

Interim Report
2011
The Golden
Thread



Contents

Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	4
Other Information	9
Report on Review of Interim Financial Information	14

INTERIM FINANCIAL STATEMENTS:

Condensed Consolidated Statement of Comprehensive Income	15
Condensed Consolidated Statement of Financial Position	16
Condensed Consolidated Statement of Changes in Equity	17
Condensed Consolidated Statement of Cash Flows	19
Notes to the Condensed Consolidated Financial Statements	20

Mission

Hong Kong Resources Holdings Company Limited aims at growing into an integrated resources-development company of scale, from mining to retailing. We continue to seek opportunities, both upstream and downstream, in precious metals (gold, silver) and beyond.

Corporate Information

DIRECTORS

Executive Directors

Dr. Wong, Kennedy Ying Ho^{b, c}, BBS, J.P., *Chairman*
Mr. Chui Chuen Shun^b
Dr. Hui Ho Ming, Herbert, J.P.
Mr. Mung Kin Keung
Dr. Liu Wang Zhi (*appointed on 12 July 2010*)

Non-executive Directors

Mr. Yin Richard Yingneng^c (*resigned on 19 July 2010*)
Mr. Kung Ho^c (*appointed on 13 April 2010*)

Independent Non-executive Directors

Mr. Fan, Anthony Ren Da^{a, b, c}
Ms. Estella Yi Kum Ng^{a, b, c}
Mr. Wong Kam Wing^{a, b, c}

^a Member of the Audit Committee
^b Member of the Remuneration Committee
^c Member of the Nomination Committee

COMPANY SECRETARY

Mr. Michael Sui Wah Wong

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton, HM11
Bermuda

PRINCIPAL OFFICE IN HONG KONG

Rooms 1402-03, 14th Floor
Admiralty Centre, Tower 2
18 Harcourt Road
Hong Kong

PRINCIPAL BANKER

Shanghai Commercial Bank Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudian Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

STOCK CODE

2882

WEBSITE

www.hkrh.hk

Chairman's Statement

Year 2010 was a year of establishing the solid infrastructure for the Group to capture market opportunities ahead. The Group has opened the 3D-GOLD's operations headquarters in Shenzhen in September 2010 and seven regional offices in Mainland China over this period.

This solid foundation, despite the costs, has provided great support to the growth of the Group's retail network, reaching 314 points-of-sales in Hong Kong, Macau and Mainland China under the brand "3D-GOLD" and "La Milky Way" at 31 March 2011. The turnover for the first quarter of 2011, which covered the Chinese New Year and the Valentine's Day, achieved remarkable growth of 46% compared with the same period of 2010 and our single-day sales under the "3D-GOLD" brand reached a record high on Valentine's Day this year. This infrastructure will continue to support the Group's strategic plan of adding 100 new points-of-sale each year, to reach a total of 500 by 2012 and 800 by 2015. In April 2011, the Group has opened its flagship store at 99 Nathan Road, Tsim Sha Tsui, Hong Kong.

Going forward, inspired by market potential and increasing popularity of corporate gifts in China, the Group has expanded into the corporate gift market, while continuing on the five-year strategic plan for our retail network. The Group has appointed Mr. Eric Tsang as the worldwide spokesperson for 3D-GOLD's corporate gifts, in addition to 3D-GOLD's spokeswoman Ms. Kelly Chen. The prominent profiles of our spokespersons are expected to promote our product series while strengthening our brand image.

At the same time, the Group has launched its e-commerce platform "Taozhizun" to capture the fast emerging cyber market in Mainland China by broadening the sales channel.

The growth in the Mainland China economy has continued to stimulate domestic consumption as reflected by the rapid growth of the retail sales of gold and silver jewellery. Nonetheless we are mindful of factors which may adversely affect the world and domestic economy; as well as our operations. Our development plan combines vision and prudence.

On behalf of the Board, I would like to express our appreciation to the management team and staff of the Group for their contribution; we also convey our gratitude to all our shareholders for their continuous support. As always, we strive to create greater value for our shareholders and investors in the year ahead.

Dr. Wong, Kennedy Ying Ho, BBS J.P.
Chairman

Hong Kong, 31 May 2011



Management Discussion and Analysis

The board of directors (the **"Board"**) of Hong Kong Resources Holdings Company Limited (the **"Company"**) is pleased to announce the unaudited second interim results of the Company and its subsidiaries (collectively the **"Group"**) for the twelve months ended 31 March 2011 (the **"Period"**).

CHANGE OF FINANCIAL YEAR

On 30 November 2010, the board of directors resolved to change the financial year end date of the Company from 31 March to 30 June to consistent with the business and marketing of the Group. Accordingly, the current financial year covers the period from 1 April 2010 to 30 Jun 2011, the Company has prepared the first interim results for the six months period from 1 April 2010 to 30 September 2010, and the second interim results for the twelve months period from 1 April 2010 to 31 March 2011, and will prepare the audited annual results for the fifteen months period from 1 April 2010 to 30 June 2011.

OVERVIEW

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

The Group's growth momentum has continued since 2009. For the Period, the Group has recorded a turnover of approximately HK\$2,451 million, representing an increase of 90% increased from the same period last year (2010: HK\$ HK\$1,290 million). The profit from operations of HK\$83 million for the Period has increased 60% compared to the same period last year (2010: HK\$52 million).

The increase in the Group's turnover, gross profit and profit from operations has mainly resulted from retailing and franchising of gold and jewellery products; for the same period in 2009, the contribution was from the completion of the 3D-GOLD Acquisition (as defined in 2010 Annual Report) in July 2009, which represented eight months of retailing and franchising operations.

The Group recorded a significant growth throughout the Period as a result of our substantial investment in brand development programme. The Group's Hong Kong and Macau markets recovered significantly since the 3D-GOLD Acquisition by the Group, with same-store-growth of 65% whereas the same for Mainland China was 29% for our self operated points of sales when compared with the same period under the management since the completion of 3D-GOLD Acquisition.

To capture the vast growing market in Mainland China, apart from acquiring the remaining 40% equity interest in China Gold Silver Group Company Limited in May 2010, The Group has, through significant investment, opened an operations headquarters in Shenzhen in September 2010, as well as seven regional offices. The Shenzhen headquarters occupies a floor area of 10,000 square meters, including a spacious area designed to showcase a wide range of jewellery series, providing a one stop viewing opportunity for franchisees. The associated capital expenditure spent on the headquarters amounted to HK\$22 million while HK\$4 million was spent on the grand opening ceremony.

The profit for the year attributable to owners of the Company amounted to HK\$30 million (2010: HK\$114 million), after deducting finance costs, fair value changes in financial instruments and gold loans and share of results of associates. In addition, management focus on achieving lower financing costs, which are expected to improve with the results of the Group.

INTERIM DIVIDEND

The Board has resolved not to declare any second interim dividend in respect of the twelve months ended 31 March 2011 to both the holders of ordinary shares and preference shares of the Company.

BUSINESS REVIEW AND PROSPECTS

Business Review

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 approximately HK\$330 million, and approximately HK\$2,113 million from the Mainland China operation.

During the Period, 90 new shops and counters opened in Hong Kong, Macau and Mainland China. As at 31 March 2011, the Group has 8 points-of-sale in Hong Kong, 2 points of sale in Macau and 286 points-of-sale in the Mainland China under the brandname "3D-GOLD", plus 2 points-of-sale in Hong Kong and 16 points-of-sale in Mainland China under the brandname "La Milky Way". Of the points-of-sale in the Mainland China, 133 are self operated and 169 are franchised.

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

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. With promising market potential and increase in popularity of corporate gifts in China, the Group has expanded into the corporate gift market, in addition to the Group's diversification to the physical gold market, leveraging on the existing networks of the Agricultural Bank of China Limited ("ABC") pursuant to a cooperation agreement entered into with ABC in October 2009.

The Group has also planned to allocate more resources to the selling of fine jewellery to advance our image and product range for greater returns. In April 2011, the Group has opened its flagship store in 99 Nathan Road, Tsim Sha Tsui, Hong Kong.

Brand Recognition and Marketing Programme

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

Also in September this year, the group and the World Gold Council launched a new product series, "2010 Only Gold Love Series" (唯有金2010傳情至愛系列). In this collaboration, 3D-GOLD has become the official retailer of "Only Gold" in China, and also the only jewellery brand to distribute the "2010 Only Gold Love Series" available at its points of sales in Mainland China, Hong Kong and Macau, further boosting the brand awareness of 3D-GOLD.

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

A new flagship store was opened in Tsim Sha Tsui, Hong Kong in early 2011.

The Group has also appointed Mr. Eric Tsang as the worldwide spokesman for 3D-GOLD's corporate gifts, in addition to 3D-GOLD's spokeswoman Ms. Kelly Chen. The prominent profiles of our spokespersons are expected to promote our product series while strengthening our brand image.

Prospects

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

In addition, total visitors arrival to Hong Kong in March 2011 reached 3.19 million marking an increment of 13.9%, a cumulative increase of 12.6% from January to March 2011. The prospects of the Hong Kong jewellery market continue to be positive.

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

The Acquisition Proposal for 3D-GOLD Jewellery Holdings Limited (Provisional Liquidators Appointed) (Subject to Scheme of Arrangement) ("3D-GOLD PLA") (Stock Code: 870)

To facilitate the resumption of trading of shares of 3D-GOLD PLA on the Stock Exchange (the "**Resumption**"), The Group, 3D-GOLD PLA, the provisional liquidators of 3D-GOLD PLA (the "**Provisional Liquidators**") and Deloitte Touche Tohmatsu, as escrow agent, entered into an exclusivity and escrow agreement (the "**Exclusivity and Escrow Agreement**") with two new investors (the "**Investors**") and two guarantors on 16 May 2011.

The Investors have submitted a draft restructuring plan setting out certain major terms in connection with the restructuring of 3D-GOLD PLA (the "**Restructuring Proposal**"). The Provisional Liquidators have found the Restructuring Proposal to be worthy of their consideration and agree to grant the Investors exclusivity on the terms set out in the Exclusivity and Escrow Agreement against the Investors' agreeing to the terms set out therein.

Under the Exclusivity and Escrow Agreement, the Group will not take any action or be involved in connection with the Restructuring Proposal and will be a passive investor and will subscribe such number of new shares representing not more than 13.49% of the entire issued share capital of 3D-GOLD PLA immediately upon completion of the Resumption in accordance with such terms and conditions to be agreed between 3D-GOLD PLA, the Provisional Liquidators, the Investors and accepted by the Stock Exchange, the Securities and Futures Commission of Hong Kong and other regulatory authorities.

Further details are set out in the announcement dated 16 May 2011 made by the Company.

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 March 2011, the Group had total cash and cash equivalents amounting to HK\$180 million (31 March 2010: HK\$156 million) whilst total net assets was HK\$601 million (31 March 2010: HK\$686 million). The Group's net gearing ratio as at 31 March 2011 was 91% (31 March 2010: 16%), being a ratio of total borrowing of HK\$729 million (31 March 2010: HK\$266 million) less pledged bank deposit and bank balances and cash of HK\$180 million (31 March 2010: HK\$156 million) to total equity of HK\$601 million (31 March 2010: HK\$686 million).

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

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

Contingencies and Commitments

Contingencies and commitments of the Group as at 31 March 2011 are set out in notes 21 and 22 to the financial statements.

Charge on Assets

As at 31 March 2011, the Group's inventories and bank deposits with a carrying amount of HK\$238,010,000 and HK\$35,702,000 (31 March 2010: HK\$138,885,000 and Nil) respectively were pledged to banks as securities to obtain the banking facilities granted to a subsidiary of the Group.

Financial Risk and Exposure

Except for the financial derivatives set out in note 18 to the financial statements, the Group did not have any outstanding material foreign exchange contracts, interest or currency swaps, or other financial derivatives as at 31 March 2011.

Employees and Remuneration Policy

As at 31 March 2011, the Group had 2,322 employees (31 March 2010: 2,117). The Group's remuneration policy is periodically reviewed by the Remuneration Committee and the Board. Remuneration is determined by reference to market terms, company performance, and individual qualifications and performance.

Anhui Beijing Chongqing Gansu Guangdong Guangxi
Hainan Hebei Heilongjiang Henan Hong Kong Hubei
Hunan Inner Mongolia Jiangsu Jilin Liaoning Macau
Ningxia Qinghai Shanxi Shandong Shanghai Shaanxi
Tianjin Xinjiang Yunnan Zhejiang

Over

290 shops in China



DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 March 2011, the interests and short positions of the directors and chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follow:

(a) Long positions in shares

Name of director	Number of ordinary shares			% of issued ordinary shares
	Personal interests	Corporate interests	Total	
Executive Directors				
Dr. Wong, Kennedy Ying Ho	4,574,373	705,564,805 (Note a)	710,139,178	36.06%
Mr. Chui Chuen Shun	1,085,900	—	1,085,900	0.06%
Dr. Hui Ho Ming, Herbert	19,271,900	—	19,271,900	0.98%
Mr. Mung Kin Keung	4,517,000	—	4,517,000	0.23%
Dr. Liu Wang Zhi	15,556,000	156,874,847 (Note b)	172,430,847	8.76%
Non-executive Director				
Mr. Kung Ho	72,000	—	72,000	0.00%
Independent Non-executive Directors				
Mr. Fan, Anthony Ren Da	—	—	—	—
Ms. Estella Yi Kum Ng	—	—	—	—
Mr. Wong Kam Wing	3,790	—	3,790	0.00%

Notes:

- Of the 705,564,805 shares, 646,761,055 shares are held by Perfect Ace Investments Limited ("Perfect Ace") and 58,803,750 shares are held by Limin Corporation. Perfect Ace is wholly-owned by Ying Ho (Nominees) Limited ("YH Nominees"). YH Nominees holds 100% in trust for Limin Corporation which is wholly-owned by Dr. Wong, Kennedy Ying Ho ("Dr. Wong").
- The shares are held by Ming Feng Group Holdings Limited ("Ming Feng"). Ming Feng is owned as to 49% by Ms. Chan Yangfang ("Ms. Chan"), the spouse of Dr. Liu Wang Zhi ("Dr. Liu") and 51% by Dr. Liu. Ms. Chan holds the 49% shares in trust for Dr. Liu. As such, Dr. Liu deems to have interest in all the shares in Ming Feng.

(b) Long positions in underlying shares of equity derivatives of the Company

Name of director	Capacity	Number of Shares interested	% of shareholding
Executive Directors			
Dr. Wong, Kennedy Ying Ho	Controlled corporation (Note a)	403,374	0.02%
	Beneficial owner (Note b)	1,000,000	0.05%
Mr. Chui Chuen Shun	Controlled corporation (Note c)	10,126,582	0.51%
	Beneficial owner (Note b)	1,000,000	0.05%
Dr. Hui Ho Ming, Herbert	Beneficial owner (Note b)	1,000,000	0.05%
	Beneficial owner (Note c)	5,063,291	0.26%
Mr. Mung Kin Keung	Beneficial owner (Note b)	1,000,000	0.05%
Dr. Liu Wang Zhi	Beneficial owner (Note b)	1,000,000	0.05%
	Beneficial owner (Note c)	10,126,582	0.51%
Non-executive Director			
Mr. Kung Ho	Beneficial owner (Note b)	1,000,000	0.05%
Independent Non-executive Directors			
Mr. Fan, Anthony Ren Da	Beneficial owner (Note b)	551,970	0.03%
Ms. Estella Yi Kum Ng	Beneficial owner (Note b)	551,970	0.03%
Mr. Wong Kam Wing	Beneficial owner (Note b)	100,000	0.01%

Notes:

- (a) These derivatives are convertible preference shares of the Company. Dr. Wong was deemed to be interested in 403,374 convertible preference shares through his controlling interests in Perfect Ace and Limin Corporation. Of the 403,374 convertible preference shares, 3,374 and 400,000 convertible preference shares are held by Perfect Ace and Limin Corporation respectively. Each preference share is convertible to one ordinary share of the Company at any time from a date not earlier than one year from 3 October 2008.
- (b) All interests above are in the form of share options of the Company.
- (c) All interests above are in the form of convertible bonds convertible into ordinary shares of the Company.

Saved as disclosed above, none of the directors, chief executives nor their associates had any interests or short positions in any shares or debentures of the Company or any of its associated corporation at 31 March 2011.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2011, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company.

(a) Long positions in shares of the Company

Name of substantial shareholder	Capacity	Number of issued ordinary shares held	% of issued ordinary shares
Perfect Ace Investments Limited	Beneficial owner (Note a)	641,761,055	32.59%
Limin Corporation	Beneficial owner (Note a)	58,803,750	2.99%
Savona Limited	Beneficial owner (Note b)	101,250,000	5.14%
Dr. Liu Wang Zhi	Corporate interest (Note c)	156,874,847	7.96%
	Beneficial owner	15,556,000	0.79%

Notes:

- (a) Please refer to the corporate interests of Dr. Wong in the Company as disclosed under "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" section above.
- (b) Savona Limited is wholly-owned by Chime Corporation Limited, which is owned as to 99.69% by the Estate of Nina Kung, also known as Nina T.H. Wang.
- (c) Please refer to the corporate interests of Dr. Liu in the Company as disclosed under "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" section above.

(b) Long positions in underlying shares of equity derivatives of the Company

Name of substantial shareholder	Capacity	Number of shares interested	% of shareholding
Perfect Ace Investments Limited	Beneficial owner (Notes a & b)	3,374	0.00%
Limin Corporation	Beneficial owner (Notes a & b)	400,000	0.02%
	Beneficial owner (Note c)	10,126,582	0.51%
Diamond Season Limited	Beneficial owner (Notes c & d)	75,949,367	3.85%

Notes:

- (a) Each preference share is convertible to one ordinary share of the Company at any time from a date not earlier than one year from 3 October 2008.
- (b) Please refer to the convertible preference shares in the Company held by Dr. Wong as disclosed under the "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" section above.
- (c) All interests above are in the form of convertible bonds convertible into ordinary shares of the Company.
- (d) Diamond Season Limited is wholly-owned by Rightwood Enterprises Inc., which is wholly-owned by the Estate of Nina Kung, also known as Nina T.H. Wang.

Saved as disclosed above, the Company had not been notified of any other relevant interests or short positions in the issued share capital of the Company at 31 March 2011.

SHARE OPTIONS

The Company adopted a share option scheme on 23 January 2009 for the purpose of providing incentives or rewards to eligible persons for their contribution or potential contribution to the Group. Eligible persons including but not limited to the Group's shareholders, directors, employees, business partners, customers and suppliers.

Particulars of the Company's share option scheme are set out in note 20 to the financial statements.

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.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

Code Provision A.4.1 stipulated that the non-executive directors should be appointed for a specific term and be subject to re-election. The Company has not fixed the terms 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 that the Company's corporate governance practices are no less exacting than those in the Code Provision.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

By Order of the Board

Hong Kong Resources Holdings Company Limited

Dr. Wong, Kennedy Ying Ho, BBS, J.P.

Chairman

Hong Kong, 31 May 2011

Report on Review of Interim Financial Information



**To the Board of Directors of
HONG KONG RESOURCES HOLDINGS COMPANY LIMITED**
(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 15 to 46, which comprises the condensed consolidated statement of financial position of Hong Kong Resources Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 31 March 2011 and the related condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the twelve-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the condensed consolidated statements of comprehensive income for each of the six-month periods ended 31 March 2011 and 31 March 2010 and the relevant explanatory notes disclosed in the interim financial information have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
31 May 2011

Condensed Consolidated Statement of Comprehensive Income

For the twelve months ended 31 March 2011

	Notes	Twelve months ended 31 March		Six months ended 31 March	
		2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Restated and audited)	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Turnover	5	2,450,603	1,290,110	1,400,703	975,350
Cost of sales		(1,879,152)	(942,125)	(1,084,210)	(705,839)
Gross profit		571,451	347,985	316,493	269,511
Other income		14,332	3,682	5,933	1,278
Selling expenses		(353,083)	(196,211)	(204,265)	(157,638)
General and administrative expenses		(123,317)	(83,670)	(68,353)	(52,833)
Equity-settled share-based payments	20(b)	(7,304)	(4,199)	(1,004)	1,054
Other operating expenses		(18,738)	(15,561)	(6,720)	(12,468)
Profit from operations		83,341	52,026	42,084	48,904
Changes in fair value of derivative financial instruments and gold loan	6	15,765	–	27,766	–
Finance costs	7	(40,691)	(8,104)	(26,155)	(5,661)
Discount on acquisition of business		–	184,871	–	3,021
Share of results of associates		(3,000)	–	(1,209)	–
Profit before taxation	8	55,415	228,793	42,486	46,264
Taxation	9	(25,381)	(21,247)	(19,804)	(15,768)
Profit for the period		30,034	207,546	22,682	30,496
Other comprehensive income: Exchange difference arising on translation		24,757	–	16,165	–
Total comprehensive income for the period		54,791	207,546	38,847	30,496
Profit for the period attributable to:					
Owners of the Company		29,959	113,803	22,682	14,732
Non-controlling interests		75	93,743	–	15,764
		30,034	207,546	22,682	30,496
Total comprehensive income for the period attributable to:					
Owners of the Company		54,716	113,803	38,847	14,732
Non-controlling interests		75	93,743	–	15,764
		54,791	207,546	38,847	30,496
Earnings per ordinary share	11				
Basic		HK\$0.016	HK\$0.120	HK\$0.012	HK\$0.011
Diluted		HK\$0.015	HK\$0.067	HK\$0.005	HK\$0.009

Condensed Consolidated Statement of Financial Position

As at 31 March 2011

	Notes	31 March 2011 HK\$'000 (Unaudited)	31 March 2010 HK\$'000 (Restated and audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	73,755	41,811
Deposit for acquisition of property, plant and equipment		–	10,349
Intangible assets	13	168,066	168,066
Interests in associates		–	–
		241,821	220,226
Current assets			
Inventories		926,958	734,755
Trade and other receivables and deposits paid	14	285,455	127,850
Pledged bank deposit	23	35,702	–
Bank balances and cash		144,197	156,260
		1,392,312	1,018,865
Current liabilities			
Trade and other payables, accruals and deposits received	15	233,934	223,759
Amounts due to non-controlling shareholders of a subsidiary	16	–	48,183
Derivative financial instruments	18	6,109	–
Obligations under finance leases		422	–
Bank and other borrowings	17	360,505	217,955
Tax liabilities		24,311	19,770
		625,281	509,667
Net current assets		767,031	509,198
Total assets less current liabilities		1,008,852	729,424
Non-current liabilities			
Bank and other borrowings	17	40,000	–
Convertible bonds	18	327,192	–
Obligations under finance leases		655	–
Deferred tax liabilities		39,968	42,976
		407,815	42,976
NET ASSETS		601,037	686,448
CAPITAL AND RESERVES			
Share capital	19	19,696	17,274
Reserves		581,341	442,562
Equity attributable to owners of the Company		601,037	459,836
Non-controlling interests		–	226,612
TOTAL EQUITY		601,037	686,448

Condensed Consolidated Statement of Changes in Equity

For the twelve months ended 31 March 2011

	Attributable to owners of the Company										Non-controlling interests	Total
	Ordinary share capital HK\$'000	Preference share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Other reserve HK\$'000 (note a)	Share option reserve HK\$'000	Exchange reserve HK\$'000	PRC statutory reserve HK\$'000 (note b)	(Accumulated losses) retained earnings HK\$'000	Total HK\$'000		
At 1 April 2009 (audited)	5,304	10,710	248,724	-	-	2,915	-	-	(84,797)	182,856	32,902	215,758
Profit for the period and total comprehensive income for the period (restated)	-	-	-	-	-	-	-	-	113,803	113,803	93,743	207,546
Issue of ordinary shares, net of transaction costs	1,200	-	173,338	-	-	-	-	-	-	174,538	-	174,538
Equity-settled share-based payments and exercise of share options	60	-	1,987	-	-	5,127	-	-	-	7,174	-	7,174
Conversion of preference shares	9,206	(9,206)	-	-	-	-	-	-	-	-	-	-
Transfer between reserves	-	-	-	-	-	-	-	2,051	(2,051)	-	-	-
Capital reduction (note c)	-	-	(200,000)	84,697	-	-	-	-	115,303	-	-	-
Dividends (note 10)	-	-	-	(18,535)	-	-	-	-	-	(18,535)	-	(18,535)
Contribution from a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	-	99,967	99,967
At 31 March 2010 (restated and audited)	15,770	1,504	224,049	66,162	-	8,042	-	2,051	142,258	459,836	226,612	686,448
Profit for the period	-	-	-	-	-	-	-	-	29,959	29,959	75	30,034
Other comprehensive income for the period	-	-	-	-	-	-	24,757	-	-	24,757	-	24,757
Total comprehensive income for the period	-	-	-	-	-	-	24,757	-	29,959	54,716	75	54,791
Conversion of preference shares	1,500	(1,500)	-	-	-	-	-	-	-	-	-	-
Bonus issue	197	-	(197)	-	-	-	-	-	-	-	-	-
Acquisition of additional interest in a subsidiary (notes 2 and d)	2,225	-	304,767	-	(213,605)	-	-	-	-	93,387	(226,687)	(133,300)
Transaction costs arising from acquisition of additional interest in a subsidiary	-	-	(7,313)	-	-	-	-	-	-	(7,313)	-	(7,313)
Transfer between reserves	-	-	-	-	-	-	-	7,319	(7,319)	-	-	-
Equity-settled share-based payments	-	-	-	-	-	7,304	-	-	-	7,304	-	7,304
Dividends (note 10)	-	-	-	(6,893)	-	-	-	-	-	(6,893)	-	(6,893)
At 31 March 2011 (unaudited)	19,692	4	521,306	59,269	(213,605)	15,346	24,757	9,370	164,898	601,037	-	601,037

Condensed Consolidated Statement of Changes in Equity

For the twelve months ended 31 March 2011

Notes:

- (a) Other reserve represents the difference between the fair value of the consideration paid and the carrying value of the net assets attributable to the additional interest in China Gold Silver (as defined in note 2) being acquired from the non-controlling interests.
- (b) People's Republic of China (the "PRC") statutory reserve of the Group represents general and development fund reserve applicable to the PRC subsidiary which was established in accordance with the relevant regulations.
- (c) Pursuant to a special resolution passed at a special general meeting held on 3 February 2010, the credit balance in the share premium account of approximately HK\$200 million was transferred to contributed surplus and accumulated losses. Details of this transaction are set out in the Company's circular dated 7 January 2010.
- (d) The fair value of the ordinary shares of the Company issued in connection with the acquisition of additional interest in China Gold Silver was HK\$1.38 per share, which was determined based on the quoted market price of the ordinary shares at the date when the shares were issued.

Condensed Consolidated Statement of Cash Flows

For the twelve months ended 31 March 2011

	Twelve months ended 31 March	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Audited)
Net cash used in operating activities	(223,990)	(47,516)
Investing activities		
Purchase of property, plant and equipment	(44,584)	(22,107)
Investments in associates	(3,000)	–
Proceeds from disposal of property, plant and equipment	3,984	633
Acquisition of business	(10,000)	(397,598)
Deposit paid for acquisition of property, plant and equipment	–	(10,349)
Increase in pledged bank deposit	(35,702)	–
Other investing cash flows	560	415
Net cash used in investing activities	(88,742)	(429,006)
Financing activities		
New bank and other borrowings	602,303	366,364
Proceeds from the issue of convertible bonds	354,000	–
Repayment of bank and other borrowings	(427,229)	(148,409)
Acquisition of additional interest in a subsidiary and loan assignment	(181,303)	–
Dividends paid	(6,893)	(18,535)
Expenses on issue of convertible bonds	(10,800)	–
Transaction cost arising from acquisition of additional interest in a subsidiary	(7,313)	–
Contribution from non-controlling shareholders of a subsidiary	–	99,967
Expenses on issue of ordinary shares	–	(7,862)
Advance from non-controlling shareholders of a subsidiary	–	48,183
Proceeds from issue of share upon exercise of share options	–	2,975
Proceeds from issue of ordinary shares	–	182,400
Interest paid	(27,494)	(8,104)
Other financing cash flows	(270)	–
Net cash from financing activities	295,001	516,979
Net (decrease) increase in cash and cash equivalents	(17,731)	40,457
Cash and cash equivalents at beginning of the period	156,260	115,803
Effect of foreign exchange rate changes	5,668	–
Cash and cash equivalents at end of the period, represented by bank balances and cash	144,197	156,260

Notes to the Condensed Consolidated Financial Statements

For the twelve months ended 31 March 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 of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34").

Change of financial year end date

The financial year end date of the Company and its subsidiaries (collectively the "Group") has been changed from 31 March to 30 June as the directors consider such change would make the financial year end date of the Company consistent with the business and marketing of the Group and will enable the Company to better utilise its resources and facilitate better planning and operation of the Group. Accordingly, the current interim financial period covers a 12-month period from 1 April 2010 to 31 March 2011 and the comparative financial period covers a 12-month period from 1 April 2009 to 31 March 2010.

2. SIGNIFICANT EVENTS

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

China Gold Silver and its subsidiaries are engaged in the retail and franchising operations for selling gold and jewellery products in Hong Kong, Macau and other regions ("Mainland China") in the PRC under the trade name of "3D-GOLD".

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

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

For the twelve months ended 31 March 2011

3. RESTATEMENT TO THE DISCOUNT ON ACQUISITION OF BUSINESS

Adjustments to discount on acquisition of business

In relation to the 3D-GOLD Acquisition (as defined in the Company's 2010 Annual Report), the amount of consideration of HK\$538.1 million represents the directors' best estimates at 31 March 2010 and was subject to adjustment, if any, to be agreed with the provisional liquidators of 3D-GOLD Jewellery Holdings Limited (Provisional Liquidators Appointed) (subjected to Scheme of Arrangement). The final amount of the consideration was agreed in November 2010 based on updated information on assets at the acquisition date. As a result, adjustments have been made to increase consideration payables by HK\$15.9 million at 31 March 2010 and a corresponding decrease in the same amount for discount on acquisition of business, restating the discount on acquisition of business in the condensed consolidated statement of comprehensive income for the twelve months ended 31 March 2010 to HK\$184,871,000.

4. PRINCIPAL ACCOUNTING POLICIES

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

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

Investments in associates

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

The results and assets and liabilities of associates are incorporated in these condensed consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the condensed consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

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

For the twelve months ended 31 March 2011

4. PRINCIPAL ACCOUNTING POLICIES-CONTINUED

Leasing

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

The Group as lessee

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

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

Financial liabilities at fair value through profit or loss

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

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

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

Convertible bonds

Convertible bonds contains liability component and conversion option derivative

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

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

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

For the twelve months ended 31 March 2011

4. PRINCIPAL ACCOUNTING POLICIES-CONTINUED

Derivative financial instruments

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

Application of new and revised Hong Kong Financial Reporting Standards

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

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

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

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

In addition, the HKICPA issued HK Interpretation 5 "Presentation of Financial Statements-Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" in November 2010, which has immediate effect. The Interpretation clarifies that amount repayable under a loan agreement which includes a clause that gives the lender the unconditional right to call the loan at any time shall be classified by the borrower as current liability in the condensed consolidated statement of financial position. Accordingly, the Group's term loan that contains "repayment on demand" clause amounted to HK\$62,500,000 (31 March 2010: Nil) as at 31 March 2011 has been classified as current liabilities.

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

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

For the twelve months ended 31 March 2011

4. PRINCIPAL ACCOUNTING POLICIES-CONTINUED

Application of new and revised Hong Kong Financial Reporting Standards-continued

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

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Currently, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss. The application of HKFRS 9 is not expected to have a material effect on the Group based on an analysis of the Group's financial instruments as at 31 March 2011.

5. TURNOVER AND SEGMENT INFORMATION

(a) Turnover

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

	Twelve months ended 31 March		Six months ended 31 March	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Audited)	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Sales of goods	2,433,192	1,283,843	1,393,234	969,083
Franchise income	17,411	6,267	7,469	6,267
	2,450,603	1,290,110	1,400,703	975,350

For the twelve months ended 31 March 2011

5. TURNOVER AND SEGMENT INFORMATION-CONTINUED

(b) Segment information

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

For the twelve months ended 31 March 2011 (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	Others (Note) HK\$'000	Consolidated HK\$'000
REVENUE				
External sales	2,113,075	329,722	7,806	2,450,603
RESULT				
Segment results	159,823	34,187	722	194,732
Other income				14,332
Unallocated staff related expenses				(40,750)
Other unallocated corporate expenses				(77,669)
Equity-settled share-based payments				(7,304)
Changes in fair value of derivative financial instruments and gold loan				15,765
Finance costs				(40,691)
Share of results of associates				(3,000)
Profit before taxation				55,415
Taxation				(25,381)
Profit for the period				30,034

For the twelve months ended 31 March 2011

5. TURNOVER AND SEGMENT INFORMATION-CONTINUED

(b) Segment information-continued

For the twelve months ended 31 March 2010 (Restated and audited)

	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	Others (Note) HK\$'000	Consolidated HK\$'000
REVENUE				
External sales	1,118,360	147,728	24,022	1,290,110
RESULT				
Segment results	111,639	3,924	397	115,960
Other income				3,682
Unallocated staff related expenses				(31,465)
Other unallocated corporate expenses				(31,952)
Equity-settled share-based payments				(4,199)
Finance costs				(8,104)
Discount on acquisition of business				184,871
Profit before taxation				228,793
Taxation				(21,247)
Profit for the period				207,546

Notes to the Condensed Consolidated
Financial Statements

For the twelve months ended 31 March 2011

5. TURNOVER AND SEGMENT INFORMATION-CONTINUED

(b) Segment information-continued

For the six months ended 31 March 2011 (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	Others (Note) HK\$'000	Consolidated HK\$'000
REVENUE				
External sales	1,239,011	159,726	1,966	1,400,703
RESULT				
Segment results	89,083	13,145	754	102,982
Other income				5,933
Unallocated staff related expenses				(22,060)
Other unallocated corporate expenses				(43,767)
Equity-settled share-based payments				(1,004)
Changes in fair value of derivative financial instruments and gold loan				27,766
Finance costs				(26,155)
Share of results of associates				(1,209)
Profit before taxation				42,486
Taxation				(19,804)
Profit for the period				22,682

For the twelve months ended 31 March 2011

5. TURNOVER AND SEGMENT INFORMATION-CONTINUED

(b) Segment information-continued

For the six months ended 31 March 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	Others (Note) HK\$'000	Consolidated HK\$'000
REVENUE				
External sales	847,873	116,169	11,308	975,350
RESULT				
Segment results	84,280	7,298	(40)	91,538
Other income				1,278
Unallocated staff related expenses				(18,538)
Other unallocated corporate expenses				(26,428)
Equity-settled share-based payments				1,054
Finance costs				(5,661)
Discount on acquisition of business				3,021
Profit before taxation				46,264
Taxation				(15,768)
Profit for the period				30,496

Segment profit represents the profit earned by each segment without allocation of central administration costs, marketing and promotion expenses, directors' salaries, finance costs and taxation. This is the measure reported to the chief operating decision makers that are the directors of the Company for the purposes of resource allocation and performance assessment.

The amounts of other income, unallocated staff related expenses and other unallocated corporate expenses for the twelve months ended 31 March 2010 and the six months ended 31 March 2010 were restated to conform with current period presentation.

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

For the twelve months ended 31 March 2011

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

	Twelve months ended 31 March		Six months ended 31 March	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Audited)	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Change in fair value of derivatives embedded in convertible bonds (note 18(ii))	21,467	–	31,255	–
Change in fair value of gold loan designated as derivative financial instruments (note 17)	(5,702)	–	(3,489)	–
	15,765	–	27,766	–

7. FINANCE COSTS

	Twelve months ended 31 March		Six months ended 31 March	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Audited)	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Interests on:				
Bank borrowings wholly repayable within 5 years	11,456	2,871	6,484	2,161
Other borrowings wholly repayable within 5 years	6,862	4,633	949	3,500
Obligations under finance leases	40	–	30	–
Other finance costs	350	600	–	–
Effective interest on convertible bonds (note 18(i))	21,983	–	18,692	–
	40,691	8,104	26,155	5,661

For the twelve months ended 31 March 2011

8. PROFIT BEFORE TAXATION

	Twelve months ended 31 March		Six months ended 31 March	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Audited)	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Profit before taxation has been arrived at after charging (crediting):				
Advertising, promotion and business development expenses	55,293	16,047	33,599	10,650
Cost of inventories recognised as an expense	1,879,152	942,125	1,084,210	705,839
Depreciation of property, plant and equipment	14,268	5,603	6,360	2,315
Exchange (gains) losses	(6,682)	17	(1,237)	17
Interest income	(740)	(415)	(437)	(308)
Loss on disposal of property, plant and equipment	7,079	6,889	2,640	6,889
Operating lease rentals	171,023	103,617	102,473	82,173

9. TAXATION

	Twelve months ended 31 March		Six months ended 31 March	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Audited)	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Current tax:				
Hong Kong Profits Tax	7,046	91	4,193	21
PRC Enterprise Income Tax	20,637	22,817	17,102	17,408
Other jurisdictions	706	–	694	–
	28,389	22,908	21,989	17,429
Deferred taxation	(3,008)	(1,661)	(2,185)	(1,661)
	25,381	21,247	19,804	15,768

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

For the twelve months ended 31 March 2011

9. TAXATION – CONTINUED

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 ranging from 22% to 24% (twelve months ended 31 March 2010: 20% to 22%) during the period. According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprises Income Tax (Guofa [2007] No. 39), the tax rate of the entity that previously enjoyed the tax preferential treatment is to be increased progressively to 25% over a five-year period up to 2012.

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

10. DIVIDENDS

	Twelve months ended 31 March	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Audited)
Final dividend paid in respect of the year ended 31 March 2010:		
-Ordinary shares	6,811	–
HK0.35 cents per share		
-Preference shares	82	–
HK0.35 cents per share		
	6,893	–
Interim dividend paid in respect of the year ended 31 March 2010:		
-Ordinary shares:		
HK0.7 cents per share	–	11,038
-Preference shares:		
HK0.7 cents per share	–	7,497
	–	18,535

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

For the twelve months ended 31 March 2011

11. EARNINGS PER ORDINARY SHARE

	Twelve months ended 31 March		Six months ended 31 March	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Restated and audited)	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Earnings:				
Profit for the period attributable to owners of the Company	29,959	113,803	22,682	14,732
Dividends on preference share capital	(200)	(5,455)	(14)	(1,701)
Profit for the period attributable to owners of the Company for the purpose of basic earnings per ordinary share	29,759	108,348	22,668	13,031
Effect of dilutive potential ordinary shares:				
Dividends on preference share capital	200	5,455	14	1,701
Effective interest on convertible bonds	21,983	–	18,692	–
Change in fair value of derivatives embedded in convertible bonds	(21,467)	–	(31,255)	–
Profit for the period attributable to owners of the Company for the purpose of diluted earnings per ordinary share	30,475	113,803	10,119	14,732
	Number of '000 (Unaudited)	Number of '000 (Audited)	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	1,912,716	902,981	1,965,548	1,225,226
Effect of dilutive potential ordinary shares:				
Preference share capital	28,808	788,991	3,942	491,971
Share options	529	2,330	462	863
Convertible bonds	131,590	–	224,051	–
Weighted average number of ordinary shares for the purpose of diluted earnings per ordinary share	2,073,643	1,694,302	2,194,003	1,718,060

For the twelve months ended 31 March 2011

11. EARNINGS PER ORDINARY SHARE – CONTINUED

Note:

The weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per ordinary share for the six months and twelve months ended 31 March 2010 have been retrospectively adjusted for the effect of the bonus issue as set out in note 19(a).

The earnings for the calculation of basic earnings per ordinary share for the twelve months ended 31 March 2010 has been restated due to the adjustments relating to the discount on acquisition of business as detailed in note 3.

12. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of HK\$56,280,000 (twelve months ended 31 March 2010: HK\$22,107,000).

13. INTANGIBLE ASSETS

The trademarks have contractual lives of 10 years commencing in December 2008 and April 2009, respectively, and are renewable at minimal cost. The Directors of the Company are of the opinion that the Group has the intention and ability to renew the trademarks continuously. As a result, the trademarks are considered by the Directors of the Company as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trademarks will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

On 31 March 2011, management of the Group conducted impairment review on the trademarks. The recoverable amounts of the trademarks have been determined based on a value in use calculation, which is based on the cash flow forecast derived from the recent financial budgets approved by management covering a five-year period and a discount rate of 17%. The cash flows beyond the five year period is extrapolated using a 3% growth rate. The key assumptions for the value in use calculations are discount rate and growth rate. Management adopted discount rate which they consider reflects current market assessment of the time value of money and the risks specific to the trademarks. The growth rate does not exceed the long-term average growth rate for the relevant industry. Based on the assessments, management expects the carrying amount of the trademarks to be recoverable and there is no impairment of the trademarks. Management considers that any reasonable possible change in these key assumptions would not cause the carrying amount of the trademarks to exceed the recoverable amount.

For the twelve months ended 31 March 2011

14. TRADE AND OTHER RECEIVABLES AND DEPOSITS PAID

	31 March 2011 HK\$'000 (Unaudited)	31 March 2010 HK\$'000 (Audited)
Trade receivables	222,050	96,113
Other receivables and deposits paid	63,405	31,737
	285,455	127,850

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

Included in trade receivables at 31 March 2011 is trade receivable from an associate amounting to HK\$27,561,000 (31 March 2010: Nil).

Included in other receivables at 31 March 2011 is prepayment to a related company, which is 60% owned by Mr. Liu, for sourcing of inventories on behalf of the Group, amounting to HK\$14,628,000 (31 March 2010: HK\$13,578,000).

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

	31 March 2011 HK\$'000 (Unaudited)	31 March 2010 HK\$'000 (Audited)
0-30 days	176,922	81,920
31-60 days	6,338	1,863
61-90 days	2,034	625
Over 90 days	36,756	11,705
	222,050	96,113

Notes to the Condensed Consolidated
Financial Statements

For the twelve months ended 31 March 2011

15. TRADE AND OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	31 March 2011 HK\$'000 (Unaudited)	31 March 2010 HK\$'000 (Restated and audited)
Trade payables	51,462	94,085
Deposits received from customers (note a)	60,400	50,410
Franchisee guarantee deposits (note b)	27,884	19,505
Consideration payables (note 3)	5,994	15,994
Other payables, accruals and other deposits	88,194	43,765
	233,934	223,759

Notes:

- (a) Deposits received from customers represent deposits and receipts in advance from the franchisees for purchase of inventories.
- (b) Franchisee guarantee deposits represent deposits from the franchisees for use of the trademarks "3D-GOLD".

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

	31 March 2011 HK\$'000 (Unaudited)	31 March 2010 HK\$'000 (Audited)
0 to 30 days	26,326	57,807
31-60 days	7,691	9,745
61-90 days	4,797	22,533
Over 90 days	12,648	4,000
	51,462	94,085

For the twelve months ended 31 March 2011

16. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS OF A SUBSIDIARY

The amounts at 31 March 2010 were unsecured, non-interest bearing and fully settled during the twelve months ended 31 March 2011 as detailed in note 2.

17. BANK AND OTHER BORROWINGS

	31 March 2011 HK\$'000 (Unaudited)	31 March 2010 HK\$'000 (Audited)
Bank borrowings	400,505	139,545
Other borrowings	–	78,410
	400,505	217,955
Secured floating rate bank borrowing	5,000	60,000
Secured fixed rate bank borrowing	178,507	–
Unsecured floating rate bank borrowing	157,674	–
Unsecured fixed rate bank borrowing	–	79,545
Secured fixed rate gold loan (note)	59,324	–
	400,505	139,545
Unsecured fixed rate other borrowings	–	28,410
Unsecured floating rate other borrowings	–	50,000
	–	78,410
	400,505	217,955
Carrying amounts repayable*:		
Within one year	273,005	217,955
More than one year, but not exceeding two years	10,000	–
More than two years but not more than five years	30,000	–
	313,005	217,955
Carrying amount of bank loans that contain a repayment on demand clause (shown under current liabilities)*		
-repayable within one year	25,000	–
-repayable after one year	62,500	–
	87,500	–
	400,505	217,955
Less: Amounts due within one year and shown under current liabilities	(360,505)	(217,955)
	40,000	–

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

For the twelve months ended 31 March 2011

17. BANK AND OTHER BORROWINGS – CONTINUED

Note: The loss arising from change in fair value of gold loan designated as derivated financial instruments of HK\$5,702,000 (twelve months ended 31 March 2010: Nil) and HK\$3,489,000 (six months ended 31 March 2010: Nil) is charged to profit or loss for the twelve months ended 31 March 2011 and six months ended 31 March 2011, respectively.

18. CONVERTIBLE BONDS

(i) Convertible bonds

Convertible bonds due 2012 ("CB 2012")

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

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

As at 31 March 2011, a total of 87,341,772 ordinary shares will be allotted and issued upon the conversions in full of the convertible bonds.

The Company shall redeem the CB 2012 at 110% of the respective outstanding principal amount on maturity date 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 March 2011, CB 2012 with a carrying amount of HK\$138,976,000 (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 Mr. Liu and Dr. Hui Ho Ming, Herbert, the directors of the Company, Ace Captain and Limin Corporation which is wholly-owned by Dr. Wong, Kennedy Ying Ho.

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

As at 31 March 2011, a total of 136,708,861 ordinary shares will be allotted and issued upon the conversions in full of the convertible bonds.

For the twelve months ended 31 March 2011

18. CONVERTIBLE BONDS – CONTINUED

(i) Convertible bonds – continued

Convertible bonds due 2013 (“CB 2013”) – continued

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 March 2011, CB 2013 with a carrying amount of HK\$188,216,000 (principal amount of HK\$216,000,000) remained outstanding.

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

	Liability component		
	CB 2012 HK\$'000	CB 2013 HK\$'000	Total HK\$'000
At 1 April 2010	–	–	–
Issue of convertible bonds	133,748	191,488	325,236
Expenses on issue of convertible bonds	–	(9,612)	(9,612)
Interest charged during the period	9,784	12,199	21,983
Payment of coupon interest	(3,460)	(5,326)	(8,786)
Coupon interest accrued during the period and included in other payables	(1,096)	(533)	(1,629)
At 31 March 2011	138,976	188,216	327,192

During the twelve months ended 31 March 2011, the effective interest rates of CB 2012 and CB 2013 were 10.74% and 12.02%, respectively.

For the twelve months ended 31 March 2011

18. CONVERTIBLE BONDS – CONTINUED

(ii) Derivative financial instruments

	Embedded derivatives		
	CB 2012 HK\$'000	CB 2013 HK\$'000	Total HK\$'000
At 1 April 2010	–	–	–
Embedded derivatives at date of issue of convertible bonds	4,252	24,512	28,764
Expenses on issue of convertible bonds	–	(1,188)	(1,188)
Changes in fair value (note 6)	(3,860)	(17,607)	(21,467)
At 31 March 2011	392	5,717	6,109

The fair values of the derivatives embedded in CB 2012 and CB 2013 at the dates of issue and at 31 March 2011 are based on valuation carried out on those dates by an independent valuer. The change in fair value of HK\$21,467,000 has been credited to profit or loss for the twelve months ended 31 March 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:

	At date of issue of		At 31 March 2011	
	CB 2012	CB 2013	CB 2012	CB 2013
Share price	HK\$1.28	HK\$1.26	HK\$0.69	HK\$0.69
Exercise price	HK\$1.58	HK\$1.58	HK\$1.58	HK\$1.58
Expected dividend yield	0.81%	0.83%	0.51%	0.51%
Volatility	58.61%	58.23%	50.75%	58.80%

For the twelve months ended 31 March 2011

19. SHARE CAPITAL

	Notes	Number of shares '000	Amount HK\$'000
Authorised:			
At 1 April 2010 and 31 March 2011			
Ordinary shares of HK\$0.01 each		4,000,000	40,000
Preference shares of HK\$0.01 each		3,000,000	30,000
		7,000,000	70,000
Ordinary shares issued and fully paid:			
At 1 April 2010			
Ordinary shares of HK\$0.01 each		1,576,894	15,770
Bonus issue	(a)	19,711	197
Issue of shares	(b)	222,458	2,225
Issue upon conversion of preference shares	(c)	150,022	1,500
At 31 March 2011		1,969,085	19,692
Preference shares issued and fully paid:			
At 1 April 2010			
Preference shares of HK\$0.01 each		150,426	1,504
Conversion of preference shares	(c)	(150,022)	(1,500)
At 31 March 2011		404	4
Total:			
At 1 April 2010		1,727,320	17,274
At 31 March 2011		1,969,489	19,696

The preference share shall entitle the holder thereof the right to convert one preference share into one fully-paid ordinary share of the Company at any time after one year from the date of issuance of the preference shares. The preference shares are not redeemable and not bear any voting right.

Each preference share shall confer on its holder the right to be paid out of the profits of the Company available for dividend and resolved to be distributed pari passu with ordinary shares but otherwise in priority to any payment of dividend or any distribution in respect of any other class of shares, a fixed cumulative preferential dividend at the rate of 5% per annum on the paid-up value of the reference amount attributable to each preference share. The preference shares rank in priority to the ordinary shareholders as to a return of the nominal amount paid up on the preference shares and thereafter ranks pari passu with the ordinary shares on liquidation.

For the twelve months ended 31 March 2011

19. SHARE CAPITAL-CONTINUED

The undeclared cumulative preferential share dividend as at 31 March 2011 amounted to HK\$3,000 (31 March 2010: HK\$526,000).

Notes:

- (a) Pursuant to an ordinary resolution passed at a special general meeting held on 30 April 2010, a bonus issue of ordinary shares was made on 7 May 2010 on the basis of one bonus share for every eighty existing shares then held by the shareholders whose names appear on the register of members on 30 April 2010 by way of capitalisation of the share premium account. Details of the bonus issue are set out in a circular to the shareholder of the Company dated 14 April 2010.
- (b) During the twelve months ended 31 March 2011, the Company acquired 40% additional interest in China Gold Silver for a consideration of HK\$543.9 million, satisfied by cash of HK\$181.3 million and issuance of the Consideration Shares, as detailed in note 2.
- (c) During the twelve months ended 31 March 2011, 150,022,000 preference shares of HK\$0.01 each were converted into 150,022,000 ordinary shares of HK\$0.01 each in the Company.

20. SHARE-BASED PAYMENT TRANSACTIONS

The Company adopted a share option scheme at the special general meeting held on 23 January 2009 by way of an ordinary resolution (the "2009 Share Option Scheme") for the purpose of providing incentives or rewards to eligible persons for their contribution or potential contribution to the Group. Eligible persons including but not limited to the Group's shareholders, directors, employees, business partners, customers and suppliers.

Pursuant to the 2009 Share Option Scheme, the Board of Directors of the Company (the "Board") may grant options to the eligible persons to subscribe for the Company's shares for a consideration of HK\$1 for each lot of share options granted. The exercise price is to be determined by the Board and shall not be less than the highest of (i) the closing price of the Company's shares as stated in the daily quotations sheet issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the date of grant; (ii) the average closing price of the Company's shares as stated in the daily quotations sheet issued by the Stock Exchange for the five business days immediately preceding the date of grant and (iii) the nominal value of a share of the Company.

Pursuant to the 2009 Share Option Scheme, the maximum number of shares in the Company in respect of which options may be granted when aggregated with any other share option schemes of the Company is not permitted to exceed 45,179,000 shares, representing 10% of the issued share capital of the Company as at the date of adoption of the 2009 Share Option Scheme or approximately 8.52% of the issued share capital of the Company as at 31 March 2009. Subject to the issue of a circular and the approval of the shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may refresh the limit at any time to 10% of the total number of shares in issue as at the date of approval by the shareholders of the Company in general meeting. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2009 Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares issue from time to time.

For the twelve months ended 31 March 2011

20. SHARE-BASED PAYMENT TRANSACTIONS-CONTINUED

No option may be granted to any person if the total number of shares of the Company already issued and issuable to him under all the options granted to him in any 12-month period up to and including the date of grant exceeding 1% of the total number of shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting. The participant and his associates (as defined in the Listing Rules) are abstained from voting and/or other requirements prescribed under the Listing Rules from time to time. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$55 million must be approved in advance by the Company's shareholders.

There is no specific requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. The period during when an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years from the date of grant.

- (a) The following table sets out the movements of the Company's share options during the twelve months period:

Eligible person	Date of grant	Exercise period	Exercise price HK\$	Number of options				
				Outstanding as at 1.4.2010	Reclassification during the period (Note)	Granted during the period	Exercise during the period	Outstanding as at 31.3.2011
Directors	23.1.2009	23.1.2009 to 22.1.2019	0.498	903,580	-	-	-	903,580
	20.7.2009	20.7.2009 to 19.7.2019	1.510	4,800,000	500,000	-	-	5,300,000
	13.4.2010	13.4.2010 to 12.4.2020	1.400	-	-	1,000,000	-	1,000,000
				5,703,580	500,000	1,000,000	-	7,203,580
Employees	20.7.2009	20.7.2009 to 19.7.2019	1.510	3,500,000	(1,000,000)	-	-	2,500,000
Consultants	20.7.2009	20.7.2009 to 19.7.2019	1.510	800,000	500,000	-	-	1,300,000
	13.4.2010	13.4.2010 to 12.4.2020	1.400	-	-	2,000,000	-	2,000,000
	13.4.2010	13.7.2010 to 12.4.2020	1.400	-	-	5,000,000	-	5,000,000
	13.4.2010	13.10.2010 to 12.4.2020	1.400	-	-	5,000,000	-	5,000,000
	13.4.2010	13.1.2011 to 12.4.2020	1.400	-	-	5,768,000	-	5,768,000
				800,000	500,000	17,768,000	-	19,068,000
				10,003,580	-	18,768,000	-	28,771,580
Exercisable at the end of the period				10,003,580				28,771,580
Weighted average exercise price				1.419	-	1.400	-	1.406

Note: Mr. Yin Richard Yingneng, a holder of 500,000 share options, resigned as a director of the Company and become a consultant on 19 July 2010. Mr. Liu, a holder of 1,000,000 share options, changed from an employee to a director on 12 July 2010.

For the twelve months ended 31 March 2011

20. SHARE-BASED PAYMENT TRANSACTIONS-CONTINUED

(a) – continued

Eligible person	Date of grant	Exercise period	Exercise price HK\$	Number of options			
				Outstanding as at 1.4.2009	Granted during the period	Exercise during the period	Outstanding as at 31.3.2010
Directors	23.1.2009	23.1.2009 to 22.1.2019	0.498	5,873,270	–	(4,969,690)	903,580
	20.7.2009	20.7.2009 to 19.7.2019	1.510	–	4,800,000	–	4,800,000
				5,873,270	4,800,000	(4,969,690)	5,703,580
Employees	23.1.2009	23.1.2009 to 22.1.2019	0.498	200,000	–	(200,000)	–
	20.7.2009	20.7.2009 to 19.7.2019	1.510	–	3,500,000	–	3,500,000
				200,000	3,500,000	(200,000)	3,500,000
Consultants	23.1.2009	23.1.2009 to 22.1.2019	0.498	803,580	–	(803,580)	–
	20.7.2009	20.7.2009 to 19.7.2019	1.510	–	800,000	–	800,000
				803,580	800,000	(803,580)	800,000
				6,876,850	9,100,000	(5,973,270)	10,003,580
Exercisable at the end of the period				6,876,850			10,003,580
Weighted average exercise price				0.498	1.510	0.498	1.419

(b) The fair value of the options granted during the twelve months ended 31 March 2011 was calculated using binomial option pricing model. The key inputs into the model were as follows:

Date of grant	13 April 2010
Number of options granted	18,768,000
Grant date share price	HK\$1.38
Exercise price	HK\$1.40
Risk-free rate	2.82%
Nature of the share options	Call
Life of the options	10 years
Expected volatility	46.55%
Expected dividend yield	0.75%

The fair value of the options at the date of grant was HK\$7,304,000 (twelve months ended 31 March 2010: HK\$5,253,000). The Group recognised the total expense of HK\$7,304,000 (twelve months ended 31 March 2010: HK\$4,199,000) and HK\$1,004,000 (six months ended 31 March 2010: write back of expenses of HK\$1,054,000) in profit or loss for the twelve months ended 31 March 2011 and the six months ended 31 March 2010, respectively in relation to share options granted by the Company.

For the twelve months ended 31 March 2011

21. CAPITAL COMMITMENTS

	31 March 2011 HK\$'000 (Unaudited)	31 March 2010 HK\$'000 (Audited)
Acquisition of 40% of interest in China Gold Silver (note 2)	–	543,900
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	2,365	7,368

22. OPERATING LEASES COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments for retail shops under non-cancellable operating leases which fall due as follows:

	31 March 2011 HK\$'000 (Unaudited)	31 March 2010 HK\$'000 (Audited)
Within one year	39,858	21,056
In the second to five years inclusive	58,259	34,087
	98,117	55,143

The above lease commitments represent basic rents only and do not include contingent rents payable in respect of certain retail shops leased by the Group. In general, these contingent rents are calculated based on the relevant retail shops' turnover pursuant to the terms and conditions as set out in the respective rental agreements. It is not possible to estimate in advance the amount of such contingent rent payable.

23. PLEDGE OF ASSETS

At 31 March 2011, the Group's inventories and bank deposits with a carrying amount of HK\$238,010,000 and HK\$35,702,000 (31 March 2010: HK\$138,885,000 and Nil) respectively were pledged to banks as securities to obtain the banking facilities granted to a subsidiary of the Group.

Notes to the Condensed Consolidated
Financial Statements

For the twelve months ended 31 March 2011

24. RELATED PARTY DISCLOSURES

(a) Related party transactions

During the period, the Group has the following related party transactions:

Relationship	Nature of transactions	Twelve months ended 31 March		Six months ended 31 March	
		2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Audited)	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
A company owned by a non-controlling shareholder of the Company's subsidiary/ a director of the Company	Interest expenses	950	1,598	87	1,598
	Subcontractor expenses	4	121	4	121
A company owned by the spouse of a director of the Company	Interest expenses	738	1,740	-	1,247
A solicitors firm in which a director of the Company is a partner	Company secretariat and legal services fee	3,301	3,083	771	1,628
A solicitors firm in which the spouse of a director of the Company is a partner	Legal services fee	-	348	-	148
An associate	Sales of jewellery	31,155	-	-	-

In addition, from time to time, a related company controlled by Mr. Liu also acts an agent to source inventories on behalf of the Group. Advance prepaid by the Group to such entity for sourcing purpose is detailed in note 14.

(b) Related party balances

Details of the Group's outstanding balances with related parties are set out on the condensed consolidated statement of financial position and in notes 14, 16 and 18.

For the twelve months ended 31 March 2011

24. RELATED PARTY DISCLOSURES-CONTINUED

(c) Compensation of key management personnel

Directors are key management personnel of the Company whose remuneration is disclosed as follows:

	Twelve months ended 31 March		Six months ended 31 March	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Audited)	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Fees	1,168	750	540	375
Salaries	14,753	12,360	7,972	6,180
Discretionary bonus*	—	750	—	750
Retirement benefit costs	48	48	24	24
Equity-settled share-based payments	613	4,119	243	1,349
	16,582	18,027	8,779	8,678

* The discretionary bonus is determined based on the financial performance of the Group for the twelve months ended 31 March 2011 and 31 March 2010.

25. EVENT AFTER THE REPORTING PERIOD

On 16 May 2011, China Gold Silver, 3D-GOLD Jewellery Holdings Limited (Provisional Liquidators Appointed) (Subject to Scheme of Arrangement) ("3D-GOLD PLA"), a listed entity which is suspended from trading in The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the provisional liquidators of 3D-GOLD PLA (the "Provisional Liquidators") and the escrow agent entered into an exclusivity and escrow agreement ("Exclusivity and Escrow Agreement") with two other investors (the "Investors") and two guarantors to facilitate the resumption of trading of shares of 3D-GOLD PLA (the "Resumption") on the Stock Exchange.

Under the Exclusivity and Escrow Agreement, China Gold Silver will not take any action or be involved in connection with the restructuring of 3D-GOLD PLA (the "Restructuring Proposal") and will be a passive investor and will subscribe such number of new shares representing not more than 13.49% of the entire issued share capital of 3D-GOLD PLA immediately upon completion of the Resumption in accordance with such terms and conditions to be agreed between 3D-GOLD PLA, the Provisional Liquidators, the Investors and accepted by the Stock Exchange, the Securities and Futures Commission of Hong Kong and other regulatory authorities.

Further details are set out in the Company's announcement dated 16 May 2011.