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 2017

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 2017 (the "**Period**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2017

	Notes	**Six months ended 31 December 2017** ***HK$'000*** ***(Unaudited)***	Six months ended 31 December 2016 *HK$'000* *(Unaudited)*
Turnover	*3*	**623,093**	518,117
Cost of sales		**(427,466)**	(329,606)
Gross profit		**195,627**	188,511
Other income		**4,972**	5,392
Selling expenses		**(146,690)**	(152,595)
General and administrative expenses		**(50,977)**	(55,905)
Other expenses and other gains and losses		**(1,619)**	(10,924)
Change in fair value of derivatives embedded in convertible bonds and share option		**3,638**	2,540
Impairment loss on investment in a film recognised		**–**	(10,000)
Impairment loss on investment in an associate recognised		**–**	(3,000)
Impairment loss on available-for-sale investments recognised	*10(a)&(b)*	**(3,460)**	–
Finance costs	*4*	**(23,159)**	(21,538)
Share of result of an associate		**–**	(965)

	Notes	**Six months ended 31 December 2017** ***HK$'000*** ***(Unaudited)***	Six months ended 31 December 2016 *HK$'000* *(Unaudited)*
Loss before taxation	*5*	**(21,668)**	(58,484)
Taxation	*6*	**(4,999)**	(7,331)
Loss for the period		**(26,667)**	(65,815)
Other comprehensive income (expense):			
Item that will not be reclassified to profit or loss:			
Exchange difference arising on translation		**6,826**	(29,649)
Items that may be reclassified subsequently to profit and loss:			
Exchange difference arising on translation of foreign operations		**8,619**	–
Fair value (loss) gain on an available-for-sale investment		**(840)**	5,880
Investment revaluation reserve reclassified to profit or loss upon impairment of an available-for-sale investment		**840**	–
		8,619	5,880
Other comprehensive income (expense) for the period		**15,445**	(23,769)
Total comprehensive expense for the period		**(11,222)**	(89,584)
Loss for the period attributable to:			
Owners of the Company		**(22,769)**	(44,509)
Non-controlling interests		**(3,898)**	(21,306)
		(26,667)	(65,815)
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(12,547)**	(59,380)
Non-controlling interests		**1,325**	(30,204)
		(11,222)	(89,584)
Loss per ordinary share			
Basic and diluted	*8*	**(HK$0.006)**	(HK$0.013)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	**31 December 2017 HK$'000 (Unaudited)**	30 June 2017 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current Assets			
Property, plant and equipment		**45,770**	42,834
Deposits paid	*9*	**6,522**	5,722
Intangible assets		**169,144**	169,144
Interest in a joint venture		**–**	–
Available-for-sale investments	*10*	**23,520**	26,980
Deferred tax assets		**17,336**	17,884
		262,292	262,564
Current Assets			
Inventories		**910,133**	801,074
Trade and other receivables and deposits paid	*9*	**175,550**	124,291
Amount due from a joint venture		**–**	8
Tax recoverable		**3,479**	–
Pledged bank deposits		**756,864**	578,301
Bank balances and cash		**135,009**	114,953
		1,981,035	1,618,627
Current Liabilities			
Trade and other payables, accruals and deposits received	*11*	**281,467**	233,069
Bank and other borrowings		**1,492,269**	1,089,505
Gold loans	*12*	**–**	84,823
Amount due to a joint venture		**27**	–
Loan from a non-controlling shareholder of a subsidiary	*13*	**43,190**	43,190
Loan from a shareholder	*13*	**5,500**	2,000
Tax liabilities		**5,555**	1,656
		1,828,008	1,454,243
Net Current Assets		**153,027**	164,384
Total Assets Less Current Liabilities		**415,319**	426,948

	Notes	**31 December 2017 HK$'000 (Unaudited)**	30 June 2017 HK$'000 (Audited)
Non-current Liabilities			
Convertible bonds	*14(a)*	**46,295**	43,064
Derivative financial instruments	*14(b)*	**661**	4,299
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
		208,972	209,379
NET ASSETS		**206,347**	217,569
CAPITAL AND RESERVES			
Share capital	*15*	**35,224**	35,224
Reserves		**107,368**	119,915
Equity attributable to owners of the Company		**142,592**	155,139
Non-controlling interests		**63,755**	62,430
TOTAL EQUITY		**206,347**	217,569

1. BASIS OF PREPARATION

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

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.

Except as described below, the accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 31 December 2017 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2017.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvement to HKFRSs 2014-2016 Cycle

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements. Additional disclosures about changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes on application of amendments to HKAS 7 will be provided in the consolidated financial statements for the year ending 30 June 2018.

3. TURNOVER AND SEGMENT INFORMATION

(a) Turnover

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

	Six months ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Sales of goods	**583,987**	485,663
Franchise income	**3,589**	847
Licence income	**35,517**	31,340
Television programmes and content production income	**–**	150
Net return from performance events	**–**	117
	623,093	518,117

(b) Segment information

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

Specifically, the Group's operating and reportable segments under HKFRS 8 *Operating Segments* are as follows:

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

b. Sales operations for 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 2017 (unaudited)

	Reportable segments		
	Sales and franchising operations for gold and jewellery products in Mainland China	**Sales operations for gold and jewellery products in Hong Kong and Macau**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*
REVENUE			
External sales	**412,567**	**210,526**	**623,093**
RESULT			
Segment results	**24,514**	**3,906**	**28,420**
Other income			**4,972**
Unallocated staff related expenses			**(17,816)**
Other unallocated corporate expenses			**(6,931)**
Advertising, promotion and business development expenses			**(10,639)**
Change in fair value of derivatives embedded in convertible bonds			**3,638**
Exchange gain			**3,307**
Impairment loss on available-for-sale investments recognised			**(3,460)**
Finance costs			**(23,159)**
Loss before taxation			**(21,668)**
Taxation			**(4,999)**
Loss for the period			**(26,667)**

For the six months ended 31 December 2016 (unaudited)

	Reportable segments				
	Sales and franchising operations for gold and jewellery products in Mainland China	Sales operations for gold and jewellery products in Hong Kong and Macau	Total	Others *(Note)*	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE					
External sales	348,579	169,103	517,682	435	518,117
RESULT					
Segment results	38,790	(13,617)	25,173	(11,436)	13,737
Other income					5,392
Unallocated staff related expenses					(15,759)
Other unallocated corporate expenses					(8,602)
Advertising, promotion and business development expenses					(15,981)
Change in fair value of derivatives embedded in convertible bonds and share option					2,540
Exchange loss					(4,308)
Impairment loss on investment in a film recognised					(10,000)
Impairment loss on investment in an associate recognised					(3,000)
Finance costs					(21,538)
Share of result of an associate					(965)
Loss before taxation					(58,484)
Taxation					(7,331)
Loss for the period					(65,815)

Segment profit (loss) represents the profit (loss) of each segment without allocation of other income, advertising, promotion and business development expenses, corporate staff and directors' salaries, change in fair value of derivatives embedded in convertible bonds and share option, exchange gain (loss), impairment loss on available-for-sale investments recognised, impairment loss on investment in a film recognised, impairment loss on investment in an associate recognised, finance costs, share of result of an associate and taxation. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

Note: Others represent other operating segments that are not reportable, which include online marketing, e-commerce, entertainment business including film investments, management and production of concerts and concerts investments, entertainment events and television programmes and content production. The subsidiaries were disposed of during the year ended 30 June 2017 and accordingly there is no other segment presented in the six months ended 31 December 2017.

4. FINANCE COSTS

	Six months ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Interests on:		
Bank and other borrowings	**17,770**	10,609
Gold loans	**867**	3,067
Loan from a non-controlling shareholder of a subsidiary	**435**	202
Effective interest on convertible bonds *(note 14(a))*	**4,087**	7,660
	23,159	21,538

5. LOSS BEFORE TAXATION

	Six months ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Loss before taxation has been arrived at after charging (crediting):		
Change in fair value of gold loans (included in cost of sales)	**(539)**	(8,700)
Cost of inventories recognised as an expense	**428,005**	332,473
Depreciation of property, plant and equipment	**9,323**	9,493
Exchange (gain) loss, net	**(3,307)**	4,308
Loss on disposal of property, plant and equipment	**690**	376
Interest income	**(2,268)**	(3,213)
Operating lease rentals		
– contingent rental	**36,079**	34,227
– minimum lease payments	**26,356**	32,657

6. TAXATION

	Six months ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Current tax:		
PRC Enterprise Income Tax	**4,451**	2,472
Deferred taxation	**548**	4,859
	4,999	7,331

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 both periods as the Group incurred tax losses in Hong Kong.

Pursuant to the Enterprise Income Tax Law and Implementation Rules of the PRC, subsidiaries of the Company established in the PRC are subject to an income tax rate of 25% for both 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 each subsidiary's total revenue in a fiscal year.

No provision for the Macau Complementary Tax has been made as the assessable profits are fully absorbed by the tax loss carried forward from prior periods.

7. DIVIDENDS

The Board has resolved not to recommend an interim dividend in respect of the six months ended 31 December 2017 and 31 December 2016 to the holders of ordinary shares of the Company.

8. LOSS PER ORDINARY SHARE

	Six months ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Loss:		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per ordinary share	**(22,769)**	(44,509)

	'000	*'000*
	(Unaudited)	*(Unaudited)*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per ordinary share	**3,522,397**	3,522,394

Note: The computation of diluted loss per ordinary share did not assume the exercise of share options and bonus warrants because their exercise price is higher than the average share price, and the conversion of CB 2019 (as defined in note 14(a)) (six months ended 31 December 2016: CB 2019 and 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 2017	30 June 2017
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Deposits paid under non-current assets represent:		
Rental and utility deposits	**6,522**	5,722
Trade and other receivables and deposits paid under current assets comprise:		
Trade receivables	**109,471**	87,600
Less: allowance for doubtful debts	**(11,533)**	(11,533)
	97,938	76,067
Other receivables and deposits paid	**77,612**	48,224
	175,550	124,291

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

Included in other receivables and deposits paid as at 31 December 2017 is other receivables from a fellow subsidiary of a non-controlling shareholder of a subsidiary amounting to HK$549,000 (30 June 2017: HK$566,000).

The following is an aged analysis of trade receivables presented based on the invoice date, net of allowance, at the end of the reporting period.

	31 December 2017	30 June 2017
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
0-30 days	**83,942**	55,732
31-60 days	**7,676**	6,340
61-90 days	**1,540**	3,067
Over 90 days	**4,780**	10,928
	97,938	76,067

The allowance of doubtful debts of HK$11,533,000 (30 June 2017: HK$11,533,000) mainly relate to customers which are under liquidation or in severe financial difficulties. It was assessed that the amounts are unlikely to be recovered. The Group does not hold any collateral over these balances.

10. AVAILABLE-FOR-SALE INVESTMENTS

	31 December 2017	30 June 2017
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
A private entity *(Note (a))*	**–**	2,620
Equity investment listed in Hong Kong *(Note (b))*	**23,520**	24,360
	23,520	26,980

Notes:

(a) The amount as at 30 June 2017 represented equity investments in a private company that is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably. The balance was fully impaired during the six months ended 31 December 2017 (for the six months ended 31 December 2016: nil) taking into consideration of future operation of the investee.

(b) The listed investment is stated at its fair value, determined by reference to bid prices quoted in an active market. The management considered that the investment at the end of the reporting period is held for strategic purpose and is not to be disposed of in the foreseeable future. Impairment of HK$840,000 (six months ended 31 December 2016: nil) was provided as the management considered that the decrease in fair value is significant.

11. TRADE AND OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	31 December 2017	30 June 2017
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Trade payables	**87,384**	91,533
Deposits received from customers *(Note (a))*	**25,312**	16,185
Franchisee guarantee deposits *(Note (b))*	**47,251**	47,912
Other payables, accruals and other deposits	**121,520**	77,439
	281,467	233,069

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 2017 are trade payables to certain fellow subsidiaries of a non-controlling shareholder of a subsidiary amounting to HK$5,414,000 (30 June 2017: HK$26,185,000).

Included in franchisee guarantee deposits and other payables, accruals and other deposits as at 31 December 2017 are deposits received from and other payables to certain fellow subsidiaries of a non-controlling shareholder of a subsidiary amounting to HK$1,567,000 (30 June 2017: HK$1,392,000) and HK$1,805,000 (30 June 2017: HK$2,572,000) respectively.

Included in other payables, accruals and other deposits are service fee payable to a company in which a director of a subsidiary has beneficial interest amounting to HK$2,439,000 (30 June 2017: HK$2,477,000).

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

	31 December 2017	30 June 2017
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
0-30 days	**64,979**	35,360
31-60 days	**16,873**	16,250
61-90 days	**1,953**	11,257
Over 90 days	**3,579**	28,666
	87,384	91,533

12. 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 30 June 2017, the gold loan from a fellow subsidiary of a non-controlling shareholder of a subsidiary amounting to RMB73,737,000 (equivalent to HK$84,823,000) is unsecured, interest bearing at a fixed rate of 4.5% per annum and repayable on demand. Such gold loan was fully repaid in the current period.

The gain arising from change in fair value of gold loans of HK$539,000 (six months ended 31 December 2016: HK$8,700,000) has been recognised in profit or loss for the six months ended 31 December 2017. Fair values of the gold loans were determined by reference to the quoted bid prices of gold on the Shanghai Gold Exchange at the end of reporting period.

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

The loan from a non-controlling shareholder of a subsidiary is unsecured, interest-free and mutually agreed by the Group and the lenders not to be repaid within one year after the end of the reporting period, except for an amount of HK$43,190,000 (30 June 2017: HK$43,190,000) which is unsecured, interest bearing at 2% per annum and repayable in May 2018.

The loan from a shareholder is unsecured, interest-free and repayable on demand.

14. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS

(a) Convertible bonds

Convertible bonds due 2019 ("CB 2019")

The movement of the liability components of the CB 2019 for the current period are set out as below:

	HK$'000
At 1 July 2017	43,064
Coupon interest accrued at 1 July 2017 and included in other payables	823
Interest charged during the period	4,087
Coupon interest accrued at 31 December 2017 and included in other payables	(1,679)
At 31 December 2017	46,295

During the six months ended 31 December 2017 and 31 December 2016, the effective interest rates of CB 2019 were 18.38% and 19.47% per annum respectively.

(b) Derivative financial instruments

Derivatives embedded in CB 2019

The fair values of the embedded derivatives in CB 2019 at 30 June 2017 and 31 December 2017 are based on valuation carried out on those dates by an independent valuer. The change in fair value of HK$3,638,000 (for the six months ended 31 December 2016: HK$2,534,000) has been credited to profit or loss for the six months ended 31 December 2017.

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

	At 31 December 2017	At 30 June 2017
Share price	**HK$0.076**	HK$0.11
Exercise price	**HK$0.18**	HK$0.18
Expected dividend yield	**0.00%**	0.00%
Volatility	**43.14%**	42.14%
Risk free rate	**1.14%**	0.78%

15. SHARE CAPITAL

	Notes	Number of shares '000	Amount HK$'000
Authorised:			
Ordinary shares of HK$0.01 each			
At 1 July 2017		6,000,000	60,000
Increase on 10 August 2017	*(a)*	14,000,000	140,000
At 31 December 2017		20,000,000	200,000
Preference shares of HK$0.01 each			
At 1 July 2017 and 31 December 2017		3,000,000	30,000
Total:			
At 1 July 2017		9,000,000	90,000
At 31 December 2017		23,000,000	230,000
Ordinary shares issued and fully paid:			
Ordinary shares of HK$0.01 each			
At 1 July 2017		3,522,394	35,224
Exercise of warrants	*(b)*	3	–
At 31 December 2017		3,522,397	35,224

Notes:

(a) Pursuant to the ordinary resolution passed on 10 August 2017, the total authorised share capital of the Company was increased from HK$90,000,000 to HK$230,000,000, of which the authorised ordinary shares increased from HK$60,000,000 divided into 6,000,000,000 ordinary shares of par value HK$0.01 each to HK$200,000,000 by the creation of additional 14,000,000,000 ordinary shares of par value HK$0.01 each.

(b) During the period, the Company issued 3,000 (six months ended 31 December 2016: nil) ordinary shares of HK$0.01 at the exercise price of HK$0.245 per ordinary share upon exercise of the bonus warrants granted by the Company.

16. CAPITAL COMMITMENTS

	31 December 2017	30 June 2017
	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	**11,491**	919

17. PLEDGE OF ASSETS

As at 31 December 2017, the Group's bank deposits with carrying amounts of HK$756,864,000 (30 June 2017: HK$578,301,000) were pledged to banks as securities to obtain the banking facilities granted to the Group.

18. EVENTS AFTER THE REPORTING PERIOD

On 12 January 2018, subject to the acceptance of the grantees, 316,500,000 share options to subscribe for the shares were granted to eligible participants of the Company under the share option scheme adopted by the Company on 23 January 2009.

On 13 February 2018, the Company issued 300,000,000 ordinary shares by way of placing at a price of HK$0.08 per share.

OVERVIEW

The Group is principally engaged in trademark licensing and retailing for selling gold and jewellery products in Hong Kong, Macau and other regions ("**Mainland China**") in the People's Republic of China (the "**PRC**").

The anti-corruption drive and the tight money situation on the Mainland as well as the political disputes in Hong Kong have all taken their toll on consumer sentiment. High-priced gift and luxury items became slower to move. However, there has been a turnaround of tourist visitations from Mainland China and retail sales value in 2017. According to the Hong Kong Tourism Board, during the first eleven months of 2017, visitor arrivals from Mainland China have increased 4% over the same period last year. The retail value index for jewellery, watches & clocks, and valuable gifts as surveyed by the government has risen 5% for 2017. All this has impact on the performance of the Group during the Period. The Group recorded a turnover of approximately HK$623 million for the Period, representing an increase of 20% as compared to the turnover of approximately HK$518 million same period last year ("**Last Period**"). The loss for the period was approximately HK$27 million compared to the loss of approximately HK$66 million Last Period, representing a decrease of 59% and it is mainly attributable to (i) increase in turnover as a result of increment of 2 shops in Hong Kong and 17 shops and counters in Mainland China and an increase in overall same-store growth in Hong Kong and Macau as well as in Mainland China; (ii) decrease of selling expenses, general and administrative expenses and other expenses; (iii) absence of recognition of impairment loss on investment in a film for the six months ended 31 December 2017.

FINANCIAL REVIEW

Turnover from selling and franchising of gold and jewellery products in Mainland China have continued to be the major source of income, which accounted for 66% of turnover. The turnover of the Group for the Period amounted to HK$623 million (2016: HK$518 million), an increase of 20% from Last Period. In Mainland China, the Group recorded a turnover of HK$413 million, an increase of 18% from Last Period. The increase of turnover in Mainland China is attributable to opening of 49 new shops and counters and closing of 32 loss-making shops and counters in Mainland China. As a result of the opening of two new stores in Hong Kong, the Group recorded a turnover of HK$211 million, an increase of 25% from Last Period. The Group has recorded an increase in overall same-store growth of 18% (2016: decline of 15%), of which same-store-growth in Mainland China rose by 17% (2016: decline of 12%) and same-store-growth in Hong Kong and Macau rose by 8% (2016: decline of 25%).

The turnover has increased by 20% and the gross profit has increased by 4%, for the Period to HK$623 million and HK$196 million, respectively. Sales of the Group's principal products, gold products and gem-set jewellery accounted for 56% (2016: 59%) and 31% (2016: 25%), respectively of total turnover.

The Group's selling and distribution expenses have decreased to HK$147 million (2016: HK$153 million), whereas the percentage of total turnover has dropped to 24% (2016: 30%) this Period. Advertising and promotional expenses amounted to HK$10 million (2016: HK$14 million), equivalent to 1.6% (2016: 2.7%) of the total revenue. Rental expenses amounted to HK$60 million (2016: HK$64 million), representing 10% (2016: 12%) of total revenue. The rental reduction was generally in line with the market trend, yet the percentage to turnover remained at a relatively low level.

The Group's general and administrative expenses have decreased by HK$5 million to HK$51 million (2016: HK$56 million). The Group has implemented cost control measures so as to reduce the general and administrative expenses.

The Group's other expenses and other gains and losses have decreased by HK$9 million from HK$11 million to HK$2 million. It is mainly attributable to inclusion of exchange loss of HK$4 million Last Period and it has turned to exchange gain of HK$3 million this Period.

INERIM DIVIDEND

The Board has resolved not to recommend an interim dividend in respect of the six months ended 31 December 2017 to the holders of ordinary shares of the Company.

BUSINESS REVIEW

Turnover from the Hong Kong and Macau retail operations has reached HK$210 million (2016: HK$169 million) and HK$413 million (2016: HK$349 million) from the Mainland China operations. The increase in turnover for the Period was mainly due to the increase of 2 shops in Hong Kong and 17 shops and counters in Mainland China.

As at 31 December 2017, the Group has nine points-of-sale in Hong Kong, two points-of-sale in Macau and 362 points-of-sale in Mainland China under the brand name "3D-GOLD." Of the points-of-sale in Mainland China, 81 are self-operated points-of-sale and 281 are licensee points-of-sale. During the Period, 49 new shops and counters have opened in Mainland China and 32 loss-making shops and counters were closed.

The Group's self-operated points-of-sale are located at department stores or shopping malls within prime shopping districts in Mainland China and most of them are subject to turnover-based rent. The Hong Kong and Macau operations are, on the other hand, subject to fixed rentals, with some of the lease arrangements committed to paying either minimum guaranteed amounts or monthly payments in the amounts equivalent to a certain prescribed percentage of monthly sales as rental payments, whichever is higher. Management is currently engaged in negotiations with individual landlords to maintain the effective rentals at a reasonable level.

The Group's strategy in Mainland China is to continue to focus on the growth of licensee stores. This model gives the Group the option to leverage the capital, local knowledge and premises of its licensees: a flexible and fast roll out strategy that requires minimal capital outlay from the Group. This model enables the management to make critical decisions at times of market changes with minimal adverse impact on the Group.

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

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

Products and Design

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

During the Period, the Group has enlarged its product portfolio to capture different market segments. Newly launched products include:

- "Love Rhythm" Jewellery Collection; (「牽動愛」鑽飾系列)
- "Love Pulse" Jewellery Collection; (「躍動 • 愛」鑽飾系列)
- "Spellbound" Collection; (「醉迷人」系列)
- "3D-GOLD x Peter Rabbit™" Pure Gold Enamel Pendant Collection; (「3D-GOLD x Peter Rabbit™(比得兔™)」硬金珐瑯彩吊墜系列)
- Pure Gold Gifts Collection; (「應年生肖黃金精品」系列)
- "Starry Shimmer" Jewellery Collection; (「閃醉」鑽飾系列)
- "Love Lane" Collection; (「路路愛」系列)
- "Happiness in Hand" Wedding Band Collection; (「幸福牽手」婚嫁對戒系列)
- "Pure Gold Wedding" Collection (「金妝花嫁」足金婚嫁系列)

Marketing and Promotion

The Group strongly believes in the value of a strong brand. A strong jewellery brand means trust worthiness, quality and design; trust facilitates the buying decision. The Group continues to promote the "3D-GOLD" brand through a comprehensive marketing programme and to present a corporate image of superior quality.

The Group's marketing programme includes sponsorships and exhibitions as follows:

- Organized a "2017 Brand Licensee Business Seminar" in Shenzhen of PRC;
- Organized a "2017 Brand Product Roadshow" at the Headquarter of Hang Seng Bank in HK
- Organized the "Luxurious Jewellery Tour" in Xian and Tianjin of PRC respectively
- Participated in both 2017 Summer & Winter China Wedding Expos in Guangzhou of PRC

– Organized the “3D-GOLD x Peter Rabbit™ Roadshow” in various cities of PRC

– Organized the “3D-GOLD x Xiaohongchun App” Pop-up Stores

Awards and Achievements

The Group has also achieved industry awards as recognition of its efforts in promoting service excellence, industry best practice and its contributions to the jewellery retail sector.

– “Charter on External Lighting-Gold Award” (「戶外燈光約章 – 金獎」)

– “Q-Mark Elite Brand Award 2017 (Jewellery & Watch)” (「2017 Q嘜人氣品牌大獎(鐘錶珠寶類別)」)

– “CEO of the Year 2017” by Capital Entrepreneur (「年度傑出CEO大獎2017」)

– “TVB Weekly Jewellery Brand Award 2017” (「TVB週刊人氣珠寶品牌大獎2017」)

OUTLOOK

The Group is positive about the business outlook in the medium-to-long run, despite short-term market volatility. Mainland China continues to be our major market. It remains one of the fastest-growing economies in the world and buttresses the Group’s optimistic business outlook in the medium-to-long run.

The management remains optimistic to improve its business performance. The strategic direction the Group has taken is aimed at restoring its long-term sustainable growth and profitability. The market volatility, however, may result in uncertainty for its short-term performance. The Group will continue to enhance the operational and process controls, improve its brand positioning, assist its franchisees to improve profitability, introduce products with higher gross profit margins, and maintain effective cost controls.

The Group will explore new business opportunities to diversify its business base and generate additional revenue. During the Period, the Group has set up a new business of fine gold processing to manufacture fine gold jewellery products. If the fine gold processing business is in full operation, it is expected to generate more revenue and generate cash flow for the Group. It is also the Group’s intention to reduce liabilities and benefit our shareholders and investors in long term.

OTHERS

Liquidity, Financial Resources and Capital Structure

The Group centralises funding for all its operations through the corporate treasury based in Hong Kong. As at 31 December 2017, the Group had total cash and cash equivalents amounting to HK$892 million (30 June 2017: HK$693 million) whilst total net assets were HK$206 million (30 June 2017: HK$218 million). The Group's net gearing ratio as at 31 December 2017 was 396% (30 June 2017: 317%), being a ratio of total borrowing of HK$1,707 million (30 June 2017: HK$1,383 million) less pledged bank deposits and bank balances and cash of HK$892 million (30 June 2017: HK$693 million) to total equity of HK$206 million (30 June 2017: HK$218 million). After taking into account the gold inventories of HK$368 million (30 June 2017: HK$308 million), the Group's adjusted net gearing ratio as at 31 December 2017 was 217% (30 June 2017: 175%), being a ratio of total borrowing less pledged bank deposits, bank balances and cash and gold inventories to total equity. As at 31 December 2017, the Group has available unutilised revolving banking facilities of HK$95 million (30 June 2017: HK$76 million).

Capital Commitments

Capital commitments of the Group as at 31 December 2017 are set out in note 16.

Pledged Assets and Contingent Liabilities

Pledged assets of the Group as at 31 December 2017 are set out in note 17. The Group did not have any material contingent liabilities as at 31 December 2017.

Event after the end of the reporting period

On 12 January 2018, subject to the acceptance of the grantees, 316,500,000 share options to subscribe for the shares were granted to eligible participants of the Company under the share option scheme adopted by the Company on 23 January 2009.

On 13 February 2018, the Company issued 300,000,000 ordinary shares by way of placing at a price of HK$0.08 per share.

Financial Risk and Exposure

Except for the financial derivatives set out in notes 14, the Group did not have any outstanding material foreign exchange contracts, interest or currency swaps, or other financial derivatives as at 31 December 2017.

Employees and Remuneration Policy

As at 31 December 2017, the Group had 1,377 employees (30 June 2017: 1,330). The Group's remuneration policy is periodically reviewed by the Remuneration Committee and the Board. Remuneration is determined by reference to market conditions, company performance, and individual qualifications and performance.

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 in the 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 has 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. Mrs. Wong Chew Li Chin resigned as the chairman of the Company on 31 May 2017. Mr. Wu Xiaolin was appointed as an executive Director on 31 May 2017, and has then taken up the role of chief executive of the Company. The Company has not appointed the chairman upon the resignation of Mrs. Wong Chew Li Chin, and Mr. Wu Xiaolin has been assuming the roles of chairman of the Company. The Board is of the view that vesting the roles of chairman and chief executive in Mr. Wu Xiaolin during the Period provided the Group with strong and consistent leadership and allowed for more effective and efficient business planning and decisions as well as execution of long term business strategies. Mr. Xu Zhigang was appointed as an executive Director and chief executive officer of the Company with effect from 14 February 2018.

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 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 comprises three independent non-executive directors, namely, Dr. Loke Yu alias Loke Hoi Lam, Mr. Xu Xiaoping and Mr. Fan, Anthony Ren Da.

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 2017 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and made available on the above websites in due course.

By order of the Board of
Hong Kong Resources Holdings Company Limited
Mr. Xu Zhigang
Executive Director & Chief Executive Officer

Hong Kong, 27 February 2018

As at the date of this announcement, the Board comprises Mr. Lam Kwok Hing, Wilfred, J.P., Mr. Wu Xiaolin, Mr. Xu Zhigang (Chief Executive Officer), Mr. Zhao Jianguo and Ms. Dai Wei as executive Directors and Dr. Loke Yu alias Loke Hoi Lam, Mr. Xu Xiaoping and Mr. Fan, Anthony Ren Da as independent non-executive Directors.