香 港 資 源 控 股
HONG KONG RESOURCES HOLDINGS

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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

The board of directors (the "**Board**") of Hong Kong Resources Holdings Company Limited (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 September 2010 (the "**Period**").

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2010

		Six months ended 30 September	
	Notes	**2010**	2009
		HK$'000	*HK$'000*
		(Unaudited)	*(Restated and unaudited)*
Turnover	*5*	**1,049,900**	314,760
Cost of sales		**(794,942)**	(236,286)
Gross profit		**254,958**	78,474
Other income		**8,399**	2,404
Selling expenses		**(148,818)**	(38,573)
General and administrative expenses		**(54,964)**	(30,837)
Discount on acquisition of business		**–**	181,850
Equity-settled share-based payments		**(6,300)**	(5,253)
Changes in fair value of derivative financial instruments and gold loan	*6*	**(12,001)**	–
Other operating expenses		**(12,018)**	(3,093)
Finance costs	*7*	**(14,536)**	(2,443)
Share of results of associates		**(1,791)**	–
Profit before taxation	*8*	**12,929**	182,529
Taxation	*9*	**(5,577)**	(5,479)

	Notes	Six months ended 30 September 2010 HK$'000 (Unaudited)	2009 HK$'000 (Restated and unaudited)
Profit for the period		**7,352**	177,050
Other comprehensive income:			
Exchange difference arising on translation		**8,592**	–
Total comprehensive income for the period		**15,944**	177,050
Profit for the period attributable to:			
Owners of the Company		**7,277**	99,071
Non-controlling interests		**75**	77,979
		7,352	177,050
Total comprehensive income for the period attributable to:			
Owners of the Company		**15,869**	99,071
Non-controlling interests		**75**	77,979
		15,944	177,050
Earnings per ordinary share	*11*		
Basic		**HK$0.004**	HK$0.168
Diluted		**HK$0.004**	HK$0.060

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2010

	Notes	30 September 2010 HK$'000 (Unaudited)	31 March 2010 HK$'000 (Restated and audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**63,780**	41,811
Deposit for acquisition of property, plant and equipment		**–**	10,349
Intangible assets		**168,066**	168,066
Interests in associates		**1,209**	–
		233,055	220,226
Current assets			
Inventories		**920,440**	734,755
Trade and other receivables and deposits paid	*12*	**191,899**	127,850
Amount due from an associate		**24**	–
Bank balances and cash		**172,027**	156,260
		1,284,390	1,018,865
Current liabilities			
Trade and other payables, accruals and deposits received	*13*	**192,984**	223,759
Amounts due to non-controlling shareholders of a subsidiary		**–**	48,183
Derivative financial instruments	*14*	**37,364**	–
Obligations under finance leases		**583**	–
Bank and other borrowings		**282,287**	217,955
Tax liabilities		**7,986**	19,770
		521,204	509,667

	Notes	30 September 2010 HK$'000 (Unaudited)	31 March 2010 HK$'000 (Restated and audited)
Net current assets		**763,186**	509,198
Total assets less current liabilities		**996,241**	729,424
Non-current liabilities			
Bank and other borrowings		**75,000**	–
Convertible bonds	*14*	**317,326**	–
Obligations under finance leases		**577**	–
Deferred tax liabilities		**42,152**	42,976
		435,055	42,976
NET ASSETS		**561,186**	686,448
CAPITAL AND RESERVES			
Share capital		**19,696**	17,274
Reserves		**541,490**	442,562
Equity attributable to owners of the Company		**561,186**	459,836
Non-controlling interests		**–**	226,612
TOTAL EQUITY		**561,186**	686,448

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("**HKAS 34**").

2. SIGNIFICANT EVENTS

On 15 March 2010, the Company entered into conditional sales and purchase agreements with Mr. Liu Wang Zhi ("**Mr. Liu**") and Ace Captain Investments Limited ("**Ace Captain**"), a company wholly-owned by Mr. Martin Lee Ka Shing, who is an associate of Mr. Chui Chuen Shun, a director of the Company, to acquire their respective 30% and 10% interest in China Gold Silver Group Company Limited ("**China Gold Silver**"), a then 60% owned subsidiary of the Company, and the amounts due to non-controlling shareholders of China Gold Silver amounting to HK$48 million, for a consideration of HK$543.9 million, which was satisfied by cash of HK$181.3 million and issuance of 222,457,669 ordinary shares of HK$0.01 ("**Consideration Shares**") at an issue price of HK$1.63. Mr. Liu is a director of China Gold Silver during the current period and was also appointed as a director of the Company on 12 July 2010.

China Gold Silver and its 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 PRC under the trade name of "3D-GOLD".

The above acquisition was approved by the shareholders of the Company at a special general meeting held on 30 April 2010. Further details of this transaction are set out in a circular to the shareholders of the Company dated 1 April 2010.

The transaction was completed on 14 May 2010. Upon completion of the transaction, China Gold Silver has become a direct wholly-owned subsidiary of the Company.

3. RESTATEMENT TO THE DISCOUNT ON ACQUISITION ON BUSINESS

Adjustments to discount on acquisition of business

In relation to the 3D-GOLD Acquisition (as defined in the Company's 2010 Annual Report), the amount of consideration of HK$538.1 million represents the directors' best estimates at 31 March 2010 and is subject to adjustment, if any, to be agreed with the provisional liquidators of 3D-GOLD Jewellery Holdings Limited (Provisional Liquidators Appointed) (subjected to Scheme of Arrangement). The final amount of the consideration was agreed in November 2010 based on updated information on assets at the acquisition date. As a result, adjustments have been made to increase in the consideration payables of HK$15.9 million at 31 March 2010 and a corresponding decrease in the same amount for discount on acquisition of business, restating the discount on acquisition of business in the condensed consolidated statement of comprehensive income for the six months ended 30 September 2009 to HK$181,850,000.

4. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2010, except for the newly adopted accounting policies as described below.

Investment in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the condensed consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Leasing

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

The Group as lessor

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the condensed consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to condensed consolidated statement of comprehensive income.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit and loss has two subcategories, including financial liabilities held for trading and those designated at fair value through profit or loss on initial recognition.

Derivative financial instruments that are not designated and effective as hedging instruments are classified as held for trading.

Gold loans, which are designated at fair value through profit or loss, are stated at the market price of the gold with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

Convertible bonds

Convertible bonds contains liability component and conversion option derivative

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

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

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Application of new and revised Hong Kong Financial Reporting Standards

In addition, in the current interim period, the Group has applied, for the first time, 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**").

The Group applies HKFRS 3 (Revised) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1 April 2010. The requirements in HKAS 27 (Revised) "Consolidated and Separate Financial Statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 April 2010.

In prior years, in the absence of specific requirements in HKFRSs, increases and decreases in interests in existing subsidiaries are dealt with in equity, with no impact on goodwill or profit or loss. In addition, as there was no transaction during the current interim period in which HKFRS 3 is applicable, the application of HKFRS 3 (Revised) and HKAS 27 (Revised) and other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

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 instruments 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 application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

5. TURNOVER AND SEGMENT INFORMATION

(a) Turnover

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

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Sales of goods	**1,039,958**	314,760
Franchise income	**9,942**	–
	1,049,900	314,760

(b) Segment information

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

For the six months ended 30 September 2010 (unaudited)

	Retail and franchising operations for selling gold and jewellery products in Mainland China *HK$'000*	**Retail operations for selling gold and jewellery products in Hong Kong and Macau** *HK$'000*	**Others** *(Note)* *HK$'000*	**Consolidated** *HK$'000*
REVENUE				
External sales	**874,064**	**169,996**	**5,840**	**1,049,900**
RESULT				
Segment results	**70,740**	**21,042**	**(32)**	**91,750**
Other income				**8,399**
Unallocated staff related expenses				**(18,690)**
Other unallocated corporate expenses				**(33,902)**
Equity-settled share-based payments				**(6,300)**
Changes in fair value of derivative financial instruments and gold loan				**(12,001)**
Finance costs				**(14,536)**
Share of results of associates				**(1,791)**
Profit before taxation				**12,929**
Taxation				**(5,577)**
Profit for the period				**7,352**

For the six months ended 30 September 2009 (restated and unaudited)

	Retail and franchising operations for selling gold and jewellery products in Mainland China	Retail operations for selling gold and jewellery products in Hong Kong and Macau	Others *(Note)*	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE				
External sales	270,487	31,559	12,714	314,760
RESULT				
Segment results	27,359	(3,374)	437	24,422
Other income				2,404
Unallocated staff related expenses				(12,927)
Other unallocated corporate expenses				(5,524)
Discount on acquisition of business				181,850
Equity-settled share-based payments				(5,253)
Finance costs				(2,443)
Profit before taxation				182,529
Taxation				(5,479)
Profit for the period				177,050

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 that are the Directors of the Company for the purposes of resource allocation and performance assessment.

The amounts of other income, unallocated staff related expenses and other unallocated corporate expenses for the six months ended 30 September 2009 were restated to conform with current period presentation.

Note: Others mainly represent trading of other precious metals in Hong Kong.

6. CHANGES IN FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS AND GOLD LOAN

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Change in fair value of derivatives embedded in convertible bonds	**9,788**	–
Change in fair value of gold loan designated as derivative financial instruments	**2,213**	–
	12,001	–

7. FINANCE COSTS

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Interests on:		
Bank borrowings wholly repayable within 5 years	**4,972**	710
Other borrowings wholly repayable within 5 years	**5,913**	1,133
Obligations under finance leases	**10**	–
Other finance costs	**350**	600
Effective interest on convertible bonds	**3,291**	–
	14,536	2,443

8. PROFIT BEFORE TAXATION

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Profit before taxation has been arrived at after charging:		
Cost of inventories recognised as an expense	**794,942**	236,286
Depreciation of property, plant and equipment	**7,908**	3,288
Loss on disposal of property, plant and equipment	**4,439**	–

9. TAXATION

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Current tax:		
Hong Kong Profits Tax	**2,853**	70
PRC Enterprise Income Tax	**3,535**	5,409
Other jurisdictions	**12**	–
	6,400	5,479
Deferred taxation	**(823)**	–
	5,577	5,479

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2009: 16.5%) on the estimated assessable profits for the period.

Pursuant to the Income Tax Law of the PRC, a subsidiary established in the PRC, is entitled to a preferential income tax rate of 22% (six months ended 30 September 2009: 20%) during the period. 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.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

10. DIVIDENDS

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Final dividend paid in respect of the year ended 31 March 2010:		
– Ordinary shares		
HK0.35 cents (2009: nil) per share	**82**	–
– Preference shares		
HK0.35 cents (2009: nil) per share	**6,811**	–
	6,893	–
Interim dividend declared in respect of the year ended 31 March 2010:		
– Ordinary shares		
HK0.7 cents per share	**–**	11,038
– Preference shares		
HK0.7 cents per share	**–**	7,497
	–	18,535

The Board has resolved not to declare an interim dividend in respect of the year ending 31 March 2011 to both the holders of ordinary shares and preference shares of the Company.

11. EARNINGS PER ORDINARY SHARE

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	*(Restated and unaudited)*
Earnings:		
Profit for the period attributable to owners of the Company	**7,277**	99,071
Dividends on preference share capital	**(82)**	(3,749)
Profit for the period attributable to owners of the Company for the purpose of basic earnings per ordinary share	**7,195**	95,322
Effect of dilutive potential ordinary shares:		
Dividends on preference share capital	**82**	3,749
Profit for the period attributable to owners of the Company for the purpose of diluted earnings per ordinary share	**7,277**	99,071

	Number of	Number of
	'000	*'000*
	(Unaudited)	*(Restated and unaudited)*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per ordinary share	**1,860,173**	567,264
Effect of dilutive potential ordinary shares:		
Preference share capital	**53,177**	1,084,388
Share options	**565**	3,796
Weighted average number of ordinary shares for the purpose of diluted earnings per ordinary share	**1,913,915**	1,655,448

Note:

The weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per ordinary share for the six months ended 30 September 2009 have been retrospectively adjusted for the effect of the bonus issue made on 7 May 2010.

The earnings for the calculation of basic earnings per ordinary share for the six months ended 30 September 2009 has been restated due to the adjustments relating to the discount on acquisition of business as detailed in note 3. Also, the earnings for the calculation of diluted earnings per ordinary share for the six months ended 30 September 2009 has been restated for the effect of preference share capital.

The computation of diluted earnings per ordinary share for the six months ended 30 September 2010 did not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in earnings per ordinary share.

12. TRADE AND OTHER RECEIVABLES AND DEPOSITS PAID

	30 September 2010	31 March 2010
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Trade receivables	**149,296**	96,113
Other receivables and deposits paid	**42,603**	31,737
	191,899	127,850

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 trade receivables at 30 September 2010 is trade receivable from an associate amounting to HK$28,789,000 (31 March 2010: nil)

Included in other receivables at 30 September 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$3,317,000 (31 March 2010: 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.

	30 September 2010	31 March 2010
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
0 – 30 days	**141,978**	81,920
31 – 60 days	**4,387**	1,863
61 – 90 days	**606**	625
Over 90 days	**2,325**	11,705
	149,296	96,113

13. TRADE AND OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	NOTES	30 September 2010 HK$'000 (Unaudited)	31 March 2010 HK$'000 (Restated and audited)
Trade payables		**67,378**	94,085
Deposits received from customers	*(a)*	**32,769**	50,410
Franchisee guarantee deposits	*(b)*	**19,249**	19,505
Consideration payables *(Note 3)*		**15,994**	15,994
Other payables, accruals and other deposits		**57,594**	43,765
		192,984	223,759

Notes:

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

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

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

	30 September 2010 HK$'000 (Unaudited)	31 March 2010 HK$'000 (Audited)
0 – 30 days	**43,985**	57,807
31 – 60 days	**7,802**	9,745
61 – 90 days	**8,353**	22,533
Over 90 days	**7,238**	4,000
	67,378	94,085

14. CONVERTIBLE BONDS

(i) Convertible bonds

Convertible bonds due 2012 ("CB 2012")

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

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

As at 30 September 2010, a total of 87,341,772 ordinary shares will be allotted and issued upon the conversions in full of the convertible bonds.

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

Pursuant to the subscription agreement, Dr. Wong, Kennedy Ying Ho, who is the chairman of the Company, is obliged to maintain his shareholding of not less than 36.03% in the Company.

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

At 30 September 2010, CB 2012 with a carrying amount of HK$134,965,000 (principal amount of HK$138,000,000) remained outstanding.

Convertible bonds due 2013 ("CB 2013")

On 3 August 2010, the Company entered into a subscription agreement with third parties (the "**subscriber**") for the issue of convertible bonds at par value with aggregate principal amount of HK$216,000,000. Each convertible bond bears interest at the rate of 5% per annum which is due every six months, and the convertible bond matures on the date falling on the third anniversary from the date of issue of such convertible bond. CB 2013 with principal amount of HK$56,000,000 were granted to related parties of the Company, including, Mr. Liu and Dr. Hui Ho Ming, Herbert, the directors of the Company, Ace Captain and Limin Corporation which is wholly-owned by Dr. Wong, Kennedy Ying Ho.

The conversion can be made at anytime on or after 15 September 2010 up to and including 14 September 2013 at a conversion price of HK$1.58 per share, subject to anti-dilutive adjustments.

As at 30 September 2010, a total of 136,708,861 ordinary shares will be allotted and issued upon the conversions in full of the convertible bonds.

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

Upon issue of CB 2013, an amount of HK$191,488,000 and HK$24,512,000 were recognised as liability and derivative embedded in CB 2013, respectively.

At 30 September 2010, CB 2013 with a carrying amount of HK$182,361,000 (principal amount of HK$216,000,000) remained outstanding.

The movement of the liability component of the CB 2012 and CB 2013 for the current period is set out as below:

	Liability component		
	CB 2012	**CB 2013**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2010	–	–	–
Issue of convertible bonds	133,748	191,488	325,236
Expenses on issue of convertible bonds	–	(9,612)	(9,612)
Interest charged during the period	2,333	958	3,291
Coupon interest accrued during the period and included in other payables	(1,116)	(473)	(1,589)
At 30 September 2010	134,965	182,361	317,326

During the period ended 30 September 2010, the effective interest rates of CB 2012 and CB 2013 were 10.74% and 12.02%, respectively.

(ii) Derivative financial instruments

	Embedded derivatives		
	CB 2012	**CB 2013**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2010	–	–	–
Embedded derivatives at date of issue of convertible bonds	4,252	24,512	28,764
Expenses on issue of convertible bonds	–	(1,188)	(1,188)
Changes in fair value *(Note 6)*	754	9,034	9,788
At 30 September 2010	5,006	32,358	37,364

The fair values of the derivatives embedded in CB 2012 and CB 2013 on the dates of issue and at 30 September 2010 are based on valuation carried out on those dates by an independent valuer. The change in fair value of HK$9,788,000 has been charged to the condensed consolidated statement of comprehensive income for the six months ended 30 September 2010.

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

	At date of issue of		At 30 September 2010	
	CB 2012	CB 2013	CB 2012	CB 2013
Share price	HK$1.28	HK$1.26	HK$1.44	HK$1.44
Exercise price	HK$1.58	HK$1.58	HK$1.58	HK$1.58
Expected dividend yield	0.81%	0.83%	0.72%	0.72%
Volatility	58.61%	58.23%	55.30%	58.41%

15. CAPITAL COMMITMENTS

	30 September 2010	31 March 2010
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Acquisition of 40% of interest in China Gold Silver *(Note 2)*	–	543,900
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**375**	7,368

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

The Group's growth momentum continues from that of 2009. Notwithstanding that April to September is the low season for the consumer market, the Group recorded a turnover of HK$1,050 million for the Period, representing an increase of 233% increased from the same period last year *(2009: HK$315 million)*. The profit for the period before changes in fair value of derivative financial instruments and gold loan, and non-recurring items amounted to HK$19 million *(2009: loss of HK$5 million)* and after taking into account the changes in fair value of derivative financial instruments and gold loan, and non-recurring items, the profit for the period was HK$7 million *(2009: HK$177 million)*.

In particular, the earnings before interest, taxation, depreciation and amortisation (the "**EBITDA**"), changes in fair value of derivative financial instruments and gold loan, and non-recurring items were HK$47 million, representing a significant improvement from earnings of HK$6 million for the same period last year.

The increases in the Group's turnover and gross profit were mainly contributed by the retailing and franchising operations for selling gold and jewellery products, while for the same period in 2009, contribution was made upon the completion of the 3D-GOLD Acquisition (as defined in Annual Report 2010) in July 2009, representing a two-months result for retailing and franchising operations.

The Group recorded a prominent growth throughout the Period as a result of our substantial investment in brand recognition and marketing programme. The Group's Hong Kong and Macau markets recovered significantly since the acquisition by the Group with same-store-growth of 40%, whereas the same for Mainland China was 27% for our self-operated points of sale.

With a number of festivals, such as National Day, Christmas, New Year as well as Chinese New Year approaching, the Group is expecting a stronger growth and greater performance in the second half of the financial year.

To capture the vast growing markets in Mainland China, apart from acquiring the remaining 40% equity interest in China Gold Silver engaged in the retail operation in May 2010, significant investment and commitment was made by the Group in opening an operation headquarters in Shenzhen during September 2010. The headquarters occupies a floor area of 10,000 square meters and has spacious exhibition areas designed to showcase a wide range of jewellery series, providing a one-stop opportunity for franchisees. The associated capital expenditure spent on the headquarters amounted to HK$22 million while HK$4 million was spent on the grand opening ceremony.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2010 (2009: HK0.7 cents per share) to both the holders of ordinary shares and preference shares of the Company.

BUSINESS REVIEW AND PROSPECTS

Business Review

The Group's five-year strategic plan has continued on track, which is in line with the expansion plan for Mainland China. Contribution to the turnover from the Hong Kong & Macau retail operations amounted to HK$170 million and HK$874 million from the Mainland China operation.

During the Period, 60 new shops and counters have been opened in Hong Kong, Macau and Mainland China. As at 30 September 2010, the Group has 11 points of sale in Hong Kong, 2 points of sale in Macau and 266 points of sale in the Mainland China under the brand name "3D-GOLD", plus 4 points of sale in Hong Kong and 11 points of sale in the Mainland China under the brand name "La Milky Way". Of the points of sale in the Mainland China, 121 are self-operated points of sale and 156 are franchise points of sale.

The Group has tapped into the fast developing cities in various parts of Mainland China and our growth plans will be continuously adjusted for financial returns, marketing benefits and strategic advantages. The Mainland China market will remain the key growth driver in the future.

To further broaden the sales channel, the Group plan to launch an e-commerce platform to capture the high ground in the fast emerging cyber market in Greater China and other regions. In addition, the Group shall continue to diversify its sales channels in the physical gold market, leveraging on the existing networks of the Agricultural Bank of China Limited ("**ABC**") pursuant to the cooperation agreement entered into with ABC in October 2009.

The Group has also planned to allocate more resources to the selling of fine jewellery to advance our image and product range for greater returns.

The acquisition proposal for 3D-GOLD Jewellery Holdings Limited (Provisional Liquidators Appointed) (Subject to Scheme of Arrangement) ("**3D-GOLD (PLA)**") has not been completed up to the date of this announcement. The Group has obtained legal advice from senior counsel that the exclusivity agreement relating to the foresaid acquisition is still effective, further to the announcement dated 8 October 2010 made by 3D-GOLD (PLA), the parties involved agree that 3D-GOLD (PLA) will continue working with the Group with a view to a resumption proposal to be submitted to the Stock Exchange.

Brand Recognition and Marketing Programme

During the period, besides the regular marketing activities, the Group has sponsored a wide range of events, including the Miss Chinese Cosmos Pageant 2010 (中華小姐環球大賽), a local basketball tournament and international dragon boat races. Given the mainland's fast growing demand for gold and jewellery, the Group is investing heavily in marketing during the Period. The most notable event was the Gold Sponsorship of Hong Kong's Participation in Expo 2010 Shanghai China in the form of a replica of gold-plated bronze "Forever Blooming Bauhinia" statue.

Also in September this year, the Group and the World Gold Council launched a new product series, "2010 Only Gold Love Series" (唯有金2010傳情至愛系列). Under this collaboration, 3D-GOLD becomes the official retailer of "Only Gold" in China, and also the only jewellery brand to distribute the

"2010 Only Gold Love Series" available at its points of sales in Mainland China, Hong Kong and Macau, further boosting the brand awareness of 3D-GOLD.

In line with the business plans, the Group will soon launch a marketing campaign, including sponsorships, co-sponsors and TV commercials to strengthen the Group's brand recognition. Our dedication and effort in brand promotion has been rewarded by the World Brand Lab a rank of 182th in the China Top 500 Most Valuable Brands 2010 and 2nd in the category of jewellery brands, with a brand value of RMB4.8 billion.

Prospects

The increasing personal income among mainland Chinese and low personal consumption of jewellery implies room for growth. With over 80% of the turnover from Mainland China, the Group remains confident and positive to the gold and jewellery retail market for the years ahead and shall continue to enlarge its retail network in Mainland China.

In addition, total visitors arrival to Hong Kong in September 2010 reached 2.73 million marking an increment of 21.2% year to year and a cumulative increase of 23.7% from January to September 2010. The Hong Kong jewellery market shall continue to benefit. To capture this benefit, a new flagship store is scheduled to open in Tsim Sha Tsui in early 2011.

Looking ahead, apart from the expansion and brand recognition plans, the Group will continue to develop closer relations with strategic investors and business associates in the industry. Closer relations with these two groups are advantageous to the Group in winning a larger share in both the Hong Kong and Mainland China markets.

FINANCIAL REVIEW

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 September 2010, the Group had total cash and cash equivalents amounting to HK$172 million (*31 March 2010: HK$156 million*) whilst total net assets was HK$561 million (*31 March 2010: HK$686 million*). The Group's gearing ratio as at 30 September 2010 was 120% (*31 March 2010: 39%*), being a ratio of total borrowing of HK$676 million (*31 March 2010: HK$266 million*) to total equity of HK$561 million (*31 March 2010: HK$686 million*).

In acquiring the remaining 40% equity interests in China Gold Silver Group Company Limited, which became a wholly owned subsidiary of the Company in May 2010 after the acquisition, The Company issued approximately 222 million consideration shares at HK$1.38 per consideration shares as part of the acquisition consideration.

In improving the Group's liquidity for business expansion, in August and September 2010, the Company issued 2 tranches of convertible bonds in the aggregate principal amount of HK$354 million due 2 to 3 years from the issue date and convertible into shares at the conversion price of HK$ 1.58 per conversion share (subject to adjustment). Assuming full conversion of the convertible bonds and there is no adjustment to the conversion price, a total of approximately 224 million conversion shares will be allotted and issued.

Contingencies and Commitments

Contingencies and commitments of the Group as at 30 September 2010 are set out in note 15.

Charge on Assets

As at 30 September 2010, certain inventories with a carrying amount of HK$379 million (*31 March 2010: HK$139 million*) were pledged to secure banking facilities granted to the Group.

Financial Risk and Exposure

Except for the financial derivatives set out in note 14, the Group did not have any outstanding material foreign exchange contracts, interest or currency swaps, other financial derivatives as at 30 September 2010.

Employees and Remuneration Policy

As at 30 September 2010, the Group had 1,961 employees (*31 March 2010: 2,117*). The Group's remuneration policy is periodically reviewed by the Remuneration Committee and the Board. Remuneration is determined by reference to market terms, company performance, and individual qualifications and performance.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "**Code Provision**") stipulated in Appendix 14 to the Rules Governing the Listing Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") throughout the Period, with deviations from A.2.1 and A.4.1 of the Code Provision as summarized below.

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated 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 the 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.

Code Provision 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 director and independent non-executive directors. However, all non-executive director and independent non-executive directors are subject to retirement by rotation at least every three years and re-election at the annual general meeting of the Company pursuant to the Company's bye-laws. As such, the Board considers that sufficient measures have been taken to ensure the Company's corporate governance practices are no less exacting than those in the Code Provision.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

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

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim financial statements for the Period. At the request of the Board, the Company's external auditor, Deloitte Touche Tohmatsu, has carried out a review of the unaudited interim financial statements in accordance with Hong Kong Standard on Review Engagements 2410 *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*.

As at the date of this announcement, the Audit Committee of the Company comprises three independent non-executive directors, namely, Ms. Estella Yi Kum Ng, Mr. Fan, Anthony Ren Da and Mr. Wong Kam Wing.

PUBLICATION OF INTERIM RESULTS AND DESPATCH OF INTERIM REPORT

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

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

Hong Kong, 30 November 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. Kung Ho as non-executive director and Mr. Fan, Anthony Ren Da, Ms. Estella Yi Kum Ng and Mr. Wong Kam Wing as independent non-executive directors.