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 ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

The board of directors (the "**Board**") of Hong Kong Resources Holdings Company Limited (the "**Company**") announces the unaudited interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 31 December 2015 (the "**Period**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2015

	Notes	**6 months ended 31 December 2015** *HK$'000* *(Unaudited)*	6 months ended 31 December 2014 *HK$'000* *(Unaudited)*
Turnover	*3*	**638,547**	680,336
Cost of sales		**(473,250)**	(454,778)
Gross profit		**165,297**	225,558
Other income		**16,264**	19,849
Selling expenses		**(162,913)**	(165,082)
General and administrative expenses		**(48,879)**	(70,156)
Impairment loss on trade receivables recognised		**–**	(3,628)

	Notes	**6 months ended 31 December 2015** **HK$'000** **(Unaudited)**	6 months ended 31 December 2014 HK$'000 (Unaudited)
Other operating expenses		**(13,936)**	(14,868)
Loss from operations		**(44,167)**	(8,327)
Change in fair value of derivatives embedded in convertible bonds and share option		**29,021**	24,009
Impairment loss on amount due from a joint venture recognised		–	(2,800)
Finance costs	*4*	**(21,349)**	(23,946)
Share of results of joint ventures		–	(15)
Loss before taxation	*5*	**(36,495)**	(11,079)
Taxation	*6*	**(1,728)**	(9,780)
Loss for the period		**(38,223)**	(20,859)
Other comprehensive (expense) income:			
Item that will not be reclassified to profit or loss:			
Exchange difference arising on translation		**(54,593)**	1,285
Total comprehensive expense for the period		**(92,816)**	(19,574)
Loss for the period attributable to:			
Owners of the Company		**(7,337)**	(7,642)
Non-controlling interests		**(30,886)**	(13,217)
		(38,223)	(20,859)
Total comprehensive expense for the period attributable to:			
Owners of the Company		**(42,811)**	(7,975)
Non-controlling interests		**(50,005)**	(11,599)
		(92,816)	(19,574)
Loss per ordinary share	*8*		
Basic		**(HK$0.002)**	(HK$0.002)
Diluted		**(HK$0.008)**	(HK$0.008)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	31 December 2015 HK$'000 (Unaudited)	30 June 2015 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**61,216**	59,731
Deposits paid	*9*	**15,709**	17,010
Intangible assets		**168,066**	169,433
Interests in joint ventures		–	3,488
Investments	*10*	**52,290**	33,704
Deferred tax assets		**15,706**	16,769
		312,987	300,135
Current assets			
Inventories		**817,544**	843,720
Trade and other receivables and deposits paid	*9*	**190,831**	189,771
Loan to a related party		–	1,424
Derivative financial instruments	*11*	–	2,309
Pledged bank deposits		**322,745**	418,412
Bank balances and cash		**183,643**	261,961
		1,514,763	1,717,597

	Notes	31 December 2015 HK$'000 (Unaudited)	30 June 2015 HK$'000 (Audited)
Current liabilities			
Trade and other payables, accruals and deposits received	*12*	**281,005**	267,307
Amounts due to joint ventures		**–**	3,642
Financial liabilities at fair value through profit or loss		**6,742**	1,491
Obligations under finance leases		**77**	180
Bank and other borrowings		**645,154**	657,178
Gold loans	*13*	**141,698**	256,124
Loan from a non-controlling shareholder of a subsidiary		**20,000**	20,000
Tax liabilities		**3,638**	4,832
		1,098,314	1,210,754
Net current assets		**416,449**	506,843
Total assets less current liabilities		**729,436**	806,978
Non-current liabilities			
Convertible bonds	*11*	**69,323**	64,574
Derivative financial instruments	*11*	**13,639**	42,660
Bank and other borrowings		**20,000**	20,000
Loan from a non-controlling shareholder of a subsidiary		**100,000**	100,000
Deferred tax liabilities		**42,016**	42,016
		244,978	269,250
NET ASSETS		**484,458**	537,728
CAPITAL AND RESERVES			
Share capital	*14*	**35,224**	31,905
Reserves		**331,310**	337,894
Equity attributable to owners of the Company		**366,534**	369,799
Non-controlling interests		**117,924**	167,929
TOTAL EQUITY		**484,458**	537,728

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2015

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("**HKAS 34**") *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants as well as 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**").

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 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2015.

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 2015	6 months ended 31 December 2014
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Sales of goods	**598,091**	615,226
Franchise income	**3,555**	8,791
License income	**36,330**	51,554
Television programmes and content production income	**571**	4,765
	638,547	680,336

(b) Segment Information

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on types of goods and geographical location. This is the basis upon which the Group is organised.

Specifically, the Group's operating and reportable segments under Hong Kong Financial Reporting Standards 8 "*Operating Segments*" are as follows:

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

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

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

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

For the six months ended 31 December 2015 (unaudited)

	Reportable segments				
	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**	**Total**	**Others (Note)**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
REVENUE					
External sales	**402,186**	**235,653**	**637,839**	**708**	**638,547**
RESULT					
Segment results	**16,905**	**(25,217)**	**(8,312)**	**(8,775)**	**(17,087)**
Other income					**16,264**
Unallocated staff related expenses					**(15,683)**
Other unallocated corporate expenses					**(10,919)**
Advertising, promotion and business development expenses					**(15,365)**
Change in fair value of derivatives embedded in convertible bonds and share option					**29,021**
Impairment loss on intangible assets recognised					**(1,377)**
Finance costs					**(21,349)**
Loss before taxation					**(36,495)**
Taxation					**(1,728)**
Loss for the period					**(38,223)**

For the six months ended 31 December 2014 (unaudited)

	Reportable segments				
	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	Total	Others (Note)	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE					
External sales	425,325	250,246	675,571	4,765	680,336
RESULTS					
Segment results	34,955	(5,608)	29,347	(11,182)	18,165
Other income					19,849
Unallocated staff related expenses					(17,408)
Other unallocated corporate expenses					(8,900)
Advertising, promotion and business development expenses					(15,450)
Equity-settled share-based payments					(531)
Change in fair value of derivatives embedded in convertible bonds and share option					24,009
Impairment loss on other receivables recognised					(632)
Impairment loss on amount due from a joint venture recognised					(2,800)
Impairment loss on intangible assets recognised					(3,420)
Finance costs					(23,946)
Share of results of joint ventures					(15)
Loss before taxation					(11,079)
Taxation					(9,780)
Loss for the period					(20,859)

Segment profit (loss) represents the profit (loss) of each segment without allocation of other income, advertising, promotion and business development expenses, corporate staff and directors' salaries, equity-settled share-based payments, change in fair value of derivatives embedded in convertible bonds and share option, impairment loss on other receivables recognised, impairment loss on amount due from a joint venture recognised, impairment loss on intangible assets recognised, finance costs, share of results of joint ventures, and taxation. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

Note: Others represent other operating segments that are not reportable, which include online marketing, e-commence, entertainment business including film investments, management and production of concerts and concerts investments, entertainment events, television programmes and content production.

4. FINANCE COSTS

	6 months ended 31 December 2015 *HK$'000* *(Unaudited)*	6 months ended 31 December 2014 *HK$'000* *(Unaudited)*
Interests on:		
Bank and other borrowings	**8,933**	10,495
Gold loans	**5,638**	7,647
Obligations under finance leases	**3**	7
Loan from a non-controlling shareholder of a subsidiary	**208**	–
Effective interest on convertible bonds	**6,567**	5,734
Other finance costs	**–**	63
	21,349	23,946

5. LOSS BEFORE TAXATION

	6 months ended 31 December 2015 *HK$'000* *(Unaudited)*	6 months ended 31 December 2014 *HK$'000* *(Unaudited)*
Loss before taxation has been arrived at after charging (crediting):		
Advertising, promotion and business development expenses	**15,365**	15,450
Amortisation of intangible assets	**135**	666
Change in fair value of gold loans	**(11,581)**	(32,269)
Change in fair value of financial liabilities at fair value through profit or loss	**18,065**	12,806
Cost of inventories recognised as an expense	**459,288**	458,485
Depreciation of property, plant and equipment	**9,860**	13,968
Equity-settled share-based payments	**–**	531
Exchange gain, net	**(6,822)**	(4,913)
Loss on disposal of property, plant and equipment	**6,029**	5,791
Impairment loss on other receivables recognised	**–**	632
Impairment loss on intangible assets recognised (included in "other operating expenses")	**1,377**	3,420
Interest income	**(5,458)**	(13,456)
Operating lease rentals		
– contingent rental	**39,908**	44,925
– minimum lease payments	**38,192**	35,163

6. TAXATION

	6 months ended 31 December 2015	6 months ended 31 December 2014
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Current tax:		
Hong Kong Profits Tax	**–**	2
PRC Enterprise Income Tax	**1,006**	6,941
	1,006	6,943
Overprovision in prior years:		
Hong Kong Profits Tax	**(18)**	–
	988	6,943
Deferred taxation	**740**	2,837
	1,728	9,780

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for both periods. No provision for taxation in Hong Kong has been made in current period as the Group does not have any assessable income in Hong Kong.

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

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

7. DIVIDENDS

The Board has resolved not to recommend an interim dividend in respect of the six months ended 31 December 2015 and 31 December 2014 to the holders of ordinary shares of the Company.

8. LOSS PER ORDINARY SHARE

	6 months ended 31 December 2015	6 months ended 31 December 2014
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Loss:		
Loss for the period attributable to owners of the Company for the purpose of basic loss per ordinary share	**(7,337)**	(7,642)
Effect of dilutive potential ordinary share:		
– Interest on CB 2019	**3,117**	2,703
– Change in fair value in derivatives embedded in CB 2019	**(24,577)**	(21,436)
Loss for the period attributable to owners of the Company for the purpose of diluted loss per ordinary share	**(28,797)**	(26,375)

	'000	'000
	(Unaudited)	*(Unaudited)*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic loss per ordinary share (note)	**3,273,994**	3,188,494
Effect of dilutive potential ordinary shares:		
– CB 2019	**317,111**	317,111
Weighted average number of ordinary shares for the purpose of diluted loss per ordinary share	**3,591,105**	3,505,605

Note:

The computation of diluted loss per ordinary share did not assume the exercise of share options and bonus warrants (six months ended 31 December 2014: share options and bonus warrants) because their exercise price is higher than the average share price, and the conversion of CGS CB 2018 (as defined in note 11(a)) (six months ended 31 December 2014: CGS CB 2018) since their conversion would result in a decrease in loss per ordinary share.

9. TRADE AND OTHER RECEIVABLES AND DEPOSITS PAID

	31 December 2015	30 June 2015
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Deposits paid under non-current assets represent:		
Rental and utility deposits	**15,709**	17,010
Trade and other receivables and deposits paid under current assets comprise:		
Trade receivables	**123,857**	114,171
Less: allowance for doubtful debts	**(16,369)**	(16,369)
	107,488	97,802
Other receivables and deposits paid (note)	**83,343**	91,969
	190,831	189,771

Note: Included in other receivables is a loan receivable of HK$7,765,000 (30 June 2015: HK$7,754,000) from an independent third party which is unsecured, interest-free and repayable within one year from the end of the reporting period.

Retail sales are usually made in cash, through credit cards or through reputable and dispersed department stores. The Group generally allows a credit period of 30 to 90 days to its debtors.

Included in trade receivables as at 31 December 2015 is trade receivable from a fellow subsidiary of a non-controlling shareholder of a subsidiary of HK$33,000 (30 June 2015: HK$939,000).

Included in other receivables and deposits paid as at 31 December 2015 is consultancy fee receivable from a long term investment with a common director of the Company of HK$225,000 (30 June 2015: HK$1,424,000).

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 2015	30 June 2015
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
0-30 days	**91,572**	77,593
31-60 days	**8,325**	8,405
61-90 days	**2,723**	4,565
Over 90 days	**4,868**	7,239
	107,488	97,802

The allowance of doubtful debts of HK$16,369,000 (30 June 2015: HK$16,369,000) mainly relate to customers which are under liquidation or in severe financial difficulties. It was assessed that the amounts are unlikely to be recovered. The Group does not hold any collateral over these balances.

10. INVESTMENTS

	31 December 2015 HK$'000 (Unaudited)	30 June 2015 HK$'000 (Audited)
Long term investments (note (a))	**31,291**	18,230
Investment in a film (note (b))	**19,340**	15,474
Investments in entertainment events	**1,659**	–
	52,290	33,704

Notes:

(a) The amount represents unlisted equity investments in two private limited liability companies incorporated in Hong Kong and Australia respectively that are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates was so significant that the directors of the Company are of the opinion that their fair values could not be measured reliably. One of these investee companies is principally engaged in the research and development of a new liquid fuel while the other one has the license rights on the new liquid fuel for use in Hong Kong, Taiwan and other parts of China.

During the period, the Group exercised an option to subscribe for additional 12 new shares of the private limited liability company incorporated in Hong Kong (the "Investee Company") (note 11(b)(i)). Upon the completion of the exercise of option, the Group's interest in the Investee Company increased from 15.9% to 24.0%. Pursuant to the Articles of Associations of the Investee Company, the Group has no contractual and unconditional right in appointing directors to the board. As at 31 December 2015, the Group has one out of the three directors in the Investee Company.

(b) Based on the agreement entered into between a wholly owned subsidiary of the Company, and an independent third party, the Group invests in a film with total investment amounting to RMB15,500,000 (equivalent to HK$19,340,000) and is entitled to a return of certain percentage of the profit to be derived from the release of the film worldwide in any media and in any format. Up to 31 December 2015, the production of the film is not yet completed. According to the agreement, the production of the film is expected to be completed within 18 months from the agreement date. As at 31 December 2015, the Group has paid RMB15,500,000 (equivalent to HK$19,340,000) (30 June 2015: RMB13,950,000 (equivalent to HK$15,474,000)).

11. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS

(a) Convertible bonds

Convertible bonds due 2019 ("CB 2019") and CGS Convertible bonds due 2018 ("CGS CB 2018")

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

	Liability component		
	CB2019	**CGS CB 2018**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
At 1 July 2015	32,784	31,790	64,574
Coupon interest accrued at 1 July 2015 and included in other payables	869	985	1,854
Interest charged during the period	3,117	3,450	6,567
Payment of coupon interest	(1,712)	(1,950)	(3,662)
Coupon interest accrued at 31 December 2015 and included in other payables	–	(10)	(10)
At 31 December 2015	35,058	34,265	69,323

During the six months ended 31 December 2015 and 31 December 2014, the effective interest rates of CB 2019 and CGS CB 2018 were 19.47% and 18.02% per annum respectively.

(b) Derivative financial instruments

	31 December 2015	30 June 2015
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Under current assets:		
Share option asset (i)	**–**	2,309
Under non-current liabilities:		
Derivatives embedded in convertible bonds (ii)	**13,618**	40,820
CGS Share Option (iii)	**21**	1,840
	13,639	42,660

(i) Share option asset

The amount as at 30 June 2015 represented an option to subscribe for 12 new shares (representing 9% of the enlarged issued capital) of the Investee Company at a total exercise price of Australian dollars ("**AUD**") 1,920,000 (equivalent to HK$11,520,000).

During the six months ended 31 December 2015, the Group exercised the option to subscribe for 12 new shares of that company and the carrying amount of the exercised option is transferred to long term investments.

The following are the movement in the share option asset:

	HK$'000
At 1 July 2015	2,309
Exercise of share option	(2,309)
At 31 December 2015	–

Such option was measured at cost less impairment at the end of the reporting period as management of the Group believed that the fair value of such option could not be measured reliably.

(ii) Derivatives embedded in convertible bonds

The fair values of the derivatives embedded in CB 2019 and CGS CB 2018 at 30 June 2015 and 31 December 2015 are based on valuation carried out on those dates by an independent valuer. The change in fair value of HK$27,202,000 (for the six months ended 31 December 2014: HK$22,678,000) has been credited to profit or loss for the six months ended 31 December 2015.

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

CB 2019	**At 31 December 2015**	At 30 June 2015
Share price	**HK$0.13**	HK$0.21
Exercise price	**HK$0.18**	HK$0.18
Expected dividend yield	**0.00%**	0.00%
Volatility	**41.31%**	47.03%

CGS CB 2018	**At 31 December 2015**	At 30 June 2015
Share price	**US$8,313.70**	US$15,794.99
Exercise price	**US$24,390.24**	US$24,390.24
Expected dividend yield	**2.26%**	1.76%
Volatility	**31.25%**	35.75%

(iii) Share Option issued by CGS ("CGS Share Option")

The fair value of the CGS Share Option at 31 December 2015 is HK$21,000 (30 June 2015: HK$1,840,000). The change in fair value of HK$1,819,000 (six months ended 31 December 2014: HK$1,331,000) has been credited to profit or loss for the six months ended 31 December 2015.

The fair value of the CGS Share Option issued is calculated using trinomial option pricing model. The key inputs into the model at the respective dates are as follows:

	At 31 December 2015	At 30 June 2015
Share price	**US$8,313.70**	US$15,794.99
Exercise price	**US$24,390.24**	US$24,390.24
Expected dividend yield	**2.26%**	1.76%
Volatility	**31.25%**	35.75%

12. TRADE AND OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	31 December 2015 ***HK$'000*** ***(Unaudited)***	30 June 2015 *HK$'000* *(Audited)*
Trade payables	**126,594**	105,029
Deposits received from customers (note a)	**20,959**	24,588
Franchisee guarantee deposits (note b)	**57,378**	62,371
Other payables, accruals and other deposits	**76,074**	75,319
	281,005	267,307

Notes:

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

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

Included in trade payables as at 31 December 2015 are trade payables to certain fellow subsidiaries of a non-controlling shareholder of a subsidiary amounting to HK$49,926,000 (30 June 2015: HK$34,087,000).

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

	31 December 2015	30 June 2015
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
0-30 days	**66,073**	54,998
31-60 days	**11,494**	8,527
61-90 days	**9,469**	6,654
Over 90 days	**39,558**	34,850
	126,594	105,029

Included in other payables, accruals and other deposits as at 31 December 2015 are other payables to certain fellow subsidiaries of a non-controlling shareholder of a subsidiary amounting to HK$1,284,000 (30 June 2015: nil).

13. GOLD LOANS

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

As at 31 December 2015, the gold loans are denominated in RMB (30 June 2015: RMB), interest bearing at a weighted average rate of 4.38% (30 June 2015: 4.70%) per annum with original maturity of twelve months, and secured by trade receivable of HK$75,934,000 (30 June 2015: HK$80,459,000).

The gain arising from change in fair value of gold loans of HK$11,581,000 (six months ended 31 December 2014: HK$32,269,000) has been recognised in profit or loss for the six months ended 31 December 2015. Fair values of the gold loans have been determined by reference to the quoted bid prices of gold on the Shanghai Gold Exchange at the end of reporting period.

14. SHARE CAPITAL

	Number of shares	Amount
	'000	*HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 July 2015	4,000,000	40,000
Increase on 4 November 2015	2,000,000	20,000
At 31 December 2015	6,000,000	60,000
Preference shares of HK$0.01 each		
At 1 July 2015 and 31 December 2015	3,000,000	30,000
Total:		
At 1 July 2015	7,000,000	70,000
At 31 December 2015	9,000,000	90,000
Ordinary shares issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 July 2015	3,190,495	31,905
Issue of shares, net of transaction costs *(note)*	331,900	3,319
At 31 December 2015	3,522,395	35,224
Total:		
At 1 July 2015	3,190,495	31,905
At 31 December 2015	3,522,395	35,224

Note: The Company issued 300,000,000 ordinary shares on 11 November 2015 by way of placing at a price of HK$0.123 per share.

On 30 December 2015, the Company issued 31,899,993 ordinary shares to a non-controlling shareholder of a subsidiary for a consideration of HK$0.123 per share.

These new shares rank pari passu with the existing shares in all aspects.

15. CAPITAL COMMITMENTS

	31 December 2015	30 June 2015
	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	**741**	454

16. CONTINGENT LIABILITIES

During the financial years ended 30 June 2012 to 2015, the Hong Kong Inland Revenue Department (the "IRD") had issued tax enquiries to a non-wholly owned subsidiary of the Company on the offshore claim of its royalty income received/receivable from certain fellow subsidiaries outside Hong Kong for the years of assessment 2010/11 to 2013/14. The disputed assessable profits after losses set-off in respect of the years of assessment 2010/11, 2011/12 and 2012/13 amounted to HK$3.7 million, HK$31.4 million and HK$97.3 million, respectively, while the adjusted loss in dispute in respect of the year assessment 2013/14 is HK$8.1 million. The subsidiary is defending the offshore claim on its royalty income and the case is still under review by the IRD, accordingly, the directors of the Company considered that no provision of Hong Kong Profits Tax is to be made in the condensed consolidated financial statements on the royalty income under dispute at the present stage.

17. PLEDGE OF ASSETS

As at 31 December 2015, the Group's bank deposits and trade receivables with carrying amounts of HK$322,745,000 (30 June 2015: HK$418,412,000) and HK$75,934,000 (30 June 2015: HK$80,459,000) respectively were pledged to banks as securities to obtain the banking facilities granted to subsidiaries of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is principally engaged in (1) retailing 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 (the "**PRC**"), (2) entertainment business, including film investment, management and production of concerts and concert investments, entertainment events, television programs and content production, and (3) investment holdings.

Slowing economic growth in Mainland China continued to impose negative impact on the sentiment of tourists travelling to Hong Kong and Macau and the general consumptions in the Mainland China. All this has impact on the performance of the Group during the Period. The Group recorded a turnover of approximately HK$638.5 million for the Period, representing a decrease of 6.1% as compared to the turnover of approximately HK$680.3 million last period. The loss for the Period was approximately HK$38.2 million, an increase of 83%, compared to the loss of approximately HK$20.9 million last Period and it is mainly contributed by the retail operation. The loss attributable to equity holders of the Company was approximately HK$7.3 million for the Period compared to the loss of approximately HK$7.6 million last period, representing an improvement of 4%.

Financial Review

Sales from retailing and franchising of gold and jewellery products in Mainland China have continued to be the major source of income, which accounted for 63.0% of turnover. The turnover of the Group for the Period amounted to HK$638.5 million (Last Period: HK$680.3 million), a decrease of 6.1% from Last Period. Mainland China recorded turnover of HK$402.2 million, also a decrease of 5.4% from Last Period. Hong Kong and Macau recorded turnover of HK$235.7 million, a decrease of 5.8% from Last Period. We have recorded a decline in overall same-store-growth of 17% (Last Period: decline of 16%), of which same store growth in Mainland China drop by 21% (Last Period: decline of 27%) and same store growth in Hong Kong and Macau decline by 4% (Last Period: an increase of 198%).

During the Period, the turnover derived from the franchise operation of HK$39.9 million (Last Period: HK$60.4 million, which is a result of the sales of goods to franchisee of HK$3.6 million (Last Period: HK$8.8 million) and receipt of license fees of HK$36.3 million (Last Period: HK$51.6 million). The license fee received is reflected directly to gross profit. Through working closely with our franchisees to improve their profitability, we expect improvements in the Group's financial results.

As a result of the above, the turnover and gross profit has decreased by 6.1% and 26.7%, respectively, for the Period to HK$638.5 million and HK$165.3 million, respectively. Due to the promotion implemented, the change of products mix for the period and decrease in license fee from franchisee, the gross profit margin has decreased from 33.2% to 25.9% for the Period. Sales of our principal products, gold products and gem-set jewellery, consisted of 63.5% (Last Period: 58.6%) and 19.1% (Last Period: 20.2%), respectively of total turnover, which resulted in the decrease in the gross profit margin, as the gross profit derived from the sales of gold products are less than those of the gem-set jewellery.

In line with the decrease in turnover, the Group's selling and distribution expenses have decreased to HK$162.9 million (Last Period: HK$165.1 million), while the Group's general and administrative expenses have decreased to HK$48.9 million (Last Period: HK$70.2 million).

Based on the current operation, the retail value of the 3D-GOLD brand, that is sales made by all 3D-GOLD stores, including self operated and franchise stores, amounted to HK$1,594.8 million for the Period, a decrease of 6% from Last Period. Various measures were also undertaken and discussed in the "Business Review" section, whereby via working closely with our franchisees, through time, the brand value will be reflected in the Group's financial results.

The priority of the management for the Period continues to focus on improving operational performance. Given the general downturn in the economy, the loss was approximately HK$38.2 million for the Period compared to the loss of approximately HK$20.9 million last period.

INTERIM DIVIDEND

The Board has resolved not to recommend an interim dividend in respect of the six months ended 31 December 2015 to the holders of ordinary shares of the Company.

BUSINESS REVIEW AND PROSPECTS

Retail Operation

Overall turnover has reached HK$235.7 million (Last Period: HK$250.2 million) from the Hong Kong and Macau retail operations and HK$402.2 million (Last Period: HK$425.3 million) from the Mainland China operations. The decrease in turnover for the Period was mainly due to the general downturn in the economy which has impacted on the consumer sentiment, as compared to the Last Period.

As at 31 December 2015, the Group has 6 points-of-sale in Hong Kong, 3 points-of-sale in Macau and 362 points-of-sale in Mainland China under the brandname "3D-GOLD". Of the points-of-sale in Mainland China, 83 are self-operated points-of-sale and 279 are franchise points-of-sale. During the Period, 36 new shops and counters have opened in Mainland China and 39 loss making stores were closed.

Over 80% of our self-operated points-of-sale are located at department stores in Mainland China at prime shopping districts and are subject to turnover rent. The Hong Kong and Macau operations are, on the other hand, mainly subject to fixed rentals, with some of the lease arrangements being committed to paying either minimum guaranteed amounts or monthly payments in the amounts equivalent to certain prescribed percentage of monthly sales as rental payments, whichever is the higher.

Our strategy in Mainland China is to continue to focus on the growth of franchise stores, with a target of 20% self-operated stores and 80% franchise stores in the long run. Our model gives us the option to leverage on the capital, local knowledge and premises of our franchisees, a flexible and fast roll out strategy that requires minimal capital outlay from the Group. Our model enables the management to make critical decisions at times of market changes with minimal adverse impact on the Group.

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

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

Products and Design

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

During the Period, the Group has enlarged its product portfolio to capture different market segments. Newly launched products include "Les fleurs" Collection, "Happy Women" Collection, "K • LOVE" K-gold Collection, "Happiness in Hand" Collection, "Pure gold Goat" Collection and "Flowers of Joy" Collection.

Marketing and awards

The Group has continued to be the sponsor of the "International KamCha Competition 2015 (HK Style Milk Tea)" for the 5th consecutive year and the jewellery show of "The Fourth World Youth Congress of Jiangmen • 2014 Hong Kong". Also being the title, scepter and crown sponsor of "Miss Chinese International Pageant for 2015" for the 5th consecutive year and one of the co-sponsors of "Dr. Koo Glorious Concert in Hong Kong 2015".

The Group has also achieved a number of industry awards as recognition of its efforts in promoting service excellence, industry best practice and its contributions to the jewellery retail sector. The awards include "Green Office Awards Labeling Scheme (GOALS)" awarded by World Green Organization and Hong Kong Brand Development Council presented the "2014 Hong Kong Premier Service Brand" to 3D-GOLD Jewellery.

Entertainment Business

Leveraging on the resources and capabilities, the Group is exploring new business opportunities to generate additional revenue from entertainment business. The Group has continued to participate in entertainment events, television programs and content production, while the management has extended the entertainment business by increasing its participation in investment and promotion of movies and entertainment events. Up to the report date, the Group has invested in concerts of #TWINS #LOL #LIVE IN HK, Janice Yan 2016 concert, LANG Lang Live in HK 2016, while 3 concerts are also scheduled in the upcoming 2016.

E-Commerce

To further broaden the sales channel, the Group has launched an e-commerce platform "Zun1" (www.zun1.com) and social network platform (www.54qn.cn) to capture the high ground in the fast emerging cyber market in Greater China and other regions. The Group has continued its investment in this e-commerce platform, and expects it can generate return and synergy in the future years.

Clean Energy

The Group continues to invest in Gane Energy & Resources (China) Limited ("**Gane China**"), a company engaged in the research, development and commercialisation of a new liquid fuel made from methanol and other oxygenated species for use in large industrial compression ignition engines. The fuel is targeted initially for use in electricity generators and heavy industrial equipment and later for mobile applications such as heavy mining trucks, trains and ships. The use of the fuel and the treatment of the engine exhaust are intended to result in exhausts which have concentrations of specific pollutants (such as sulphur dioxide, nitrogen oxides and particulate matter), that are lower than those of diesel, without the need for capital intensive exhaust treatments.

Gane China has carried out testing of the new fuel during the Period and further testing will be conducted. It is expected that the new fuel will be generally well received in the PRC market due to its environmental friendly features. With the Group's strong business network in PRC, it is expected the Group can help initiate the new fuel in the PRC market, which will help develop the business of Gane China and in turn, benefit the Group.

At the date of the report, the Group has direct interest of 24% in the clean energy investments.

Outlook

Given the uncertainty in the global economy, economic slowdown in Mainland China and decline in the consumption of luxury goods as a result of the promotion of anti-corruption by the Chinese government, the Group remains prudent about our business growth in the coming year. Looking ahead, we are positive about the business outlook in the medium to long run, despite short term market volatilities. Mainland China will continue to be our major market. Although the economic growth in Mainland China is said to be lower than the targeted, it remains one of the fastest growing economies in the world and support the Group's optimistic business outlook in the medium to long run.

The management expects the next financial year to be a period of stabilizing our business performance. The strategic direction we are taking is to restore the long term sustainable growth and profitability of the Group. The market volatilities may result in, however, uncertainty on our short term performance. The Group is exploring new business opportunities to generate additional revenue from entertainment business and increase in participation in entertainment events. In addition, the Group will also continue its investments in clean energy business.

Ultimately, we look forward to achieving our goal, which will result in growth and value to our investors and other stakeholders.

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 2015, the Group had total cash and cash equivalents amounting to HK$506 million (30 June 2015: HK$680 million) whilst total net assets were HK$484 million (30 June 2015: HK$538 million). The Group's net gearing ratio as at 31 December 2015 was 101% (30 June 2015: 81%), being a ratio of total borrowing of HK$996 million (30 June 2015: HK$1,118 million) less pledged bank deposits and bank balances and cash of HK$506 million (30 June 2015: HK$680 million) to total equity of HK$484 million (30 June 2015: HK$538 million). After taking into account the gold inventories of HK$348 million (30 June 2015: HK$352 million), the Group's adjusted net gearing ratio as at 31 December 2015 was 29% (30 June 2015: 16%), being a ratio of total borrowing less pledged bank deposits, bank balances and cash and gold inventories to total equity. As at 31 December 2015, the Group has available unutilized revolving banking facilities of HK$106 million (30 June 2015: HK$494 million).

Capital Commitments and Contingent Liabilities

Capital commitments and contingent liabilities of the Group as at 31 December 2015 are set out in notes 15 and 16 to the condensed consolidated financial statements.

Pledge of Assets

Pledge of assets of the Group as at 31 December 2015 is set out in note 17 to the condensed consolidated financial statements.

Financial Risk and Exposure

Except for the financial derivatives set out on the condensed consolidated statement of financial position and in notes 11(b) 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 2015.

Employees and Remuneration Policy

As at 31 December 2015, the Group had 1,573 employees (30 June 2015: 1,567). The Group's remuneration policy is periodically reviewed by the Remuneration Committee and the Board. Remuneration is determined with 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 PROVISIONS ON CORPORATE GOVERNANCE CODE

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

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

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules. All directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the 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 Engagement 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*".

As at the date of this announcement, the Audit Committee comprises three independent non-executive directors, namely, Mr. Fan Chun Wah, Andrew, Mr. Fan, Anthony Ren Da and Mr. Wong Kam Wing.

PUBLICATION OF INTERIM RESULTS AND DESPATCH OF INTERIM REPORT

This results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the Company (www.hkrh.hk). The interim report 2015 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and available on the above websites in due course.

By order of the Board of
Hong Kong Resources Holdings Company Limited
Mrs. Wong Chew Li Chin
Chairman

Hong Kong, 29 February 2016

As at the date of this announcement, the Board comprises Mrs. Wong Chew Li Chin and Ms. Wong Wing Yan, Ella as executive directors, Mr. Lam Kwok Hing, Wilfred, J.P. and Mr. Cheung Pak To, Patrick, BBS as non-executive directors and Mr. Fan, Anthony Ren Da, Mr. Wong Kam Wing and Mr. Fan Chun Wah, Andrew as independent non-executive directors.