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 31 DECEMBER 2011

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 31 December 2011 (the "**Period**").

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2011

	Notes	**6 months ended 31 December 2011** *HK$'000* *(Unaudited)*	6 months ended 31 December 2010 *HK$'000* *(Unaudited)*
Turnover	*3*	**2,075,962**	1,165,807
Cost of sales		**(1,684,487)**	(897,168)
Gross profit		**391,475**	268,639
Other income		**10,354**	14,130
Selling expenses		**(243,335)**	(156,531)
General and administrative expenses		**(68,923)**	(76,110)
Equity-settled share-based payments		**(1,320)**	(2,740)
Other operating expenses		**(9,261)**	(10,480)
Profit from operations		**78,990**	36,908

	Notes	6 months ended 31 December 2011 HK$'000 (Unaudited)	6 months ended 31 December 2010 HK$'000 (Unaudited)
Changes in fair value of derivative financial instruments, gold loans and financial assets at fair value through profit or loss	*4*	**(3,290)**	5,465
Finance costs	*5*	**(31,415)**	(22,040)
Share of results of associates		**(1,477)**	(2,654)
Share of results of jointly controlled entities		**(1,411)**	–
Profit before taxation	*6*	**41,397**	17,679
Taxation	*7*	**(19,275)**	(8,282)
Profit for the period		**22,122**	9,397
Other comprehensive income:			
Exchange difference arising on translation		**8,673**	8,312
Total comprehensive income for the period		**30,795**	17,709
Profit for the period attributable to:			
Owners of the Company		**22,122**	9,397
Non-controlling interests		**–**	–
		22,122	9,397
Total comprehensive income for the period attributable to:			
Owners of the Company		**30,795**	17,709
Non-controlling interests		**–**	–
		30,795	17,709
Earnings per ordinary share	*9*		
Basic		**HK$0.011**	HK$0.005
Diluted		**HK$0.011**	HK$0.004

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	31 December 2011 HK$'000 (Unaudited)	30 June 2011 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**80,746**	77,921
Deposits paid	*10*	**8,849**	10,733
Intangible assets		**168,066**	168,066
Interests in associates		**–**	–
Interests in jointly controlled entities		**3,666**	1,532
		261,327	258,252
Current assets			
Inventories		**1,191,642**	982,399
Trade and other receivables and deposits paid	*10*	**360,015**	248,105
Financial assets at fair value through profit or loss	*11*	**1,470**	–
Pledged bank deposits		**36,675**	36,040
Bank balances and cash		**125,497**	224,804
		1,715,299	1,491,348
Current liabilities			
Trade and other payables, accruals and deposits received	*12*	**412,332**	324,659
Derivative financial instruments	*13*	**810**	1,570
Convertible bonds	*13*	**145,819**	–
Obligations under finance leases		**450**	432
Bank borrowings		**481,136**	374,445
Tax liabilities		**24,550**	24,145
		1,065,097	725,251

	Notes	31 December 2011 HK$'000 (Unaudited)	30 June 2011 HK$'000 (Audited)
Net current assets		**650,202**	766,097
Total assets less current liabilities		**911,529**	1,024,349
Non-current liabilities			
Bank borrowings		**35,000**	40,000
Convertible bonds	*13*	**198,384**	332,532
Obligations under finance leases		**312**	537
Deferred tax liabilities		**40,075**	41,695
		273,771	414,764
NET ASSETS		**637,758**	609,585
CAPITAL AND RESERVES			
Share capital		**19,696**	19,696
Reserves		**618,062**	589,889
Equity attributable to owners of the Company		**637,758**	609,585
Non-controlling interests		**–**	–
TOTAL EQUITY		**637,758**	609,585

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2011

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 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. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2011 are the same as those followed in the preparation of the Group's annual financial statements for the fifteen-month period from 1 April 2010 to 30 June 2011, except for the newly adopted accounting policies as described below:

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL are financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of 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.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss excludes any dividend or interest earned on the financial assets.

Application on new and revised Hong Kong Financial Reporting Standards

In addition, in the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("**new and revised HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKFRS 7 (Amendments)	Disclosures – Transfer of Financial Assets
HKAS 24 (as revised in 2009)	Related Party Disclosures
HK(IFRIC) – Int 14 (Amendments)	Payments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the above new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied new or revised standards, amendments or interpretations that have been issued but are not yet effective. The following new or revised HKFRSs have been issued after the date the consolidated financial statements for the fifteen-month period from 1 April 2010 to 30 June 2011 were authorized for issuance and are not yet effective.

HKFRS 7 (Amendments)	Disclosure – Offsetting Financial Assets and Financial Liabilities[1]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[3]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after 1 January 2013
2 Effective for annual periods beginning on or after 1 January 2015
3 Effective for annual periods beginning on or after 1 January 2014

The directors of the Company anticipate that the application of these new and revised standards and interpretations will have no material impact on the result and the financial position of the Group.

3. TURNOVER AND SEGMENT INFORMATION

(a) Turnover

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

	6 months ended 31 December 2011 ***HK$'000*** ***(Unaudited)***	6 months ended 31 December 2010 *HK$'000* *(Unaudited)*
Sales of goods	**2,058,033**	1,158,679
Franchise income	**17,929**	7,128
	2,075,962	1,165,807

(b) Segment information

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

For the 6 months ended 31 December 2011 (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 & Macau	Reportable segment total	Others (Note)	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE					
External sales	**1,886,711**	**188,648**	**2,075,359**	**603**	**2,075,962**
RESULT					
Segment results	**128,755**	**10,057**	**138,812**	**(2,168)**	**136,644**
Other income					**10,354**
Unallocated staff related expenses					**(20,973)**
Other unallocated corporate expenses					**(15,919)**
Advertising, promotion and business development expenses					**(29,796)**
Equity-settled share-based payments					**(1,320)**
Changes in fair value of derivative financial instruments, gold loans and financial assets at fair value through profit or loss					**(3,290)**
Finance costs					**(31,415)**
Share of results of associates					**(1,477)**
Share of results of jointly controlled entities					**(1,411)**
Profit before taxation					**41,397**
Taxation					**(19,275)**
Profit for the period					**22,122**

For the 6 months ended 31 December 2010 (Unaudited)

	Retail and franchising operations for selling gold and jewellery products in Mainland China *HK$'000*	Retail operations for selling gold and jewellery products in Hong Kong & Macau *HK$'000*	Reportable segment total *HK$'000*	Others (Note) *HK$'000*	Consolidated *HK$'000*
REVENUE					
External sales	978,434	184,610	1,163,044	2,763	1,165,807
RESULT					
Segment results	65,310	26,613	91,923	(748)	91,175
Other income					14,130
Unallocated staff related expenses					(18,303)
Other unallocated corporate expenses					(17,458)
Advertising, promotion and business development expenses					(29,896)
Equity-settled share-based payments					(2,740)
Changes in fair value of derivative financial instruments and gold loans					5,465
Finance costs					(22,040)
Share of results of associates					(2,654)
Profit before taxation					17,679
Taxation					(8,282)
Profit for the period					9,397

Segment profit represents the profit earned by each segment without allocation of other income, central administration costs, marketing and promotion expenses, directors' salaries, equity-settled share-based payments, changes in fair value of derivative financial instruments, gold loans and financial assets at fair value through profit or loss, share of results of associates and jointly controlled entities, 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 resources allocation and performance assessment.

Note: Others represent other operating segments that are not reportable, which include the trading of other precious metals in Hong Kong and online marketing and e-commerce.

4. CHANGES IN FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS, GOLD LOANS AND FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	6 months ended 31 December 2011	6 months ended 31 December 2010
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Change in fair value of derivatives embedded in convertible bonds *(note 13(ii))*	**760**	13,192
Change in fair value of gold loans designated as derivative financial instruments	**2,544**	(7,727)
Change in fair value of financial assets at fair value through profit or loss	**(6,594)**	–
	(3,290)	5,465

5. FINANCE COSTS

	6 months ended 31 December 2011	6 months ended 31 December 2010
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Interests on:		
Bank borrowings wholly repayable within 5 years	**8,795**	5,634
Other borrowings wholly repayable within 5 years	**–**	3,527
Obligations under finance leases	**21**	26
Other finance costs	**2,005**	250
Effective interest on convertible bonds *(note 13(i))*	**20,594**	12,603
	31,415	22,040

6. PROFIT BEFORE TAXATION

	6 months ended 31 December 2011 HK$'000 (Unaudited)	6 months ended 31 December 2010 HK$'000 (Unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Advertising, promotion and business development expenses	**29,796**	29,896
Cost of inventories recognised as an expense	**1,684,487**	897,168
Depreciation of property, plant and equipment	**10,546**	7,331
Exchange gain, net	**(6,450)**	(6,178)
Loss on disposal of property, plant and equipment	**–**	4,626
Interest income	**(1,831)**	(312)
Operating lease rentals	**121,626**	78,293

7. TAXATION

	6 months ended 31 December 2011 HK$'000 (Unaudited)	6 months ended 31 December 2010 HK$'000 (Unaudited)
Current tax:		
Hong Kong Profits Tax	**4,018**	3,784
PRC Enterprise Income Tax	**16,758**	5,759
Macau Complementary Tax	**119**	197
	20,895	9,740
Deferred taxation	**(1,620)**	(1,458)
	19,275	8,282

Hong Kong Profits Tax is calculated at 16.5% (6 months ended 31 December 2010: 16.5%) on the estimated assessable profits for the period.

Pursuant to the Income Tax Law of the PRC, a subsidiary of the Company established in the PRC is entitled to a preferential income tax rate of 24% (6 months ended 31 December 2010: 22%) during the period. According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprises Income Tax (Guoshuifa [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.

The Macau Complementary Tax is calculated progressively at rates ranging from 9% to 12% of the estimated assessable profit for the period.

8. DIVIDENDS

	6 months ended 31 December 2011 *HK$'000* *(Unaudited)*	6 months ended 31 December 2010 *HK$'000* *(Unaudited)*
Dividends recognized as distribution during the period:		
Ordinary shares		
Final dividend paid for the 15 months ended 30 June 2011 of HK0.20 cents per share (6 months ended 31 December 2010: for the year ended 31 March 2010 of HK0.35 cents per share)	**3,938**	6,811
Preference shares		
Final dividend paid for the 15 months ended 30 June 2011 of HK0.875 cents per share (6 months ended 31 December 2010: for the year ended 31 March 2010 of HK0.35 cents per share)	**4**	82
	3,942	6,893

The Board has resolved not to declare an interim dividend in respect of the 6 months ended 31 December 2011 to both the holders of ordinary shares and preference shares of the Company.

9. EARNINGS PER ORDINARY SHARE

	6 months ended 31 December 2011 *HK$'000* *(Unaudited)*	6 months ended 31 December 2010 *HK$'000* *(Unaudited)*
Earnings:		
Profit for the period attributable to owners of the Company	**22,122**	9,397
Dividends on preference shares	**(1)**	(54)
Profit for the period attributable to owners of the Company for the purpose of basic earnings per ordinary share	**22,121**	9,343
Effect of dilutive potential ordinary shares:		
Dividends on preference shares	**1**	54
Effective interest of convertible bonds	**–**	12,603
Change in fair value of derivatives embedded in convertible bonds	**–**	(13,192)
Profit for the period attributable to owners of the Company for the purpose of diluted earnings per ordinary share	**22,122**	8,808

	Number of ***'000*** ***(Unaudited)***	Number of *'000* *(Unaudited)*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per ordinary share	**1,969,086**	1,954,086
Effect of dilutive potential ordinary shares:		
Preference shares	**404**	15,403
Share options	**–**	553
Convertible bonds	**–**	151,919
Weighted average number of ordinary shares for the purpose of diluted earnings per ordinary share	**1,969,490**	2,121,961

The computation of diluted earnings per ordinary share for the 6 months ended 31 December 2011 did not assume the exercise of certain share options because the exercise price is higher than the average share price and the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in earnings per ordinary share.

10. TRADE AND OTHER RECEIVABLES AND DEPOSITS PAID

	31 December 2011	30 June 2011
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Non-current deposits paid:		
Rental and utility deposits	**8,849**	10,733
Current trade and other receivables and deposits paid comprise:		
Trade receivables	**277,877**	200,987
Other receivables and deposits paid	**82,138**	47,118
	360,015	248,105

Retail sales are usually made in cash, through credit cards or through reputable and dispersed department stores. The Group generally allows a credit period up to 180 days to its debtors.

Included in trade receivables at 31 December 2011 are trade receivables from associates and jointly controlled entities amounting to HK$23,965,000 (30 June 2011: HK$27,200,000) and HK$4,352,000 (30 June 2011: HK$7,043,000), respectively.

Included in other receivables at 31 December 2011 is prepayment to a related company, which is 60% owned by Dr. Liu Wangzhi, a director of the Company, for sourcing of gold from the Shanghai Gold Exchange on behalf of the Group, amounting to HK$21,532,000 (30 June 2011: HK$13,113,000).

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.

	31 December 2011	30 June 2011
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
0 – 30 days	**229,159**	155,255
31 – 60 days	**13,043**	6,442
61 – 90 days	**7,093**	4,079
Over 90 days	**28,582**	35,211
	277,877	200,987

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The amount as at 31 December 2011 represents the fair value of the open position of a gold bullion contract through margin account with notional value of USD15,556,500 (30 June 2011: Nil). The contract contains terms enabling the Group either to take delivery of the gold bullion or closing out the position and settling net in cash at the Group's discretion. The fair value is determined based on the quoted market price at the end of the reporting period.

12. TRADE AND OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	31 December 2011	30 June 2011
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Trade payables	**162,963**	96,735
Deposits received from customers *(note a)*	**66,939**	88,488
Franchisee guarantee deposits *(note b)*	**42,076**	33,017
Other payables, accruals and other deposits	**140,354**	106,419
	412,332	324,659

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

	31 December 2011	30 June 2011
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
0 – 30 days	**72,202**	60,252
31 – 60 days	**52,243**	12,755
61 – 90 days	**11,658**	11,106
Over 90 days	**26,860**	12,622
	162,963	96,735

13. 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 ordinary share, subject to anti-dilutive adjustments.

As at 31 December 2011, a total of 87,341,772 (30 June 2011: 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 of 2 August 2012.

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 31 December 2011, CB 2012 with a carrying amount of HK$145,819,000 (30 June 2011: HK$141,133,000) (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 "**subscribers**") 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 Dr. Liu Wangzhi and Dr. Hui Ho Ming, Herbert, the directors of the Company, Ace Captain Investments Limited, a company wholly-owned by Mr. Martin Lee Ka Shing who is an associate of Mr. Chui Chuen Shun, a director of the Company, and Limin Corporation which is wholly-owned by Dr. Wong, Kennedy Ying Ho, a substantial shareholder and the Chairman of the Company.

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

As at 31 December 2011, a total of 136,708,861 (30 June 2011: 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 of 14 September 2013.

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 31 December 2011, CB 2013 with a carrying amount of HK$198,384,000 (30 June 2011: 191,399,000) (principal amount of HK$216,000,000) remained outstanding.

The movement of the liability component of the CB 2012 and CB 2013 for both periods are set out as below:

	Liability component		
	CB 2012	**CB 2013**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 July 2011 (audited)	141,133	191,399	332,532
Coupon interest accrued at 1 July 2011 and included in other payables	2,817	3,224	6,041
Interest charged during the period	8,164	12,430	20,594
Payment of coupon interest	(3,421)	(5,444)	(8,865)
Coupon interest accrued during the period and included in other payables	(2,874)	(3,225)	(6,099)
At 31 December 2011 (unaudited)	145,819	198,384	344,203

Analysed for reporting purpose as:

	31 December 2011	30 June 2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current liabilities	**145,819**	–
Non-current liabilities	**198,384**	332,532
	344,203	332,532

	Liability component		
	CB 2012	CB 2013	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 July 2010 (unaudited)	–	–	–
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	6,049	6,554	12,603
Coupon interest accrued during the period and included in other payables	(2,854)	(3,196)	(6,050)
At 31 December 2010 (unaudited)	136,943	185,234	322,177

The effective interest rates of CB 2012 and CB 2013 are 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 July 2011 (audited)	23	1,547	1,570
Changes in fair value *(note 4)*	93	(853)	(760)
At 31 December 2011 (unaudited)	116	694	810

	Embedded derivatives		
	CB 2012	CB 2013	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 July 2010 (unaudited)	–	–	–
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 4)*	(2,792)	(10,400)	(13,192)
At 31 December 2010 (unaudited)	1,460	12,924	14,384

The fair values of the derivatives embedded in CB 2012 and CB 2013 at the dates of issue, at 31 December 2010, at 30 June 2011 and at 31 December 2011 are based on valuation carried out on those dates by an independent professional valuer. The change in fair value of HK$760,000 (6 months ended 31 December 2010: HK$13,192,000) has been credited to the profit or loss for the six months ended 31 December 2011.

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:

CB2012	**At date of issue**	**At 31 December 2010**	**At 30 June 2011**	**At 31 December 2011**
Share price	HK$1.28	HK$0.93	HK$0.57	HK$0.44
Exercise price	HK$1.58	HK$1.58	HK$1.58	HK$1.58
Expected dividend yield	0.81%	0.38%	1.83%	0.45%
Volatility	58.61%	51.36%	42.41%	80.35%

CB2013	**At date of issue**	**At 31 December 2010**	**At 30 June 2011**	**At 31 December 2011**
Share price	HK$1.26	HK$0.93	HK$0.57	HK$0.44
Exercise price	HK$1.58	HK$1.58	HK$1.58	HK$1.58
Expected dividend yield	0.83%	0.38%	1.83%	0.45%
Volatility	58.23%	56.63%	51.30%	57.77%

14. CAPITAL COMMITMENTS

	31 December 2011	30 June 2011
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**134**	6
Commitment for further capital injection in an associate	**32,400**	32,400

15. CONTINGENT LIABILITIES

As at 31 December 2011, the Group had an outstanding financial guarantee issued to a bank in respect of a banking facility granted to a jointly controlled entity, which was an associate as at 30 June 2011. The aggregate amount that could be required to be paid if the guarantee was called upon in entirety amounted to HK$3,000,000.

The directors of the Company considered that the fair value of this financial guarantee contract at their initial recognition is insignificant.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is engaged in retailing, through self-operated points of sale as well as franchising, of gold and jewellery products in Hong Kong, Macau and other regions ("**Mainland China**") in the People's Republic of China (the "**PRC**").

The Group recorded a turnover of HK$2,076 million for the Period, representing an increase of 78% as compared to the turnover of HK$1,166 million last year. Profit from operations of HK$79 million for the Period increased 114% as compared to HK$37 million last year.

The Group recorded a significant growth throughout the Period as a result of the expansion in our points-of-sale network in Mainland China and our investment in brand development. During the Period, 76 new shops and counters were opened in Hong Kong, Macau and Mainland China. The Hong Kong and Macau markets have recorded same-store-growth of 29% whereas that in the Mainland China was 25%.

The profit for the Period attributable to owners of the Company amounted to HK$22 million (2010: HK$9 million), after deducting finance costs, fair value changes in financial instruments, gold loans and financial assets at fair value through profit or loss, as well as shares of results of associates and jointly controlled entities. During the Period, management focused on cost control particularly in cutting administrative expenses, which contributed to improving the results of the Group.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend in respect of the 6 months ended 31 December 2011 to both the holders of ordinary shares and preference shares of the Company.

BUSINESS REVIEW AND PROSPECTS

Retail Operations

The Group's five-year strategic plan has continued on track, in line with the expansion plan for Mainland China. Turnover from the Hong Kong and Macau retail operations amounted to HK$189 million, while that from the Mainland China operation reached HK$1,887 million.

During the Period, 76 new shops and counters opened in Hong Kong, Macau and Mainland China. As at 31 December 2011, the Group's point-of-sale ("**POS**") network consisted of: 9 in Hong Kong, 2 in Macau and 369 in Mainland China under the brandname "3D-GOLD", as well as 2 in Hong Kong and 17 in Mainland China under the brandname "La Milky Way". Of the POS network in Mainland China, 153 were self-operated and 233 were franchisee-operated.

The Group has tapped into the fast developing second-tier and third-tier cities in various parts of Mainland China. Our growth plans will be continually adjusted to optimise financial returns, marketing benefits and strategic advantages. The Mainland China market will remain the key growth driver in the future.

For the Period, the turnover from our wholesale business with franchises increased by 96% to HK$987 million (2010: HK$504 million), representing 48% (2010: 43%) of total turnover. This increase primarily resulted from net addition of 56 franchises points-of-sale. Although the overall gross profit margin registered a decrease to 19% (2010: 23%), the expansion via franchise will enable the Group to leverage local knowledge, capital and premises, exacting a faster rollout strategy which minimises the Group's capital commitment.

Our plan is to continue expanding our jewellery POS network and geographic footprint in Mainland China via the expansion of our franchise network. We select our franchisees with care and require them to operate according to our standard and to our branding and marketing guidelines. We closely monitor the sales performance and inventory level of our franchised POS.

To further broaden the sales channel, the Group has launched an e-commerce platform to capture the high ground in the fast-emerging cyber market in Greater China and other regions. Further, to capture the promising market potential and increase in popularity of corporate gifts in China, the Group has entered into the corporate gift and premium sector.

Our raw materials include, among other commodities, diamonds, gemstones, platinum and gold. Gold prices have fluctuated significantly during the Period. The Group has hedged the risk of gold price fluctuations through gold loans and bullion forward contracts. During the Period, fair value changes in financial instruments and gold loans of HK$4 million was recognized in the income statement.

Brand Recognition and Marketing Programme

During the Period, besides the regular marketing activities, the Group sponsored a wide range of events: including the Crown Sponsorship of Miss Chinese Cosmo Beauty Pageant 2011, and Diamond Sponsorship of Alan Tam's Concert 2011 in Beijing and the Opening of the 50th shop in Shangdong Province. Our effort in brand promotion has again won recognition by the World Brand Lab: with a ranking of 177th among China Top 500 Most Valuable Brands 2011, and 2nd in the category of jewellery brands with a brand value of RMB7.632 billion.

Products and Awards

Our Product Design and Development Department is committed to creating jewellery designs of style and taste for customers. In February 2012, our design won one of the Best of Show awards in the 13th Hong Kong Jewellery Design Competition organised by the Hong Kong Trade Development Council and other associations.

Prospects

With more than 80% of our turnover from Mainland China, the Group remains confident and positive to the gold and jewellery retail market in the years ahead and will continue to enlarge its retail network in Mainland China; while continuing to promote our brand to secure even higher recognition and trust, as well as spread our good reputation for product design, quality, value and authenticity.

We constantly strengthen our customer loyalty program to more effectively promote our high-value products. The Group is also widening its product range, from classic to contemporary; as well as from mass luxury products to high-end luxury items.

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 at 31 December 2011, the Group had total cash and cash equivalents amounting to HK$162 million (30 June 2011: HK$261 million) whilst total net assets were HK$638 million (30 June 2011: HK$610 million). The Group's net gearing ratio as at 31 December 2011 was 110% (30 June 2011: 80%), being a ratio of total borrowing of HK$861 million (30 June 2011: HK$748 million) less pledged bank deposits and bank balances and cash of HK$162 million (30 June 2011: HK$261 million) to total equity of HK$638 million (30 June 2011: HK$610 million). After taking into account the gold inventories of HK$619 million (30 June 2011: HK$464 million), the Group's adjusted net gearing ratio as at 31 December 2011 was 13% (30 June 2011: 4%), being a ratio of total borrowing less pledged bank deposits, bank balances and cash and gold inventories to total equity.

Contingent Liabilities and Capital Commitments

Contingent liabilities and capital commitments of the Group as at 31 December 2011 are set out in notes 15 and 14.

Pledge of Assets

As at 31 December 2011, The Group's inventories and bank deposits with a carrying amount of HK$428 million (30 June 2011: HK$240 million) and HK$37 million (30 June 2011: HK$36 million), respectively, were pledged to banks as securities to obtain the banking facilities granted to subsidiaries of the Group.

Financial Risk and Exposure

Except for the financial derivatives set out in notes 11 and 13, the Group did not have any outstanding material foreign exchange contracts, interest or currency swaps, or other financial derivatives as at 31 December 2011.

Employees and Remuneration Policy

As at 31 December 2011, the Group had 2,392 employees (30 June 2011: 2,153). The Group's remuneration policy is periodically reviewed by the Remuneration Committee and the Board. Remuneration is determined by reference to market conditions, company performance, and individual qualifications and performance.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the 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's code on corporate governance practices was adopted with reference to the provisions of the Code on Corporate Governance Practices (the "**Code Provision**") contained in Appendix 14 to the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), except for the following deviations from the Code Provision:

Code Provision 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 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.

ESTABLISHMENT OF CORPORATE GOVERNANCE COMMITTEE

In response to the recent amendments to the Listing Rules relating to corporate governance, the Company has established a Corporate Governance Committee ("**CG Committee**") for the purpose of ensuring the Company's corporate governance standards meet with prevailing market standards and requirements. The CG Committee comprises three executive directors, namely Mr. Mung Kin Kung, Dr. Hui Ho Ming, Herbert and Mr. Lam Kwok Hing, Wilfred and an independent non-executive director, Ms. Estella Yi Kum Ng.

The CG Committee recommended an internal code on ethical conduct to the Board for the purpose of promoting:

1. the honest and ethical conduct of all staff, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

2. all employees are required to maintain a basic level of personal integrity;

3. full, fair, accurate, timely and understandable disclosure in periodic reports required to be filed by the prevailing regulations; and

4. compliance with all rules and regulations that apply to the Company and its officers.

In particular, a separate section on sexual harassment has been incorporated into the internal code on ethical conduct to reflect the view of the Company's serious commitment to this issue. The internal code on ethical conduct has been approved by the Board and implemented in February 2012.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules. All directors of the Company have confirmed, following specific enquiry by the Company, that they have fully 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 2011 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, 27 February 2012

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, Dr. Liu Wangzhi, Mr. Lam Kwok Hing, Wilfred, J.P. and Ms. Wong Wing Yan, Ella 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.