



香港資源控股  
**HONG KONG  
RESOURCES  
HOLDINGS**  
(Stock Code: 2882)

Interim Report

**2012/13**

investing for  
**tomorrow**

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HKRH is poised to take  
advantage of excellent  
opportunities ahead.



## MISSION



Hong Kong Resources Holdings Company Limited  
aims at growing into a jewellery retailer of scale, and  
at developing brands with international recognition in  
Greater China, East Asia and beyond.

We continue to seek products of precious metals and  
stones; distribution channels, both brick-and-mortar  
and e-commerce; as well as partners with strategic fit  
for franchising or alliance.

# Corporate Information

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## DIRECTORS

### Executive Directors

Dr. Wong, Kennedy Ying Ho<sup>b,c</sup>, BBS, J.P., *Chairman*

Mr. Lam Kwok Hing<sup>d</sup>, Wilfred, J.P.

Ms. Wong Wing Yan, Ella

Mr. Cheung Pak To, Patrick, BBS

*(appointed on 15 November 2012)*

Mr. Chui Chuen Shun<sup>b</sup> *(resigned on 31 July 2012)*

Mr. Mung Kin Keung<sup>d</sup> *(resigned on 7 November 2012)*

### Non-executive Directors

Dr. Hui Ho Ming, Herbert<sup>a,d</sup>, J.P.

*(re-designated from Executive Director to*

*Non-executive Director on 10 Aug 2012)*

### Independent Non-executive Directors

Mr. Fan, Anthony Ren Da<sup>a,b,c</sup>

Ms. Estella Yi Kum Ng<sup>a,b,c,d</sup>

Mr. Wong Kam Wing<sup>a,b,c</sup>

*a Member of the Audit Committee*

*b Member of the Remuneration Committee*

*c Member of the Nomination Committee*

*d Member of the Corporate Governance 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

Unit 1701-11, 17th Floor

Peninsula Square

No. 18 Sung On Street

Hunghom, Kowloon,

Hong Kong

## PRINCIPAL BANKERS

Shanghai Commercial Bank Limited

China Construction Bank Corporation

## 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

26<sup>th</sup> Floor, Tesbury Centre

28 Queen's Road East

Wanchai, Hong Kong

## STOCK CODE

2882

## WEBSITE

[www.hkrh.hk](http://www.hkrh.hk)

# Management Discussion and Analysis

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 2012 (the “**Period**”).

## OVERVIEW

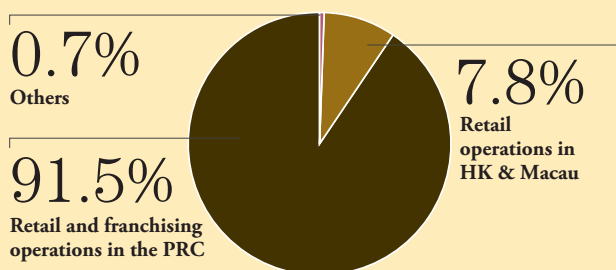
The Group is principally engaged in retailing and franchising operations for selling gold and jewellery products in Hong Kong, Macau and other regions (“**Mainland China**”) in the People’s Republic of China (the “**PRC**”).

For the Period, the Group has recorded a turnover of HK\$1,645 million, representing a decrease of 21% as compared to the turnover of HK\$2,076 million for the 6 months ended 31 December 2011 (the “**Last Period**”). The profit from operations of HK\$38 million for the Period decreased 49% as compared to HK\$75 million for the Last Period. The Group has recorded a loss attributable to shareholders of HK\$17 million for the Period, as compared to a profit of HK\$22 million for the Last Period.

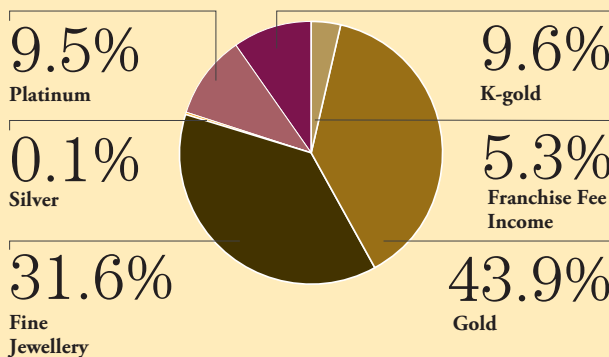
Sales from retailing and franchising of gold and jewellery products in Mainland China have continued to be the major source of income. The turnover from Mainland China of HK\$1,505 million, has decreased 20% from that of the Last Period, while that from Hong Kong and Macau has recorded HK\$128 million, a decrease of 32% from that of the Last Period. Mainland China has continued to be the major source of revenue for our Group, accounting for over 90% of the Group’s turnover. The Hong Kong and Macau markets have recorded same-store-growth of -25% whereas that in the Mainland China was -32%.

Sales of our principal products, gold products and gem-set jewellery, consisted of 66% (Last Period: 70%) and 18% (Last Period: 16%), respectively of total turnover. The gross profit decreased 13% to HK\$337 million (Last Period: HK\$387 million) while the gross profit margin increased from 19% to 20%.

**Turnover Breakdown  
by Business**



**Gross Profit Analysis  
by Products**



over

430

shops in China

423 shops in Mainland China  
10 shops in Hong Kong  
3 shops in Macau

21	Anhui
22	Beijing
11	Fujian
3	Gansu
60	Guangdong
13	Guangxi
1	Guizhou
4	Hainan
17	Hebei
6	Heilongjiang
16	Henan
10	Hong Kong
24	Hubei
7	Hunan
7	Inner Mongolia
40	Jiangsu
8	Jiangxi
4	Jilin
9	Liaoning
3	Macau
4	Ningxia
3	Qinghai
14	Shaanxi
65	Shandong
10	Shanghai
6	Shanxi
10	Sichuan
15	Tianjin
5	Xinjiang
6	Yunnan
12	Zhejiang

# Management Discussion and Analysis

The increase in the Group's overall gross profit margin mainly reflected the hedging policy adopted by the Group's future gold positions. As at 31 December 2012, 34% of the gold inventory position was hedged. The management will continue to monitor the hedging position in the 2012/2013 financial year. The Group will also increase the proportion of revenue from gem-set jewellery sales, which will yield a higher margin than the sales of gold jewellery. Hedging the Group's position of gold, and changing our product portfolio to emphasis gem-sets will reduce the impact of fluctuations in international gold prices on the gross profit margin of the Group.

In line with the turnover growth, the Group's selling and distribution expenses have decreased to HK\$222 million (Last Period: HK\$243 million). Further, the Group's administrative expenses have increased to HK\$74 million (Last Period: HK\$70 million). The Group will continue to adopt cost control policy and gain efficiency from economies of scale.

The Group will continue to focus its resources on capturing the expanding market in Mainland China. Together with effective cost control measures as stated above, management expects the result of the Group to improve.

## INTERIM DIVIDEND

The Board has resolved not to recommend an interim dividend in respect of the 6 months ended 31 December 2012 to the holders of both ordinary shares and preference shares of the Company.

## BUSINESS REVIEW AND PROSPECTS

### Retail Operation

The Group's five-year strategic plan has stayed on track, particularly in line with the expansion plan for Mainland China. Overall turnover from the Hong Kong and Macau retail operations has reached HK\$128 million (Last Period: HK\$189 million) and HK\$1,505 million (Last Period: HK\$1,887 million) from the Mainland China operations. The decrease in turnover for the Period was mainly due to the worsening of the market conditions and business environment in the Mainland China as compared to the Last Period.

As at 31 December 2012, the Group has 7 points-of-sale in Hong Kong, 3 points-of-sale in Macau and 422 points-of-sale in Mainland China under the brandname "3D-GOLD", plus 7 points-of-sale in Hong Kong, 2 points-of-sale in Macau and 22 points-of-sale in Mainland China under the brandname "La Milky Way" (of which 27 points-of-sale are situated in 3D-GOLD jewellery shops). Of the points-of-sale in Mainland China, 133 are self-operated points-of-sale and 290 are franchise points-of-sale. During the Period, 67 new shops and counters have opened in Hong Kong, Macau and Mainland China and 33 loss making stores were closed.

Over 90% of our self-operated points-of-sale are located at department stores in Mainland China at prime shopping districts and are subject to turnover rent. The Hong Kong and Macau operations are, on the other hand, subject to fixed rentals.

Our strategy in Mainland China is to focus on the growth of franchisee stores, with a target of 30% self-operated stores and 70% franchise stores in the long run. Our model gives us the option to leverage on the capital, local knowledge and premises of our franchisees: a flexible and fast roll out strategy that requires minimal capital outlay from the Group. Our model enables the management to make critical decisions at times of market changes with minimal adverse impact on the Group.

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

The Group has a solid infrastructure with the 3D-GOLD's operations headquarters in Shenzhen and regional offices in key cities in Mainland China: Beijing, Guangzhou, Jinan, Shanghai and Wuhan. The Group is confident of its strategy of expanding the retail network and business in Mainland China.



# Management Discussion and Analysis

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The Group remains optimistic about the long term development of the economy in Mainland China and expects its ability to capture the potential growth of the economy.

## E-Commerce and Corporate Gifts

To further broaden the sales channel, the Group has launched an e-commerce platform “Zun1” ([www.zun1.com](http://www.zun1.com)) to capture the high ground in the fast emerging cyber market for consumer goods in Greater China and other regions. This initiative should generate positive returns to the Group in the future.

Discerning the promising market potential and increasing popularity of corporate gifts in China, the Group has expanded into the corporate gift market, while fulfilling the strategic plan for our main-line retail operation.

## Brand Recognition and Marketing Programme

During the Period, besides the regular marketing activities, The Group has sponsored a wide range of events: the Title Sponsor of the “3D-GOLD Cup Super League 2012”, Prize Sponsor of the “International KamCha Competition 2012 (HK Style Milk Tea)”, Prize Sponsor of the “McDonald’s Monopoly 2012”. Our effort in brand promotion has again won recognition by the World Brand Lab: with a ranking of 167th among China Top 500 Most Valuable Brands 2012 and 2nd in the category of jewellery brands, with a brand value of RMB9.3 billion.

In addition, in February 2013, the Brand 3D-GOLD has won the recognition of Hong Kong Top Brand Ten Year Achievement Award granted by Hong Kong Brand Development Council and The Chinese Manufacturers’ Association of Hong Kong.

## Products and Awards

Our Product Design and Development Department is committed to creating jewellery designs of style and taste for customers. The brand 3D-GOLD has underscored our innovative leadership in fine jewellery by garnering four awards, the most honours of any participant, at the “13th Buyers’ Favorite Jewelry Design Competition 2012” organised by Hong Kong Jewelry

Manufacturers’ Association. The crowning achievement was the Best Craftsmanship Award, complemented by the Champion of the Bangle & Bracelet category and the 1st Runner Up in both the Earrings and Computer Aided Design categories.

## Prospects

With over 90% of the turnover from Mainland China, the Group remains confident of the growth of the gold and jewellery retail market for the years ahead and will continue to enlarge its retail network in Mainland China; while continuing to promote our brand to secure even higher recognition and trust, as well as spreading our growing reputation for product design, quality, value and authenticity.

Looking ahead, we remain confident that enlarging our portfolio to include higher profit margin products: collection offerings, designer collections, gem-set jewellery and watches, The Group will also refine the hedging policy, strengthening cost control and optimizing the capital structure, for improving the results of the Group. We will also constantly strengthen our customer loyalty program to more effectively promote our high value products.

The Group will continue to develop closer relations with strategic investors and business associates or partners in the industry. Closer relations with these groups will enable the Group to leverage on resources and strengths of partners to garner larger market shares in both Hong Kong and Mainland China.

## FINANCIAL REVIEW

### Liquidity, Financial Resources and Capital Structure

The Group centralizes funding for all its operations through the corporate treasury based in Hong Kong. As at 31 December 2012, the Group had total cash and cash equivalents amounting to HK\$323 million (30 June 2012: HK\$222 million) whilst total net assets were HK\$579 million (30 June 2012: HK\$587 million). The Group’s net gearing ratio as at 31 December 2012 was 120% (30 June 2012: 105%), being a ratio of total borrowing of HK\$1,017 million (30 June 2012: HK\$836 million) less pledged



# Management Discussion and Analysis

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bank deposits and bank balances and cash of HK\$323 million (30 June 2012: HK\$222 million) to total equity of HK\$579 million (30 June 2012: HK\$587 million). After taking into account the gold inventories of HK\$595 million (30 June 2012: HK\$474 million), the Group's adjusted net gearing ratio as at 31 December 2012 was 17% (30 June 2012: 24%), being a ratio of total borrowing less pledged bank deposits, bank balances and cash and gold inventories to total equity. As at 31 December 2012, the Group has available unutilized revolving banking facilities of HK\$18 million (30 June 2012: HK\$30 million).

In improving the Group's liquidity for business expansion, on 30 January 2013, the Company issued 787,634,411 ordinary shares of the Company (the "**Rights Shares**") on the basis of 2 Rights Shares for every 5 ordinary shares of the Company held on 8 January 2013 at a subscription price of HK\$0.15 per share (the "**Rights Issue**"). The gross proceed of the Rights Issue amounted to HK\$118 million.

## Capital Commitments and Contingent Liabilities

Capital commitments and contingent liabilities of the Group as at 31 December 2012 are set out in notes 19 and 24 to the condensed consolidated financial statements.

## Pledge of Assets

Pledge of assets of the Group as at 31 December 2012 is set out in note 21 to the condensed consolidated financial statements.

## Financial Risk and Exposure

Except for the financial derivatives set out in notes 12, 14 and 16 to the condensed consolidated financial statements, the Group did not have any outstanding material foreign exchange contracts, interest or currency swaps, or other financial derivatives as at 31 December 2012.

## Employees and Remuneration Policy

As at 31 December 2012, the Group had 2,452 employees (30 June 2012: 2,516). The Group's remuneration policy is periodically reviewed by the Remuneration Committee and the Board. Remuneration is determined with reference to market conditions, company performance, and individual qualifications and performance.

# Other Information

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

At 31 December 2012, 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 follows:

### (a) Long positions in shares

Name of director	Number of ordinary shares				% of issued ordinary shares
	Personal interests	Family interests	Corporate interests	Total	
Executive Directors					
Dr. Wong, Kennedy Ying Ho	4,574,373	240,000 (Note a)	599,564,805 (Note b)	604,379,178	30.69%
Mr. Lam Kwok Hing, Wilfred	—	400,000 (Note c)	—	400,000	0.02%
Ms. Wong Wing Yan, Ella	88,000	200,500 (Note d)	—	288,500	0.01%
Mr. Cheung Pak To, Patrick	—	—	—	—	—
Non-executive Director					
Dr. Hui Ho Ming, Herbert	19,271,900	—	—	19,271,900	0.98%
Independent Non-executive Directors					
Mr. Fan, Anthony Ren Da	—	—	—	—	—
Ms. Estella Yi Kum Ng	—	—	—	—	—
Mr. Wong Kam Wing	3,790	—	—	3,790	0.00%

# Other Information

Notes:

- (a) The shares are held by the spouse of Dr. Wong, Kennedy Ying Ho ("Dr Wong").
- (b) Of the 599,564,805 shares, 540,761,055 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.
- (c) The shares are held by the spouse of Mr. Lam Kwok Hing, Wilfred.
- (d) The shares are held by the spouse of Ms. Wong Wing Yan, Ella.

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

Name of Directors	Capacity	Number of shares interested	% of shareholding
<b>Executive Directors</b>			
Dr. Wong, Kennedy Ying Ho	Controlled corporation	403,374	0.02%
	(Note a)		
	Beneficial owner (Note b)	1,000,000	0.05%
	Controlled corporation	10,126,582	0.51%
	(Note c)		
Mr. Lam Kwok Hing, Wilfred	Beneficial owner (Note b)	5,500,000	0.28%
Ms. Wong Wing Yan, Ella	Beneficial owner (Note b)	5,000,000	0.25%
Mr. Cheung Pak To, Patrick	Beneficial owner (Note b)	500,000	0.03%
<b>Non-executive Director</b>			
Dr. Hui Ho Ming, Herbert	Beneficial owner (Note b)	1,000,000	0.05%
	Beneficial owner (Note c)	5,063,291	0.26%
<b>Independent Non-executive Directors</b>			
Mr. Fan, Anthony Ren Da	Beneficial owner (Note b)	551,790	0.03%
Ms. Estella Yi Kum Ng	Beneficial owner (Note b)	551,790	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 December 2012.

# Other Information

## SUBSTANTIAL SHAREHOLDERS

At 31 December 2012, 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 shareholders	Capacity	Number of issued ordinary shares held	% of shareholding
Perfect Ace Investments Limited	Beneficial owner (Note a)	540,761,055	27.46%
Limin Corporation	Beneficial owner (Note a)	58,803,750	2.99%
Savona Limited	Beneficial owner (Note b)	101,250,000	5.14%
Dr. Liu Wangzhi	Corporate interest (Note c)	156,874,847	7.97%
	Beneficial owner	15,556,000	0.79%
Mr. Wen Jialong	Beneficial owner	115,256,000	5.85%
KGI Asia Limited	Beneficial owner (Note d)	608,684,285	22.08%
			(Note e)

Notes:

- 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.
- 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. Lam Hok Chung Ranier, Jong Yat Kit and Yu Sai Hung are the joint and several administrators of the Estate of Nina Kung, also known as Nina T.H. Wang.
- 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 Wangzhi ("Dr. Liu") and 51% by Dr. Liu. Ms. Chan holds 49% shares in trust for Dr. Liu. As such, Dr. Liu deems to have interest in all the shares in Ming Feng.
- The shares represent the maximum number of rights shares underwritten by KGI Asia Limited. KGI Asia Limited is deemed to be interested in the shares of the Company under the SFO as a results of being the underwriter to the proposed issue of 787,634,411 shares by way of rights on the basis of two (2) rights for every five (5) shares in issue and held on the record date at the subscription price with 196,908,602 bonus warrants on the basis of one (1) bonus warrant for every four (4) rights shares taken up (the "Rights Issue"). For details of the Rights Issue, please refer to the announcement of the Company dated 13 December 2012, the prospectus of the Company dated 30 January 2013. KGI Asia Limited is wholly-owned by KGI Limited. KGI Limited is wholly-owned by KGI International Holdings Limited, KGI International Holdings Limited is wholly-owned by KG Investments Holdings Limited, KG Investments Holdings Limited is wholly-owned by Richpoint Company Limited, Richpoint Company Limited is wholly-owned by KGI Securities Co. Ltd., KGI Securities Co. Ltd. is owned as to approximately 81.73% by China Development Financial Holding Corporation.
- The percentage of shareholding is calculated based on the enlarge capital of the Company, being 2,756,720,440 shares in issue, upon completion of the Rights Issue.

# Other Information

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

Name of substantial shareholders	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%
Dr. Liu Wangzhi	Beneficial owner (Note c)	10,126,582	0.51%
Diamond Season Limited	Beneficial owner (Notes c & d)	75,949,367	3.85%
KGI Asia Limited	Beneficial owner (Note e)	152,171,071	5.52%
			(Note f)

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. Lam Hok Chung Ranier, Jong Yat Kit and Yu Sai Hung are the joint and several administrators of the Estate of Nina Kung, also known as Nina T.H. Wang.
- (e) The shares represent the 152,171,071 bonus warrant shares underlying the corresponding number of 152,171,071 bonus warrants entitled by KGI Asia Limited, on the basis of the maximum number of rights shares, being 608,684,285 rights shares, underwritten by KGI Asia Limited. KGI Asia Limited is deemed to be interested in 152,171,071 bonus warrant shares under the SFO as a result of being the underwriter of the Rights Issue. KGI Asia Limited is wholly-owned by KGI Limited. KGI Limited is wholly-owned by KGI International Holdings Limited, KGI International Holdings Limited is wholly-owned by KG Investments Holdings Limited, KG Investments Holdings Limited is wholly-owned by Richpoint Company Limited, Richpoint Company Limited is wholly-owned by KGI Securities Co. Ltd., KGI Securities Co. Ltd. is owned as to approximately 81.73% by China Development Financial Holding Corporation.
- (f) The percentage of shareholding is calculated based on the enlarge capital of the Company, being 2,756,720,440 shares in issue, upon completion of the Rights Issue.

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 December 2012.

## SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 18 to the condensed consolidated 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.

# Other Information

## COMPLIANCE WITH THE CODE PROVISIONS ON CORPORATE GOVERNANCE CODE

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

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

CG Code A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company does not at present have any office with the title "chief executive". The Board is of the view that currently vesting the roles of chairman and chief executive in 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.

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

CG Code E.1.3 stipulates that the issuer should arrange for the notice to shareholders to be sent for annual general meeting at least 20 clear business days before the meeting. The Company, in accordance with the requirements of its bye-laws and Section 114 of the Companies Ordinance, gave 21 clear days (or 16 clear business days) notice to the shareholders of the Company before the convening of the annual general meeting held on 7 November

2012. The Company will ensure its compliance with CG Code in the future.

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

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

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

## AUDIT COMMITTEE

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

As at the date of this report, the Audit Committee comprises three independent non-executive directors, namely, Ms. Estella Yi Kum Ng, Mr. Fan, Anthony Ren Da, Mr. Wong Kam Wing and a non-executive director, Dr. Hui Ho Ming, Herbert.

By Order of the Board

**Hong Kong Resources Holdings Company Limited**

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

*Chairman*

Hong Kong, 28 February 2013

# Report on Review of Interim Financial Information

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TO THE BOARD OF DIRECTORS OF  
HONG KONG RESOURCES HOLDINGS COMPANY LIMITED

香港資源控股有限公司

*(incorporated in Bermuda with limited liability)*

## Introduction

We have reviewed the condensed consolidated financial statements of Hong Kong Resources Holdings Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 16 to 42, which comprise the condensed consolidated statement of financial position as of 31 December 2012 and the related condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-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 these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 these condensed consolidated financial statements 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

28 February 2013



# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2012

	Notes	Six months ended 31 December	
		2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Turnover	3	1,645,070	2,075,962
Cost of sales		(1,308,365)	(1,688,537)
Gross profit		336,705	387,425
Other income		11,527	10,354
Selling expenses		(222,484)	(243,335)
General and administrative expenses		(74,345)	(70,243)
Other operating expenses		(13,431)	(9,261)
Profit from operations		37,972	74,940
Change in fair value of derivatives embedded in convertible bonds		428	760
Finance costs	4	(32,424)	(31,415)
Share of results of associates		(1,673)	(1,477)
Share of results of jointly controlled entities		(3,158)	(1,411)
Profit before taxation	5	1,145	41,397
Taxation	6	(18,236)	(19,275)
(Loss) profit for the period		(17,091)	22,122
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation		9,036	8,673
Total comprehensive (expense) income for the period		(8,055)	30,795
(Loss) profit for the period attributable to:			
Owners of the Company		(17,091)	22,122
Non-controlling interests		—	—
		(17,091)	22,122
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(8,055)	30,795
Non-controlling interests		—	—
		(8,055)	30,795
(Loss) earnings per ordinary share	8		(Restated)
Basic		(HK\$0.008)	HK\$0.010
Diluted		(HK\$0.008)	HK\$0.010

# Condensed Consolidated Statement of Financial Position

As at 31 December 2012

	Notes	31 December 2012 HK\$'000 (Unaudited)	30 June 2012 HK\$'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	80,966	76,723
Deposits for acquisition of property, plant and equipment		2,897	8,410
Other receivable and deposits paid	10	22,537	8,516
Intangible assets	11	171,186	171,186
Interests in associates		7,587	9,260
Interests in jointly controlled entities		3,379	3,752
		<b>288,552</b>	<b>277,847</b>
<b>Current assets</b>			
Inventories		1,158,215	972,429
Trade and other receivables and deposits paid	10	309,871	338,041
Amount due from a jointly controlled entity		5,583	17,438
Financial assets at fair value through profit or loss	12	—	2,065
Tax recoverable		19,829	8,742
Pledged bank deposits		263,360	60,182
Bank balances and cash		59,632	161,614
		<b>1,816,490</b>	<b>1,560,511</b>
<b>Current liabilities</b>			
Trade and other payables, accruals and deposits received	13	455,071	366,819
Derivative financial instruments	14	—	428
Financial liabilities at fair value through profit or loss	12	1,288	—
Convertible bonds	14	214,627	150,898
Obligations under finance leases		904	541
Bank and other borrowings	15	555,471	350,956
Gold loans	16	223,089	97,613
Tax liabilities		13,321	7,349
		<b>1,463,771</b>	<b>974,604</b>
<b>Net current assets</b>		<b>352,719</b>	<b>585,907</b>
<b>Total assets less current liabilities</b>		<b>641,271</b>	<b>863,754</b>

# Condensed Consolidated Statement of Financial Position

As at 31 December 2012

		31 December 2012 HK\$'000 (Unaudited)	30 June 2012 HK\$'000 (Audited)
	Notes		
<b>Non-current liabilities</b>			
Bank and other borrowings	15	22,500	30,000
Convertible bonds	14	–	206,056
Deferred tax liabilities		39,854	41,063
		62,354	277,119
<b>NET ASSETS</b>		578,917	586,635
<b>CAPITAL AND RESERVES</b>			
Share capital	17	19,696	19,696
Reserves		559,219	566,939
Equity attributable to owners of the Company		578,915	586,635
Non-controlling interests		2	–
<b>TOTAL EQUITY</b>		578,917	586,635

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2012

	Attributable to owners of the Company											
	Ordinary	Preference	Share	Contributed	Other	Share	Exchange	PRC		Total	Non-	Total
	share	share						statutory	Retained			
	capital	capital	premium	surplus	reserve	option	reserve	reserve	earnings	interests		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(note (i))			(note (ii))				
At 1 July 2011 (audited)	19,692	4	521,306	59,269	(213,605)	15,346	24,827	9,439	173,307	609,585	–	609,585
Profit for the period	–	–	–	–	–	–	–	–	22,122	22,122	–	22,122
Other comprehensive income for the period	–	–	–	–	–	–	8,673	–	–	8,673	–	8,673
Total comprehensive income for the period	–	–	–	–	–	–	8,673	–	22,122	30,795	–	30,795
Equity-settled share-based payments	–	–	–	–	–	1,320	–	–	–	1,320	–	1,320
Transfer between reserves	–	–	–	–	–	–	–	9,549	(9,549)	–	–	–
Dividends (note 7)	–	–	–	(3,942)	–	–	–	–	–	(3,942)	–	(3,942)
At 31 December 2011 (unaudited)	19,692	4	521,306	55,327	(213,605)	16,666	33,500	18,988	185,880	637,758	–	637,758
At 1 July 2012 (audited)	19,692	4	521,306	55,327	(213,605)	15,582	32,868	18,662	136,799	586,635	–	586,635
Loss for the period	–	–	–	–	–	–	–	–	(17,091)	(17,091)	–	(17,091)
Other comprehensive income for the period	–	–	–	–	–	–	9,036	–	–	9,036	–	9,036
Total comprehensive income (expense) for the period	–	–	–	–	–	–	9,036	–	(17,091)	(8,055)	–	(8,055)
Equity-settled share-based payments	–	–	–	–	–	335	–	–	–	335	–	335
Acquisition of a subsidiary (note 23)	–	–	–	–	–	–	–	–	–	–	2	2
Lapse of share options	–	–	–	–	–	(858)	–	–	858	–	–	–
Transfer between reserves	–	–	–	–	–	–	–	2,452	(2,452)	–	–	–
At 31 December 2012 (unaudited)	19,692	4	521,306	55,327	(213,605)	15,059	41,904	21,114	118,114	578,915	2	578,917

Notes:

- (i) Other reserve represents the difference between the fair value of the consideration paid and the carrying amount of the net assets attributable to the additional interest in China Gold Silver Group Company Limited, a subsidiary of the Company, being acquired from the non-controlling shareholders on 14 May 2010.
- (ii) 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.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2012

	<b>Six months ended 31 December</b>	
	<b>2012</b>	<b>2011</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Net cash used in operating activities</b>	<b>(21,983)</b>	<b>(167,615)</b>
<b>Investing activities</b>		
Acquisition of a subsidiary	(3,200)	–
Net cash and cash equivalent acquired from acquisition of a subsidiary	1,596	–
Placement of pledged bank deposits	(202,047)	–
Purchase of property, plant and equipment	(14,053)	(13,007)
Proceeds from disposal of property, plant and equipment	2,877	–
Investments in jointly controlled entities	–	(2,000)
Interest received	1,412	1,831
<b>Net cash used in investing activities</b>	<b>(213,415)</b>	<b>(13,176)</b>
<b>Financing activities</b>		
New bank borrowings	257,428	379,254
New gold loans	124,090	–
Repayment of bank borrowings	(67,282)	(277,434)
Repayment of convertible bonds	(151,800)	–
Interest paid	(25,760)	(19,765)
Dividends paid	–	(3,942)
<b>Net cash from financing activities</b>	<b>136,676</b>	<b>78,113</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(98,722)</b>	<b>(102,678)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>161,614</b>	<b>224,804</b>
<b>Effect of foreign exchange rate changes</b>	<b>(3,260)</b>	<b>3,371</b>
<b>Cash and cash equivalents at end of the period, represented by bank balances and cash</b>	<b>59,632</b>	<b>125,497</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2012

## 1. BASIS OF PREPARATION

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

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2012.

### Application of amendments to Hong Kong Financial Reporting Standards

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.

Amendments to HKFRS 7	Disclosure – Transfer of Financial Assets
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

Except as described below, the application of the other amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

### Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income* introduce new terminology for the statement of comprehensive income. Under the amendments to HKAS 1, a ‘statement of comprehensive income’ is renamed as a ‘statement of profit or loss and other comprehensive income’. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

In addition, the Group has applied the following accounting policy for business combinations in the current interim period.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2012

## 2. PRINCIPAL ACCOUNTING POLICIES – continued

### Business combinations

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

## 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 2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Sales of goods	1,627,389	2,058,033
Franchise income	17,681	17,929
	1,645,070	2,075,962

### (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:

- Retail and franchising operations for selling gold and jewellery products in Mainland China;
- Retail operations for selling gold and jewellery products in Hong Kong and Macau.

Major products of the Group include gold products, jewellery products and other precious metal products.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2012

## 3. TURNOVER AND SEGMENT INFORMATION – continued

### (b) Segment information – continued

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 2012 (unaudited)

	Reportable segment		Total HK\$'000	Others (note) HK\$'000	Consolidated HK\$'000
	Retail and franchising operations for selling gold and jewellery products in Mainland China HK\$'000	Retail operations for selling gold and jewellery products in Hong Kong and Macau HK\$'000			
<b>REVENUE</b>					
External sales	1,504,661	128,390	1,633,051	12,019	1,645,070
<b>RESULT</b>					
Segment results	95,273	6,126	101,399	(2,839)	98,560
Other income					11,527
Unallocated staff related expenses					(23,892)
Other unallocated corporate expenses					(21,895)
Advertising, promotion and business development expenses					(26,328)
Change in fair value of derivatives embedded in convertible bonds					428
Finance costs					(32,424)
Share of results of associates					(1,673)
Share of results of jointly controlled entities					(3,158)
Profit before taxation					1,145
Taxation					(18,236)
Loss for the period					(17,091)

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2012

## 3. TURNOVER AND SEGMENT INFORMATION – continued

### (b) Segment information – continued

For the six months ended 31 December 2011 (unaudited)

	Reportable segment		Total HK\$'000	Others (note) HK\$'000	Consolidated HK\$'000
	Retail and franchising operations for selling gold and jewellery products in Mainland China HK\$'000	Retail operations for selling gold and jewellery products in Hong Kong and Macau HK\$'000			
<b>REVENUE</b>					
External sales	1,886,711	188,648	2,075,359	603	2,075,962
<b>RESULT</b>					
Segment results	124,705	10,057	134,762	(2,168)	132,594
Other income					10,354
Unallocated staff related expenses					(22,293)
Other unallocated corporate expenses					(15,919)
Advertising, promotion and business development expenses					(29,796)
Change in fair value of derivatives embedded in convertible bonds					760
Finance costs					(31,415)
Share of results of associates					(1,477)
Share of results of jointly controlled entities					(1,411)
Profit before taxation					41,397
Taxation					(19,275)
Profit for the period					22,122

Segment profit represents the profit earned by each segment without allocation of other income, central administration costs, marketing and promotion expenses, corporate staff and directors' salaries, change in fair value of derivatives embedded in convertible bonds, finance costs, share of results of associates and jointly controlled entities 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 the trading of other precious metals in Hong Kong, wholesale of diamonds in the PRC, online marketing and e-commerce.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2012

## 4. FINANCE COSTS

	Six months ended 31 December	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interests on:		
Bank borrowings wholly repayable within 5 years	11,094	8,795
Gold loans	5,551	1,871
Obligations under finance leases	27	21
Other finance costs	211	134
Effective interest on convertible bonds (note 14(i))	15,541	20,594
	32,424	31,415

## 5. PROFIT BEFORE TAXATION

	Six months ended 31 December	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Advertising, promotion and business development expenses	26,328	29,796
Change in fair value of gold loans	(634)	(2,544)
Change in fair value of financial assets/liabilities at fair value through profit or loss	(4,855)	6,594
Cost of inventories recognised as an expense	1,313,854	1,684,487
Depreciation of property, plant and equipment	11,911	10,546
Equity-settled share-based payments (note 18(b))	335	1,320
Exchange gain, net	(6,975)	(6,450)
Loss on disposal of property, plant and equipment	1,701	–
Impairment losses on other receivables	1,415	–
Interest income	(1,412)	(1,831)
Operating lease rentals		
– contingent rental	81,952	96,656
– minimum lease payments	24,956	24,970

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2012

## 6. TAXATION

	Six months ended 31 December	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong Profits Tax	739	4,018
PRC Enterprise Income Tax	18,706	16,758
Macau Complementary Tax	–	119
	19,445	20,895
Deferred taxation	(1,209)	(1,620)
	18,236	19,275

Hong Kong Profits Tax is calculated at 16.5% (six months ended 31 December 2011: 16.5%) on the estimated assessable profits for the period.

Pursuant to the Enterprise Income Tax Law and Implementation Rules of the PRC, a subsidiary of the Company established in the PRC is subject to an income tax rate of 25% (six months ended 31 December 2011: a preferential income tax rate of 24%) during the period. According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guoshuifa [2007] No. 39), the tax rate of the entity that previously enjoyed the tax preferential treatment is increased progressively to 25% over a five-year period up to 2012.

In addition, according to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion With Respect to Taxes on Income, royalties derived by a subsidiary of the Group incorporated in Hong Kong is entitled to a reduced withholding PRC Enterprise Income Tax at 7% provided that it is the “beneficial owner” of the payment as required under Guoshuihan [2009] No. 601.

No provision for the Macau Complementary Tax has been made as the Group has no assessable profit in Macau for the current period. The Macau Complementary Tax was calculated progressively at rates ranging from 9% to 12% of the estimated assessable profit for the prior period.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2012

## 7. DIVIDENDS

	Six months ended 31 December	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Dividends recognised as distribution during the period:		
<i>Ordinary shares</i>		
Final dividend paid for the fifteen months ended 30 June 2011 of HK0.20 cent per share	—	3,938
<i>Preference shares</i>		
Final dividend paid for the fifteen months ended 30 June 2011 of HK0.875 cent per share	—	4
	—	3,942

The Board has resolved not to declare an interim dividend in respect of the six months ended 31 December 2012 to the holders of both ordinary shares and preference shares of the Company.

## 8. (LOSS) EARNINGS PER ORDINARY SHARE

	Six months ended 31 December	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss) earnings:		
(Loss) profit for the period attributable to owners of the Company	(17,091)	22,122
Dividends on preference shares	(4)	(1)
(Loss) profit for the period attributable to owners of the Company for the purpose of basic (loss) earnings per ordinary share	(17,095)	22,121
Effect of dilutive potential ordinary shares:		
Dividends on preference shares	—	1
(Loss) profit for the period attributable to owners of the Company for the purpose of diluted (loss) earnings per ordinary share	(17,095)	22,122

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2012

## 8. (LOSS) EARNINGS PER ORDINARY SHARE – continued

	Number of '000 (Unaudited)	Number of '000 (Unaudited) (Restated)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per ordinary share	2,273,298	2,273,298
Effect of dilutive potential ordinary shares:		
Preference shares	–	470
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per ordinary share	2,273,298	2,273,768

Note:

The weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings per ordinary share for the six months ended 31 December 2012 and 31 December 2011 had been adjusted for the effect of bonus element in connection with rights issue as set out in note 25(a).

The computation of diluted loss per ordinary share for the six months ended 31 December 2012 did not assume the exercise of the share options because their exercise price is higher than the average share price. In addition, the computation did not assume the conversion of the Company's outstanding convertible bonds and preference shares since their conversion would result in a decrease in loss per ordinary share for the six months ended 31 December 2012.

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

## 9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of HK\$19,566,000 (six months ended 31 December 2011: HK\$13,007,000).

## 10. TRADE AND OTHER RECEIVABLES AND DEPOSITS PAID

	31 December 2012 HK\$'000 (Unaudited)	30 June 2012 HK\$'000 (audited)
Non-current other receivable and deposits paid:		
Rental and utility deposits	8,251	8,516
Other receivable from a jointly controlled entity	14,286	–
	22,537	8,516
Current trade and other receivables and deposits paid comprise:		
Trade receivables	228,059	275,259
Other receivables and deposits paid	81,812	62,782
	309,871	338,041

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2012

## 10. TRADE AND OTHER RECEIVABLES AND DEPOSITS PAID – continued

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

Included in trade receivables at 31 December 2012 are trade receivables from jointly controlled entities amounting to HK\$4,427,000 (30 June 2012: HK\$4,345,000). Included in trade receivables at 30 June 2012 were trade receivables from associates amounting to HK\$13,937,000.

Included in current other receivables at 31 December 2012 are other receivables from an associate amounting to HK\$4,150,000 (30 June 2012: HK\$3,647,000).

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 2012 HK\$'000 (Unaudited)	30 June 2012 HK\$'000 (audited)
0-30 days	175,791	225,271
31-60 days	7,914	27,858
61-90 days	5,307	2,496
Over 90 days	39,047	19,634
	228,059	275,259

## 11. INTANGIBLE ASSETS

The trademarks have contractual lives of 10 years commencing in December 2008, April 2009 and February 2012, 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 December 2012, management of the Group conducted impairment review on the trademarks due to the decrease in turnover. The recoverable amounts of the trademarks have been determined based on a value in use calculation, which is based on the financial budgets approved by management covering a five-year period and a discount rate of 17% (30 June 2012: 17%). The cash flows beyond the five-year period are extrapolated using a 3% (30 June 2012: 3%) growth rate. The key assumptions for the value in use calculations are discount rate and growth rate. 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.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2012

## 12. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets/liabilities at fair value through profit or loss comprise:

	31 December 2012 HK\$'000 (Unaudited)	30 June 2012 HK\$'000 (audited)
Gold bullion contracts through margin account (note a)	(468)	2,065
Bullion forward contracts (note b)	(820)	–
	(1,288)	2,065
Analysed for reporting purposes as:		
Current assets	–	2,065
Current liabilities	(1,288)	–
	(1,288)	2,065

Notes:

- (a) The amount represented the fair value of the open position of gold bullion contracts through margin account with an aggregated notional value of USD300,000 (30 June 2012: USD6,299,000). The contracts contain terms enabling the Group either to take delivery of the gold bullion or closing out the position and settling net in cash at the Group's discretion. The fair value is determined based on the quoted market price at the end of the reporting period.
- (b) During the current period, the Group uses bullion forward contracts to reduce its exposure to fluctuations in the gold prices. The Group does not currently designate any hedging relationship on the bullion forward contracts for the purpose of hedge accounting.

The bullion forward contracts are measured at fair value at the end of the reporting period. The fair values are determined based on the quoted market prices at the end of the reporting period. The total notional value of the outstanding bullion forward contracts as at 31 December 2012 amounted to USD28,779,000 which have maturity period up to 6 to 12 months since date of inception.

## 13. TRADE AND OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	31 December 2012 HK\$'000 (Unaudited)	30 June 2012 HK\$'000 (Audited)
Trade payables	164,814	74,892
Deposits received from customers (note a)	69,076	103,807
Franchisee guarantee deposits (note b)	57,831	49,198
Other payables, accruals and other deposits	163,350	138,922
	455,071	366,819

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".

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2012

## 13. TRADE AND OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED – continued

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

	31 December 2012 HK\$'000 (Unaudited)	30 June 2012 HK\$'000 (Audited)
0 to 30 days	130,047	53,154
31-60 days	22,986	9,537
61-90 days	4,416	2,477
Over 90 days	7,365	9,724
	164,814	74,892

## 14. CONVERTIBLE BONDS

### (i) Convertible bonds

During the current period, the Company redeemed the convertible bonds due 2012 (“CB 2012”) at HK\$151,800,000, representing 110% of the outstanding principal amount on maturity date of 2 August 2012 in accordance with the term of the relevant subscription agreement for the issue of CB 2012.

The movement of the liability component of the CB 2012 and convertible bonds due 2013 (“CB 2013”) for both periods are set out as below:

	Liability component		
	CB 2012 HK\$'000	CB 2013 HK\$'000	Total HK\$'000
At 1 July 2012 (audited)	150,898	206,056	356,954
Coupon interest accrued at 1 July 2012 and included in other payables	2,836	3,225	6,061
Interest charged during the period	1,525	14,016	15,541
Repayment of principal	(151,800)	–	(151,800)
Payment of coupon interest	(3,459)	(5,445)	(8,904)
Coupon interest accrued at 31 December 2012 and included in other payables	–	(3,225)	(3,225)
At 31 December 2012 (unaudited)	–	214,627	214,627

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2012

## 14. CONVERTIBLE BONDS – continued

### (i) Convertible bonds – continued

Analysed for reporting purpose as:

	31 December 2012 HK\$'000 (Unaudited)	30 June 2012 HK\$'000 (Audited)
Current liabilities	214,627	150,898
Non-current liabilities	–	206,056
	214,627	356,954

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

The effective interest rates of CB 2012 and CB 2013 are 10.74% and 12.02%, respectively.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2012

## 14. CONVERTIBLE BONDS – continued

### (ii) Derivative financial instruments

	Embedded derivatives		
	CB 2012 HK\$'000	CB 2013 HK\$'000	Total HK\$'000
At 1 July 2012 (audited)	–	428	428
Change in fair value	–	(428)	(428)
At 31 December 2012 (unaudited)	–	–	–

	Embedded derivatives		
	CB 2012 HK\$'000	CB 2013 HK\$'000	Total HK\$'000
At 1 July 2011 (audited)	23	1,547	1,570
Change in fair value	93	(853)	(760)
At 31 December 2011 (unaudited)	116	694	810

The fair values of the derivatives embedded in CB 2012 at 31 December 2011 and at 30 June 2012 and the fair values of the derivatives embedded in CB 2013 at 31 December 2011, at 30 June 2012 and at 31 December 2012 are based on valuation carried out on those dates by an independent valuer. The change in fair value of HK\$428,000 (six months ended 31 December 2011: HK\$760,000) has been credited to profit or loss for the six months ended 31 December 2012.

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 31 December 2011	At 30 June 2012	At 31 December 2012
<b>CB 2012</b>			
Share price	HK\$0.44	HK\$0.42	N/A
Exercise price	HK\$1.58	HK\$1.58	N/A
Expected dividend yield	0.45%	0.48%	N/A
Volatility	80.35%	66.81%	N/A
	At 31 December 2011	At 30 June 2012	At 31 December 2012
<b>CB 2013</b>			
Share price	HK\$0.44	HK\$0.42	HK\$0.27
Exercise price	HK\$1.58	HK\$1.58	HK\$1.58
Expected dividend yield	0.45%	0.48%	0.00%
Volatility	57.77%	63.70%	48.80%

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2012

## 15. BANK AND OTHER BORROWINGS

	31 December 2012 HK\$'000 (Unaudited)	30 June 2012 HK\$'000 (Audited)
Unsecured floating rate bank loans	120,000	102,500
Secured floating rate bank loans	424,774	248,456
	544,774	350,956
Unsecured interest-free other borrowings		
– A substantial shareholder of the Company	30,000	30,000
– Non-controlling shareholder of a subsidiary	3,197	–
	33,197	30,000
	577,971	380,956
Secured	424,774	248,456
Unsecured	153,197	132,500
	577,971	380,956
Carrying amounts repayable:		
On demand or within one year*	356,125	93,000
More than one year, but not exceeding two years*	15,000	15,000
More than two years but not more than five years*	7,500	15,000
	378,625	123,000
Carrying amount of bank loans that contain a repayment on demand clause (shown under current liabilities)		
– repayable within one year*	174,346	122,728
– repayable after more than one year, but not exceeding two years*	25,000	122,728
– repayable after more than two years but not exceeding five years*	–	12,500
	199,346	257,956
	577,971	380,956
Less: Amounts due within one year and shown under current liabilities	(555,471)	(350,956)
Amounts shown under non-current liabilities	22,500	30,000

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2012

## 16. GOLD LOANS

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

As at 31 December 2012 and 30 June 2012, the gold loans are denominated in Renminbi, interest bearing at fixed rates ranging from 4.8% to 5.1% (30 June 2012: 4.8%) per annum with original maturity of 12 months, and secured by inventories with a carrying amount of HK\$435,594,000 (30 June 2012: HK\$427,559,000).

The gain arising from change in fair value of gold loans of HK\$634,000 (six months ended 31 December 2011: HK\$2,544,000) has been recognised in the profit or loss for the period. Fair values of the gold loans have been determined by reference to the quoted bid prices of gold on the Shanghai Gold Exchange at the end of reporting period.

## 17. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
<b>Authorised:</b>		
At 1 July 2012 and 31 December 2012		
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
<b>Ordinary shares issued and fully paid:</b>		
At 1 July 2012 and 31 December 2012		
Ordinary shares of HK\$0.01 each	1,969,085	19,692
<b>Preference shares issued and fully paid:</b>		
At 1 July 2012 and 31 December 2012		
Preference shares of HK\$0.01 each	404	4
<b>Total:</b>		
At 1 July 2012 and 31 December 2012	1,969,489	19,696

The preference share, with a paid-up value of HK\$0.14 per 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 do 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.

The undeclared cumulative preferential share dividend as at 31 December 2012 amounted to HK\$4,000 (30 June 2012: HK\$3,000).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2012

## 18. 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. Particulars of the 2009 Share Option Scheme are set out in the 2011/12 annual report of the Company.

The vesting period of the share options is from the date of grant to the commencement of the exercisable period.

(a) The following table sets out the movements of the Company’s share options during the period:

Eligible person	Date of grant	Exercise period	Exercise price HK\$	Number of options				
				Outstanding as at 1.7.2012	Reclassification during the period (Note a)	Granted during the period	Lapsed during the period (Note b)	Outstanding as at 31.12.2012
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	5,800,000	(500,000)	–	(1,000,000)	4,300,000
	26.7.2011	26.7.2011 to 25.7.2021	0.560	2,000,000	–	–	–	2,000,000
	26.7.2011	26.7.2012 to 25.7.2021	0.560	3,000,000	–	–	–	3,000,000
	26.7.2011	26.7.2013 to 25.7.2021	0.560	4,000,000	–	–	–	4,000,000
				15,703,580	(500,000)	–	(1,000,000)	14,203,580
Employees	20.7.2009	20.7.2009 to 19.7.2019	1.510	1,000,000	500,000	–	–	1,500,000
Consultants	20.7.2009	20.7.2009 to 19.7.2019	1.510	700,000	–	–	–	700,000
	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
	26.7.2011	26.7.2011 to 25.7.2021	0.560	500,000	–	–	–	500,000
	26.7.2011	26.7.2012 to 25.7.2021	0.560	750,000	–	–	–	750,000
	26.7.2011	26.7.2013 to 25.7.2021	0.560	1,000,000	–	–	–	1,000,000
				20,718,000	–	–	–	20,718,000
				37,421,580	–	–	(1,000,000)	36,421,580
Exercisable at the end of the period				28,671,580				31,421,580
Weighted average exercise price				1.148				1.138

Notes:

a. Mr. Chui Chuen Shun, a holder of 1,000,000 share options, changed from director to employee on 31 July 2012.

Mr. Cheung Pak To, Patrick, a holder of 500,000 share options, changed from employee to director on 15 November 2012.

b. Mr. Mung Kin Keung, a holder of 1,000,000 share options, resigned as director on 7 November 2012.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2012

## 18. SHARE-BASED PAYMENT TRANSACTIONS – continued

(a) – continued

Eligible person	Date of grant	Exercise period	Exercise price HK\$	Number of options				
				Outstanding as at 1.7.2011	Reclassification during the period (Note)	Granted during the period	Lapsed during the period	Outstanding as at 31.12.2011
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	5,300,000	1,500,000	–	–	6,800,000
	13.4.2010	13.4.2010 to 12.4.2020	1.400	1,000,000	–	–	–	1,000,000
	26.7.2011	26.7.2011 to 25.7.2021	0.560	–	2,000,000	–	–	2,000,000
	26.7.2011	26.7.2012 to 25.7.2021	0.560	–	3,000,000	–	–	3,000,000
	26.7.2011	26.7.2013 to 25.7.2021	0.560	–	4,000,000	–	–	4,000,000
				7,203,580	10,500,000	–	–	17,703,580
Employees	20.7.2009	20.7.2009 to 19.7.2019	1.510	2,500,000	(1,500,000)	–	–	1,000,000
	26.7.2011	26.7.2011 to 25.7.2021	0.560	–	(2,000,000)	2,000,000	–	–
	26.7.2011	26.7.2012 to 25.7.2021	0.560	–	(3,000,000)	3,000,000	–	–
	26.7.2011	26.7.2013 to 25.7.2021	0.560	–	(4,000,000)	4,000,000	–	–
				2,500,000	(10,500,000)	9,000,000	–	1,000,000
Consultants	20.7.2009	20.7.2009 to 19.7.2019	1.510	1,300,000	–	–	–	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
	26.7.2011	26.7.2011 to 25.7.2021	0.560	–	–	500,000	–	500,000
	26.7.2011	26.7.2012 to 25.7.2021	0.560	–	–	750,000	–	750,000
	26.7.2011	26.7.2013 to 25.7.2021	0.560	–	–	1,000,000	–	1,000,000
				19,068,000	–	2,250,000	–	21,318,000
				28,771,580	–	11,250,000	–	40,021,580
Exercisable at the end of the period				28,771,580				31,271,580
Weighted average exercise price (HK\$)				1.406		0.560		1.169

Note: Mr. Lam Kwok Hing Wilfred, a holder of 5,500,000 share options, was appointed as director of the Company on 17 August 2011. Ms. Wong Wing Yan Ella, a holder of 5,000,000 share options, was appointed as director of the Company on 17 August 2011.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2012

## 18. SHARE-BASED PAYMENT TRANSACTIONS – continued

- (b) The fair value of the options granted during the six months ended 31 December 2011 was HK\$2,892,000. The Group recognised the total expense of HK\$335,000 (six months ended 31 December 2011: HK\$1,320,000) in the profit or loss for the six months ended 31 December 2012 in relation to share options granted by the Company. The variables and assumptions used in computing the fair value of the share options are based on the management's best estimate. The value of an option varies with different variables of a number of subjective assumptions. Any change in the variable so adopted may materially affect the estimation of the fair value of an option.

The fair value of the options granted during the six months ended 31 December 2011 was calculated using binomial option pricing model. The key inputs into the model were as follows:

Date of grant	26 July 2011
Number of options granted	11,250,000
Grant date share price	HK\$0.56
Exercise price	HK\$0.56
Risk-free rate	2.28%
Nature of the share options	Call
Life of the options	10 years
Expected volatility	50.30%
Expected dividend yield	0.63%

## 19. CAPITAL COMMITMENTS

	31 December 2012 HK\$'000 (Unaudited)	30 June 2012 HK\$'000 (Audited)
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	4,770	7,522
Commitment for further capital injection in an associate	–	32,400

## 20. OPERATING LEASES COMMITMENTS

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

	31 December 2012 HK\$'000 (Unaudited)	30 June 2012 HK\$'000 (Audited)
Within one year	51,363	44,028
In the second to fifth years inclusive	19,717	32,913
	71,080	76,941

Leases are negotiated for lease terms of 1 to 5 years.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2012

## 20. OPERATING LEASES COMMITMENTS – continued

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.

## 21. PLEDGE OF ASSETS

At 31 December 2012, the Group's inventories and bank deposits with a carrying amount of HK\$435,594,000 (30 June 2012: HK\$427,559,000) and HK\$263,360,000 (30 June 2012: HK\$60,182,000), respectively were pledged to banks as securities to obtain the banking facilities granted to subsidiaries of the Group.

## 22. RELATED PARTY DISCLOSURES

### (a) Related party transactions

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

Relationship	Nature of transactions	Six months ended 31 December	
		2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
A solicitors firm in which a director of the Company is a partner	Company secretariat and legal services fee	560	435
An associate	Business promotion income	4	–
An associate	Business promotion expense	380	–

As at 31 December 2012, the Group had an outstanding financial guarantee issued to a bank in respect of a banking facility granted to a jointly controlled entity as disclosed in note 24.

### (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 10 and 15.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2012

## 22. RELATED PARTY DISCLOSURES – continued

### (c) Compensation of key management personnel

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

	Six months ended 31 December	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Fees	846	540
Salaries	5,411	9,376
Retirement benefit costs	38	34
	6,295	9,950

## 23. ACQUISITION OF A SUBSIDIARY

On 21 November 2012, the Group acquired an additional 32% interest in Rise Rich International Limited ("Rise Rich"), an existing associate of the Group, and the shareholder's loan of Rise Rich of HK\$3,197,000, at a consideration of HK\$3,200,000. After the acquisition, the Group owned 68% interest in Rise Rich and the transaction has been accounted for as business combination using the acquisition method. Rise Rich is engaged in retailing of gold and jewellery products in Hong Kong.

Acquisition-related costs relating to the above acquisition are immaterial and excluded from the cost of acquisition and have been recognised as an expense in the profit or loss.

The initial accounting for the above acquisition has been determined provisionally, awaiting for the completion of professional valuation in relation to assets and liabilities of Rise Rich at the acquisition date.

**Assets and liabilities recognised at the date of acquisition (determined on a provisional basis) are as follows:**

	HK\$'000
Inventories	24,442
Trade and other payables and accruals	(18,040)
Other borrowings	(3,197)
Shareholder's loan	(3,197)
Net assets at the date of acquisition	8
Assignment of shareholder's loan	3,197
	3,205
Less: Non-controlling interests (32% in Rise Rich)	(2)
Less: Fair value of previously held interest	(3)
	3,200
Satisfied by cash consideration	3,200

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2012

## 23. ACQUISITION OF A SUBSIDIARY – continued

### Non-controlling interests (determined on a provisional basis)

The non-controlling interests (32%) in Rise Rich recognised at the acquisition date were measured by reference to the proportionate share of recognised amounts of net assets of Rise Rich and amounted to HK\$2,000.

### Net cash outflow arising on acquisition

	HK\$'000
Consideration paid in cash	3,200

From the date of acquisition to 31 December 2012, Rise Rich does not have material contribution to the revenue and loss of the Group.

## 24. CONTINGENT LIABILITIES

As at 31 December 2012, the Group had an outstanding financial guarantee amounting to HK\$3,000,000 (30 June 2012: HK\$3,000,000) issued to a bank in respect of a banking facility granted to a jointly controlled entity.

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

## 25. EVENTS AFTER THE REPORTING PERIOD

### (a) Rights issue and bonus warrants

On 30 January 2013, the Company issued 787,634,411 ordinary shares of the Company (the “Rights Shares”) on the basis of two Rights Shares for every five ordinary shares of the Company held on 8 January 2013 at a subscription price of HK\$0.15 per share (the “Rights Issue”). The gross proceed of the Rights Issue amounted to HK\$118,145,000.

The Rights Issue also includes the issue of the bonus warrants (the “Bonus Warrants”) on the basis of one Bonus Warrant for every four Rights Shares taken up under the Rights Issue. On the basis of 787,634,411 Rights Shares, the total number of Bonus Warrants issued was 196,908,602. Each of the Bonus Warrants entitles the holder(s) thereof to subscribe for one ordinary share of the Company at the exercise price of HK\$0.245 per share (subject to adjustments), at any time between the date of issue of the Bonus Warrants on 30 January 2013 and the date immediately preceding the date which is five years after the date of issue of the Bonus Warrants.

Dealings in the Rights Shares and Bonus Warrants were commenced on The Stock Exchange of Hong Kong Limited on 1 February 2013.

As a result of the Rights Issue, (i) the conversion price and/or the number of shares falling to be issued upon exercise of the conversion rights attaching to the outstanding convertible preference shares and the outstanding CB2013 have been adjusted in accordance with the respective instrument creating each of them; and (ii) the exercise prices and number of the options have been adjusted in accordance with the share option scheme.

As at 30 January 2013, the aggregate number of outstanding convertible preference shares is 403,374. Before the Rights Issue, one convertible preference share shall be convertible into one ordinary share. As a result of the Rights Issue, the conversion multiple was adjusted to 1.16338.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2012

## 25. EVENTS AFTER THE REPORTING PERIOD – continued

### (a) Rights issue and bonus warrants – continued

As at 30 January 2013, the principal amount of the outstanding CB2013 was HK\$216,000,000. As a result of the Rights Issue, the conversion price was adjusted from the initial conversion price of HK\$1.58 per ordinary share to HK\$1.37 per ordinary share.

As at 30 January 2013, the aggregate number of outstanding share options is 36,421,580. As a result of the Rights Issue, the aggregate number of outstanding share options was adjusted to 43,372,145.

### (b) Grant of share options

On 25 January 2013, the board resolved to grant 184,200,000 share options to certain directors, shareholders, management and senior management members of the Company to subscribe for ordinary shares under the share option scheme of the Company. Of the 184,200,000 share options, 90,000,000 share options were to be granted to Dr. Wong, Kennedy Ying Ho (“Dr. Wong”), Chairman and a substantial shareholder of the Company, and 30,000,000 share options were to be granted to Mr. Wen Jialong (“Mr. Wen”), a substantial shareholder of the Company. The grant of options to each of Dr. Wong and Mr. Wen was conditional on the approval of independent shareholders being obtained at the special general meeting of the Company to be convened. At the special general meeting of the Company held on 27 February 2013, the grant of 30,000,000 share options to Mr. Wen was approved and the grant of 90,000,000 share options to Dr. Wong was withdrawn and not voted upon.

The share options granted by the Company on 25 January 2013, being after the record date of the Rights Issue, 8 January 2013, were not subject to the adjustment as a result of the Rights Issue.