trading of gold salt, precious metal and electroplating chemicals in Hong Kong.

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

The Group was only engaged in the trading of gold salt, precious metal and electroplating chemicals in Hong Kong for the year ended 31 March 2009, and accordingly no segmental information is presented.

Information regarding the above segments is reported below.

Segment revenues and results

For the year ended 31 March 2010

	Retail and franchising operations for selling gold and jewellery products in Mainland China *HK$'000*	Retail operations for selling gold and jewellery products in Hong Kong & Macau *HK$'000*	Trading of gold salt, precious metal and electroplating chemicals in Hong Kong *HK$'000*	Consolidated *HK$'000*
REVENUE				
External sales	**1,118,360**	**147,728**	**24,022**	**1,290,110**
RESULT				
Segment results	**111,639**	**3,924**	**397**	**115,960**
Other income				**3,682**
Unallocated staff related expenses				**(31,465)**
Other unallocated corporate expenses				**(31,952)**
Discount on acquisition of business				**200,865**
Equity-settled share-based payments				**(4,199)**
Finance costs				**(8,104)**
Profit before taxation				**244,787**
Taxation				**(21,247)**
Profit for the year				**223,540**

Segment profit represents the profit earned by each segment without allocation of central administration costs, marketing and promotion expenses, directors' salaries, finance costs 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 31 March 2010

	Retail and franchising operations for selling gold and jewellery products in Mainland China	Retail operations for selling gold and jewellery products in Hong Kong & Macau	Trading of gold salt, precious metal and electroplating chemicals in Hong Kong	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS				
Segment assets	**745,610**	**148,539**	**8,156**	**902,305**
Intangible assets				**168,066**
Bank balances and cash				**156,260**
Other corporate assets				**12,460**
Consolidated assets				**1,239,091**
LIABILITIES				
Segment liabilities	**179,032**	**22,726**	**30**	**201,788**
Amounts due to non-controlling shareholders of a subsidiary				**48,183**
Bank and other borrowings				**217,955**
Tax liabilities				**19,770**
Deferred tax liabilities				**42,976**
Other corporate liabilities				**5,977**
Consolidated liabilities				**536,649**

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

- all assets are allocated to reportable segments other than intangible assets, bank balances and cash and other corporate assets; and

- all liabilities are allocated to reportable segments other than amounts due to non-controlling shareholders of a subsidiary, bank and other borrowings, tax liabilities, deferred tax liabilities and other corporate liabilities.

Other entity-wide segment information

For the year ended 31 March 2010

	Retail and franchising operations for selling gold and jewellery products in Mainland China *HK$'000*	Retail operations for selling gold and jewellery products in Hong Kong & Macau *HK$'000*	Trading of gold salt, precious metal and electroplating chemicals in Hong Kong *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Capital additions	**44,378**	**7,357**	**–**	**2,763**	**54,498**
Depreciation	**4,268**	**818**	**3**	**514**	**5,603**

Geographical information

The information about the non-current assets and revenue from external customers of the Group by excluding financial instruments by geographical location of the assets are detailed below:

For the year ended 31 March 2010

	Non-current assets *HK$'000*	Revenue from external customers *HK$'000*
Mainland China	43,499	1,118,360
Hong Kong & Macau	8,661	171,750
	52,160	1,290,110

5. FINANCE COSTS

	2010 *HK$'000*	2009 *HK$'000*
Interests on:		
Bank borrowings wholly repayable within 5 years	**2,871**	402
Other borrowings wholly repayable within 5 years	**4,633**	–
Other finance costs	**600**	–
	8,104	402

6. PROFIT BEFORE TAXATION

	2010 *HK$'000*	2009 *HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments	**–**	6
Auditor's remuneration	**1,600**	620
Cost of inventories recognised as an expense	**942,125**	94,479
Depreciation of property, plant and equipment	**5,603**	317
Exchange loss, net	**17**	–
Interest income	**(415)**	(1,138)
Loss on disposal of property, plant and equipment	**6,889**	9
Staff cost, including directors' emoluments:		
– Wages and salaries	**105,679**	9,059
– Retirement benefit costs	**3,256**	81
– Equity-settled share-based payments	**4,199**	9,295

7. TAXATION

	2010 *HK$'000*	2009 *HK$'000*
Current tax:		
Hong Kong Profits Tax	**91**	13
PRC Enterprise Income Tax	**22,817**	–
	22,908	13
Deferred taxation	**(1,661)**	–
	21,247	13

Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) on the estimated assessable profits for the year.

Pursuant to the Income Tax Law of the PRC, a subsidiary established in the PRC, is entitled to a preferential income tax rate of 20% for the year ended 31 December 2009. According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprises Income Tax (Guofa [2007] No. 39), the tax rate of the entity that previously enjoyed the tax preferential treatment is to be increased progressively to 25% over a five year period up to 2012.

8. DIVIDENDS

	2010	2009
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
Ordinary shares:		
2010: Interim – HK0.7 cent (2009: nil) per share	**11,038**	–
Preference shares:		
2010: Interim – HK0.7 cent (2009: nil) per share	**7,497**	–
	18,535	–

The Board recommends the payment of a final dividend of HK0.35 cents per share for the year to both the holders of ordinary shares and preference shares of the Company resulting in a total dividend payment of HK$6.9 million, and is subject to approval by the shareholders in annual general meeting.

The dividend shall be payable on or about 14 September 2010 to holders of ordinary shares ("ordinary shares") and holders of preference shares ("preference shares") whose names appear on the Company's register of members on 31 August 2010.

For the ordinary shares, the register of members will be closed from 25 August 2010 to 31 August 2010, both days inclusive, during which period no transfer of ordinary shares will be registered. To qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not be later than 4:00 p.m. on 24 August 2010.

9. EARNINGS PER ORDINARY SHARE

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
Profit for the year attributable to owners of the Company	**123,399**	275,664
Dividends on preference share capital	**(5,455)**	(3,749)
Earnings for the purpose of basic earnings per ordinary share	**117,944**	271,915
Effect of dilutive potential ordinary shares:		
Dividends on preference share capital	**5,455**	3,749
Earnings for the purpose of diluted earnings per ordinary share	**123,399**	275,664

	Number of	Number of
	'000	*'000*
		(Restated)
Weighted average number of ordinary shares for the purpose of basic earnings per ordinary share	**902,981**	262,203
Effect of dilutive potential ordinary shares:		
Preference share capital	**788,991**	542,194
Share options	**2,330**	683
Weighted average number of ordinary shares for the purpose of diluted earnings per ordinary share	**1,694,302**	805,080

Note: The weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share for the year ended 31 March 2010 and 2009 have been retrospectively adjusted for the effect of the bonus issue as set out in the Company's circular dated 14 April 2010.

In addition, the earnings for the calculation of basic earnings per ordinary share for the year ended 31 March 2009 and the weighted average number of ordinary shares for the calculation of diluted earnings per ordinary share for the year ended 31 March 2009 have been restated to adjust for the effect of preference share capital.

10. INTANGIBLE ASSETS

	Trademarks	Right of using specialised technology	Total
	HK$'000	*HK$'000*	*HK$'000*
Cost			
At 1 April 2008	–	5,800	5,800
Disposal of subsidiaries	–	(5,800)	(5,800)
At 31 March 2009	–	–	–
Acquired on acquisition of business	168,066	–	168,066
At 31 March 2010	168,066	–	168,066
Accumulated amortisation			
At 1 April 2008	–	5,800	5,800
Disposal of subsidiaries	–	(5,800)	(5,800)
At 31 March 2009 and 31 March 2010	–	–	–
Carrying values			
At 31 March 2010	168,066	–	168,066
At 31 March 2009	–	–	–

The trademarks at 31 March 2010 have contractual lives of 10 years and are renewable at minimal cost. The Directors of the Company are of the opinion that the Group has the intention and ability to renew the trademarks continuously. As a result, the trademarks are considered by the Directors of the Company as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trademarks will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

During the year ended 31 March 2010, 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 cash flow forecast derived from the recent financial budgets approved by management covering a five-year period and a discount rate of 17%. The cash flows beyond the five-year period is extrapolated using a 3% growth rate. The key assumptions for the value in use calculations are discount rate and growth rate. Management adopted discount rate which they consider reflects current market assessment of the time value of money and the risks specific to the trademarks. 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.

11. TRADE AND OTHER RECEIVABLES AND DEPOSITS PAID

	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**96,113**	–
Other receivables and deposits paid	**31,737**	280
	127,850	280

Retail sales are usually made in cash, through credit cards or through reputable and dispersed department stores. The Group generally allows a credit period from 1 to 30 days to its debtors.

Included in other receivables at 31 March 2010 is prepayment to a related company, which is 60% owned by Mr. Liu, for sourcing of inventories on behalf of the Group, amounting to HK$13,578,000.

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.

	2010	2009
	HK$'000	*HK$'000*
0-30 days	**81,920**	–
31-60 days	**1,863**	–
61-90 days	**625**	–
Over 90 days	**11,705**	–
	96,113	–

12. TRADE AND OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	2010	2009
	HK$'000	*HK$'000*
Trade payables	**94,085**	23
Deposits received from customers	**50,410**	–
Franchisee guarantee deposits	**19,505**	–
Other payables, accruals and other deposits	**43,765**	3,543
	207,765	3,566

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

	2010	2009
	HK$'000	*HK$'000*
0 to 30 days	**57,807**	23
31-60 days	**9,745**	–
61-90 days	**22,533**	–
Over 90 days	**4,000**	–
	94,085	23

13. ACQUISITION OF BUSINESS

In connection with the 3D-GOLD Acquisition, the Group paid, up to 31 March 2010, an aggregate sum of approximately HK$538.1 million as total consideration for the Acquisition. This amount is subject to adjustments, if any, regarding the finalisation of the purchase price of certain inventories. Currently, the Group is in discussion with the provisional liquidators of 3D-GOLD (PLA) to finalise this amount. This transaction has been accounted for using the purchase method of accounting.

The net assets acquired in the transaction are as follows:

	Carrying amount before combination *HK$'000*	Fair value adjustments *HK$'000*	Fair value *HK$'000*
Net assets acquired			
Property, plant and equipment	32,391	–	32,391
Intangible assets	–	168,066	168,066
Inventories	653,020	14,056	667,076
Trade and other receivables	83,034	–	83,034
Bank balances and cash	45,619	–	45,619
Trade and other payables	(204,108)	–	(204,108)
Tax payable	(1,673)	–	(1,673)
Deferred tax liabilities	893	(45,530)	(44,637)
	609,176	136,592	745,768
Discount on acquisition			(200,865)
Consideration			544,903
Represented by:			
Cash consideration			538,100
Cost of acquisition			6,803
			544,903
Satisfied by:			
Cash			443,217
Deposit for acquisition of business			101,686
			544,903
Net cash outflow arising on acquisition:			
Cash consideration paid			(443,217)
Bank balances and cash acquired			45,619
			(397,598)

Since the completion of 3D-GOLD Acquisition, the Restructured Group has contributed approximately HK$1,266 million and approximately HK$58 million to the Group's turnover and profit respectively for the period from the date of acquisition to 31 March 2010.

The consideration for the 3D-GOLD Acquisition was determined based on the value of the business, inventories and other assets. The Directors of the Company, after reassessment, consider that the discount on acquisition of business is due to the fact that the cost of acquisition is favourable compared to the net fair value of the identifiable assets, liabilities and contingent liabilities of the Restructured Group. The discount on acquisition of approximately HK$201 million was mainly attributable to i) the tender was made to the provisional liquidators during the financial tsunami in December 2008 and a discount had been offered by the provisional liquidators on certain inventories held by the Restructured Group, and ii) the fair value change of the inventories held on the completion date. The total cash consideration of approximately HK$538.1 million, which is subject to adjustments, if any, on the finalisation of the purchase price of certain inventories, represents management's best estimate of the final consideration to be paid by the Group.

The Directors of the Company are of the view that it is impracticable to disclose the revenue and the result of the acquired business for the period from 1 April 2009 to 31 March 2010 as if the 3D-GOLD Acquisition had been effected at the 1 April 2009 since such consolidated financial statements was not provided by the vendor.

14. CAPITAL COMMITMENTS

	2010	2009
	HK$'000	*HK$'000*
Acquisition of 40% of interest in China Gold Silver	**543,900**	–
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements	**7,368**	–

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's audited consolidated financial statements for the year ended 31 March 2010:

"Basis for qualified opinion

The predecessor auditor qualified their opinion on the consolidated financial statements in respect of the year ended 31 March 2009, as set out below, due to limitations in the scope of their audit:

1. As more fully explained in note 29 to the consolidated financial statements, the directors have been unable to obtain sufficient documentary evidence to satisfy themselves as to whether the loss on debt restructuring of approximately HK$34,905,000 included in the profit of the Group for the year ended 31 March 2009 was fairly stated.

2. The directors were unable to satisfy themselves as to the completeness of recording of transactions entered into by the Group and of the completeness of disclosure of turnover, other income, finance costs, directors' and senior executives' remuneration, taxation, inventories, trade and other

receivables, trade and other payables, short-term bank borrowings, short-term notes, share options, commitments and contingent liabilities for the period from 1 April 2008 to 29 September 2008 in the consolidated financial statements. Furthermore, the directors were unable to determine the completeness of related party transactions, employee benefits and emoluments, taxation and deferred taxation incurred for the period from 1 April 2008 to 29 September 2008 were complete.

3. Certain subsidiaries were disposed of according to the debt restructuring scheme carried out by the Company during the year ended 31 March 2009. The directors were unable to obtain sufficient information to include the results of these subsidiaries up to the date of their disposals in the consolidated financial statements. Accordingly, the directors were unable to satisfy themselves as to whether the gain on disposal of subsidiaries of approximately HK$344,714,000 included in the profit of the Group for the year ended 31 March 2009 was fairly stated.

4. The predecessor auditor also disclaimed their opinion on the consolidated financial statements in respect of the year ended 31 March 2008 in view of the pervasive nature of the limitations on the scope of their audit resulting from insufficiency of supporting documentation and explanations. Any adjustments found to be necessary to the opening balances as at 1 April 2008 may affect the profit and cash flows and the related disclosures in the notes to the consolidated financial statements for the year ended 31 March 2009.

There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the matters set out in the above paragraphs. Any adjustments to the above figures may affect the Group's profit, and cash flows and the related disclosures in the notes to the consolidated financial statements for the year ended 31 March 2009.

Qualified opinion arising from limitation of audit scope on comparative figures

In our opinion, except for the effects of any adjustments or disclosures that might have been determined to be necessary had we been able to obtain sufficient evidence concerning the comparative figures affecting the Group's profit, cash flows and the related disclosures in the notes to the consolidated financial statements mentioned in the basis for qualified opinion paragraphs above, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance."

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

On 28 July 2009, the acquisition of the restructured group of 3D-GOLD Jewellery Holdings Limited (Provisional Liquidators Appointed) (Subject to Scheme of Arrangement) and its subsidiaries or its business ("**Restructured Group**" as defined in the Company's circular dated 12 June 2009) was completed ("**3D-GOLD Acquisition**").

The Restructured Group is principally engaged in the retail and franchising operations for selling gold and jewellery products in Hong Kong, Macau and other regions ("**Mainland China**") in the PRC under the trade name of 3D-GOLD.

As a result, the Group recorded a turnover of approximately HK$1,290,110,000 for the Year, representing an increase of 1,256% as compared to the turnover of approximately HK$95,138,000 last year. The profit attributable to equity holders of the Company was approximately HK$123,399,000 for the Year compared to the profit of approximately HK$275,664,000 last year.

The increase in the Group's turnover and gross profit arises from improvement in the retailing business of gold products, other precious metal products and jewellery products from the 3D-GOLD Acquisition. In particular, excluding the non-recurring discount on the 3D-GOLD Acquisition, profit before taxation was HK$43,922,000, demonstrating a significant improvement from a loss before taxation of HK$69,468,000 of last year if the non-recurring gain of HK$344,714,000 on disposal of subsidiaries related to the corporate restructuring was excluded.

DIVIDEND

Details of dividend are set out in note 8 to the consolidated financial statements.

BUSINESS REVIEW

Since the completion of the 3D-GOLD Acquisition, the Group has focused on the retailing of jewellery products. Turnover of the jewellery retail accounted for 98 % of the Group's total, which consists of an amount of approximately HK$147,728,000 from the Hong Kong & Macau operation and HK$1,118,360,000 from the Mainland China operation.

The Group unveiled the new image of the 3D-GOLD store and the new product series at the Shenzhen International Jewellery Fairs in September 2009. The new image has attracted many customers.

Since the 3D-GOLD Acquisition, 71 new shops and counters have been opened in Hong Kong, Macau and Mainland China. Up to the date of this announcement, the Group has 12 points of sale in Hong Kong, 2 points of sale in Macau and 245 points of sale in the Mainland China under the brand 3D-GOLD, plus 25 points of sale in the Mainland China under the brand La Milky Way. Of the points of sale in the Mainland China, 127 are self operated points of sale and 143 are franchise points of sale.

In addition to its own jewellery retail point-of-sale network, the Group has plans to diversify its sales channels in the physical gold market. In October 2009, the Group entered into a cooperation agreement with The Agricultural Bank of China Limited ("**ABC**"). By this agreement, the Group will sell gold bullion products on consignment through ABC's existing network of 24,000 branches. This opportunity of leverage is expected to enable the Group to soak up sales and strengthen its brand exposure in regional markets in the PRC efficiently and economically, without incurring large capital expenditure on shop leases and renovation or working capital on hiring retail staff, or much greater demand on management resources.

PROSPECTS

The world economy is recovering from the financial crisis and its impact on the luxury market. Fortunately, the PRC market, the Group's main market, has remained resilient.

According to the National Bureau of Statistics, the total retail sales of gold and silver jewellery in PRC for the first six months of 2010 increased by 43% compared with the same period in 2009. Growth in the PRC economy has continued to stimulate domestic consumption. Rising spending power, coupled with the trust in gold as a store of value, has resulted in Mainland consumers' increasing purchases of gold products. The Group will continue its effort in winning a larger share of PRC's vast domestic market.

Enhancing 3D-GOLD brand image in the PRC will continue to be an important component of our strategy to drive the growth of our retail business. Our innovative business models and strategic alliances with well-known business enterprises, designers, artists and other celebrities, will also boost our efforts to robust growth, wider profit margins, stronger brand recognition and loyalty from consumers.

Likewise, the Group will continue to enlarge its franchisee network, strategic partnerships and brand alliances. Foremost among priorities is expanding the retail business, setting priority by city or region and focusing on franchise operation first and self-operated retail shops second. The PRC market will remain the key growth driver in the future. The Group plans to maintain growth through heightening the , 3D-GOLD brand image in the PRC.

The Group is concurrently exploring opportunities for establishing its presence in markets beyond Greater China. Another dimension of the Group's activities is building up an international presence. The first step is through a three-year cooperative agreement with roppongi.WAVE Group Inc. ("WAVE"), an audio-video retail chain in Japan, the Group will set up sales counters in the chain stores of WAVE across Japan to sell jewellery products under the Group's 3D-GOLD and La Milky Way brands, first in the prestigious Ginza district in Tokyo, as well as to build up brand awareness among Japanese consumers.

To further broaden the sales channel, the Group plans to launch an e-commerce platform to capture the high-ground in the fast-emerging cyber-market in Greater China, Japan and other regions.

Longer term, the Group aims at achieving vertical integration: from gold mining, volume trading of physical gold, to retailing of gold jewellery products. The Group will continue to build a worldwide agency network to distribute gold products to develop the 3D-GOLD name into an international brand, maximising the brand value of 3D-GOLD. As always, the ultimate goal of the Group is maximizing shareholder value by broadening the income streams, heightening profit margins, and strengthening the cash flow.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

The Group centralizes funding for all its operations through the corporate treasury based in Hong Kong. As of 31 March 2010, the Group had total cash and cash equivalents amounting to HK$156,260,000 (31 March 2009: HK$115,803,000) and total net assets of approximately HK$702,442,000 (31 March 2009: HK$215,758,000). The Group's gearing ratio as of 31 March 2010 was 38 % (31 March 2009: Nil), being a ratio of total bank and other borrowings of approximately HK$266,138,000 (31 March 2009: Nil) to total equity of approximately HK$702,442,000 (31 March 2009: HK$215,758,000).

The Company has conducted a placement of 40,000,000 ordinary shares at a price of HK$1.30 and 80,000,000 at HK$1.63 each during the Year, for which the Company received total net proceeds of approximately HK$173,000,000.

To achieve longer-term financial stability and greater flexibility in future expansion, the Group is in negotiation to convert short-term loans into long-term loans.

Financial Risk and Exposure

The Group did not have any outstanding foreign exchange contracts, interest or currency swaps or other financial derivatives at 31 March 2010.

Employees and Remuneration Policy

As at 31 March 2010, the Group had 2,117 employees (31 March 2009: 15). Remuneration policies are reviewed and approved by management on a regular basis. Remuneration packages have taken into account factors in comparable markets. Bonus and other merit payments are linked to the performance of the group and individual employees.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE

The Company's code on corporate governance practices was adopted by reference to the provisions of the Code on Corporate Governance Practices (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), except for the following deviations from the CG Code:

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

CG Code A.4.1 stipulates that the non-executive directors should be appointed for a specific term and subject to re-election. The Company has not fixed the term of appointment for non-executive directors and independent non-executive directors. However, all non-executive directors and independent non-executive directors are subject to retirement by rotation at least once 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 those in the CG Code.

The current corporate governance practice of the Company will be reviewed and updated in a timely manner in order to comply with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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. Having made specific enquiry of all Directors of the Company, the Directors confirmed that they had complied with the required standards set out in the Model Code throughout the Year.

AUDIT COMMITTEE

During the year, the audit committee of the Company (the "**Audit Committee**") comprises three independent non-executive directors, namely, Ms Estella Yi Kum Ng, Mr. Fan, Anthony Ren Da and Mr. Wong Kam Wing. Ms Estella Yi Kum Ng is the chairman of the Audit Committee.

The Audit Committee is established for the purposes of reviewing the Group's financial reporting, internal controls and making relevant recommendations to the Board. The Audit Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice according to the Company's policy if considered necessary.

The Audit Committee had reviewed the financial statements of the Group for the year ended 31 March 2010.

PUBLICATION OF FINAL RESULTS AND DESPATCH OF ANNUAL REPORT

This results announcement is published on the websites of the Stock Exchange (*www.hkex.com.hk*) and the Company (*www.hkrh.hk*). The annual report 2010 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and available on the above websites in due course.

By Order of the Board
Hong Kong Resources Holdings Company Limited
Dr. Wong, Kennedy Ying Ho, BBS, J.P.
Chairman

Hong Kong, 19 July 2010

As at the date of this announcement, the Board comprises Dr. Wong, Kennedy Ying Ho, BBS, J.P., Mr. Chui Chuen Shun, Dr. Hui Ho Ming, Herbert, J.P., Mr. Mung Kin Keung and Dr. Liu Wang Zhi as executive Directors, Mr. Yin Richard Yingneng and Mr. Kung Ho as non-executive Directors, and Mr. Fan, Anthony Ren Da, Ms. Estella Yi Kum Ng and Mr. Wong Kam Wing as independent non-executive Directors.