

interim report **2015-16**

OPPORTUNITIES

**“Mainland China will continue
to be our major market.....”
one of the fastest growing economies in the world
and support the Group’s optimistic business outlook
in the medium to long run**

- **IMAGE:** reinforcing our trendy image and promotion with glamorous and popular artists & celebrities
- **PRODUCT:** more K-gold jewellery will also be launched as it has a high level of creativity
- **CHANNEL:** opening new stores within the region, developing sales online platform & introducing premium products

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**HKRRH is poised to take
advantage of excellent
opportunities ahead.**

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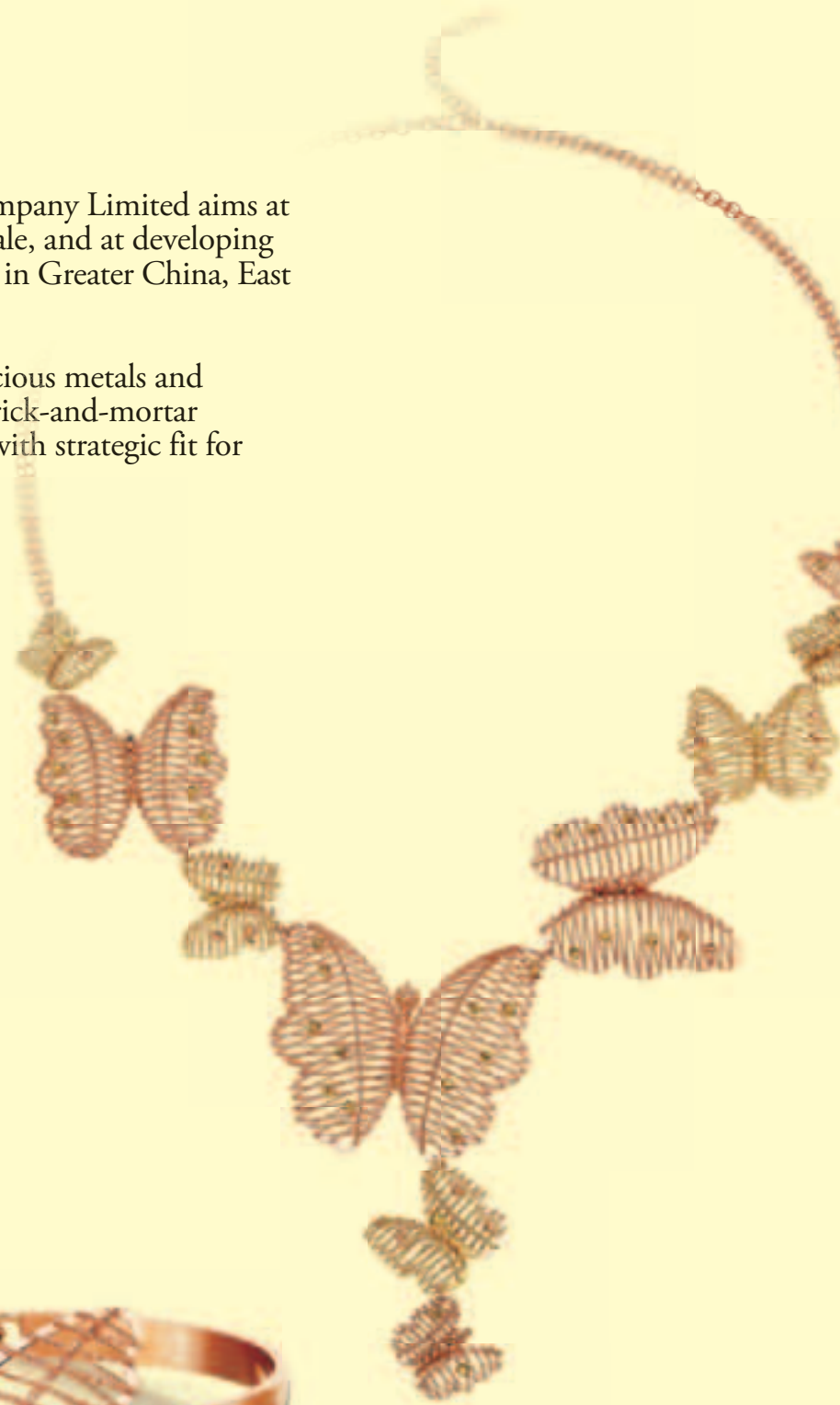
Mission

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.



"Butterfly Effect" won the Award-winning Work of the Open Group (Inspiration of Love) from the Chuk Kam Jewellery Design Competition 2014



Corporate Information

DIRECTORS

Executive Directors

Mrs. Wong Chew Li Chin^{b, c}, *Chairman*

Ms. Wong Wing Yan, Ella^d

Non-executive Directors

Mr. Lam Kwok Hing, Wilfred, J.P.

Mr. Cheung Pak To, Patrick^d, BBS

Independent Non-executive Directors

Mr. Fan, Anthony Ren Da^{a, b, c}

Mr. Wong Kam Wing^{a, b, c, d}

Mr. Fan Chun Wah, Andrew^a

COMPANY SECRETARY

Mr. Fu Yat Ming^d

^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*

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

Corporate Information

PRINCIPAL BANKERS

Shanghai Commercial Bank

Hang Seng Bank

DBS Bank

China Merchants Bank

Shanghai Pudong Development Bank

Bank of Communication

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited

The Belvedere Building

69 Pitts Bay Road

Pembroke HM08, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

STOCK CODE

2882

WEBSITE

www.hkrh.hk

Management Discussion and Analysis

OVERVIEW

The Group is principally engaged in (1) retailing and franchising operations for selling gold and jewellery products in Hong Kong, Macau and other regions (“Mainland China”) in the People’s Republic of China (the “PRC”), (2) entertainment business, including film investment, management and production of concerts and concert investments, entertainment events, television programs and content production, and (3) investment holdings.

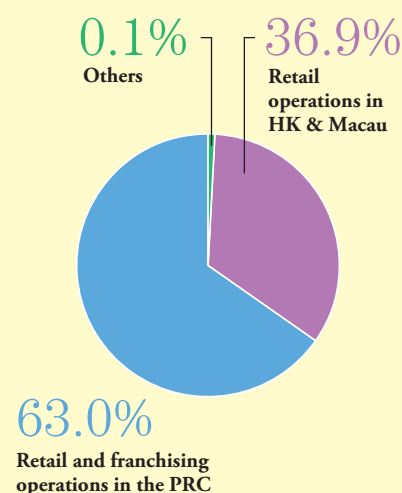
Slowing economic growth in Mainland China continued to impose negative impact on the sentiment of tourists travelling to Hong Kong and Macau and the general consumptions in the Mainland China. All this has impact on the performance of the Group during the Period. The Group recorded a turnover of approximately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

FINANCIAL REVIEW

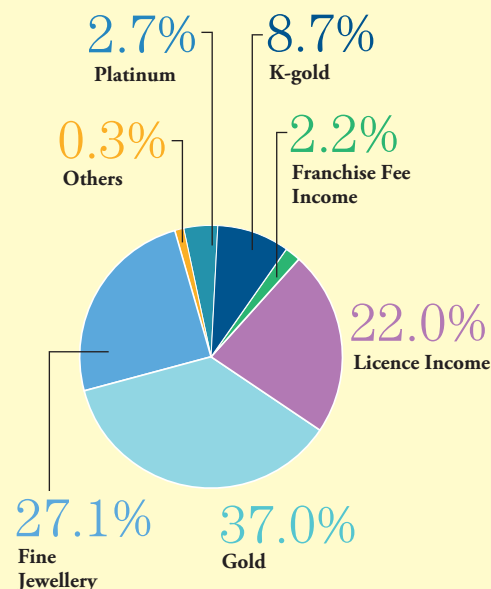
Sales from retailing and franchising of gold and jewellery products in Mainland China have continued to be the major source of income, which accounted for 63.0% of turnover. The turnover of the Group for the Period amounted to HK\$638.5 million (Last Period: HK\$680.3 million), a decrease of 6.1% from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

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

Turnover Breakdown by Business



Gross Profit Analysis by Products



over
300
shops in China

362 shops in Mainland China
6 shops in Hong Kong
3 shops in Macau

20 Anhui	2 Hainan	33 Jiangsu	2 Shanghai
20 Beijing	15 Hebei	3 Jiangxi	7 Shanxi
7 Chongqing	7 Heilongjiang	2 Jilin	3 Sichuan
8 Fujian	6 Henan	10 Liaoning	12 Tianjin
5 Gansu	6 Hong Kong	3 Macau	4 Xinjiang
62 Guangdong	30 Hubei	7 Ningxia	2 Yunnan
19 Guangxi	2 Hunan	10 Shaanxi	2 Zhejiang
1 Guizhou	4 Inner Mongolia	57 Shandong	

Management Discussion and Analysis

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

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

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

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

INTERIM DIVIDEND

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

BUSINESS REVIEW AND PROSPECTS

Retail Operation

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

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

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

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

Management Discussion and Analysis

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

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

Products and Design

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

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

Marketing and awards

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

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

Entertainment Business

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

E-Commerce

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

Management Discussion and Analysis

Clean Energy

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

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

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

OUTLOOK

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

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

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

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

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

Management Discussion and Analysis

Capital Commitments and Contingent Liabilities

Capital commitments and contingent liabilities of the Group as at 31 December 2015 are set out in notes 22 and 26 to the condensed consolidated financial statements.

Pledge of Assets

Pledge of assets of the Group as at 31 December 2015 is set out in note 24 to the condensed consolidated financial statements.

Financial Risk and Exposure

Except for the financial derivatives set out on the condensed consolidated statement of financial position and in notes 14, 16 and 18, the Group did not have any outstanding material foreign exchange contracts, interest or currency swaps, or other financial derivatives as at 31 December 2015.

Employees and Remuneration Policy

As at 31 December 2015, the Group had 1,573 employees (30 June 2015: 1,567). The Group's remuneration policy is periodically reviewed by the Remuneration Committee and the Board. Remuneration is determined with reference to market conditions, company performance, and individual qualifications and performance.

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

At 31 December 2015, 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 share			Total	% of issued ordinary shares
	Personal interests	Family interests	Corporate interests		
Mrs. Wong Chew Li Chin	336,000	980,222,476 (Note a)	—	980,558,476	27.84%
Ms. Wong Wing Yan, Ella	88,000	200,500 (Note b)	—	288,500	0.01%
Mr. Lam Kwok Hing, Wilfred	7,268,000	560,000 (Note c)	—	7,828,000	0.22%
Mr. Cheung Pak To, Patrick	—	—	—	—	—
Mr. Fan, Anthony Ren Da	—	—	—	—	—
Mr. Wong Kam Wing	5,371	—	—	5,371	0.00%
Mr. Fan Chun Wah, Andrew	400,000	100,000 (Note d)	—	500,000	0.01%

Notes:

- (a) Dr. Wong Kennedy Ying Ho ("Dr. Wong"), the spouse of Mrs. Wong Chew Li Chin ("Mrs. Wong"), is interested in the 980,222,476 shares. Please refer to the "SUBSTANTIAL SHAREHOLDERS" section below for details of the interests in shares of Dr. Wong in the Company.
- (b) The shares are held by the spouse of Ms. Wong Wing Yan, Ella.
- (c) The shares are held by the spouse of Mr. Lam Kwok Hing, Wilfred.
- (d) The shares are held by the spouse of Mr. Fan Chun Wah, Andrew.

Other Information

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

Name of Directors	Capacity	Number of shares interested	% of issued ordinary shares
Mrs. Wong Chew Li Chin	Beneficial owner (Note a)	24,000	0.00%
	Family interests (Note b)	36,603,884	1.04%
Ms. Wong Wing Yan, Ella	Beneficial owner (Note c)	11,816,901	0.34%
Mr. Lam Kwok Hing, Wilfred	Beneficial owner (Note c)	10,398,591	0.30%
	Family interests (Note d)	40,000	0.00%
Mr. Cheung Pak To, Patrick	Beneficial owner (Note c)	6,581,690	0.19%
Mr. Fan, Anthony Ren Da	Beneficial owner (Note c)	2,441,942	0.07%
Mr. Wong Kam Wing	Beneficial owner (Note c)	1,916,338	0.05%
	Beneficial owner (Note e)	383	0.00%

Notes:

- (a) These derivatives represent the 24,000 bonus warrant shares underlying the bonus warrants held by Mrs. Wong.
- (b) Dr. Wong, the spouse of Mrs. Wong, is interested in these derivatives. Please refer to the "SUBSTANTIAL SHAREHOLDERS" section below for details.
- (c) All interests above are in the form of share options of the Company.
- (d) These derivatives represent the 40,000 bonus warrant shares underlying the bonus warrants held by the spouse of Mr. Lam Kwok Hing, Wilfred.
- (e) These derivatives represent the 383 bonus warrant shares underlying the bonus warrants held by Mr. Wong Kam Wing.

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 2015.

Other Information

SUBSTANTIAL SHAREHOLDERS

At 31 December 2015, 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 issued ordinary shares
Dr. Wong Kennedy Ying Ho	Beneficial owner (Note a)	139,728,122	3.97%
	Family interest (Note a)	336,000	0.01%
	Corporate interest (Note a)	840,494,354	23.86%
Perfect Ace Investments Limited	Beneficial owner (Note a)	757,703,752	21.51%
Limin Corporation	Beneficial owner (Note a)	82,790,602	2.35%
Dr. Liu Wangzhi	Corporate interest (Note b)	186,874,847	5.31%
	Beneficial owner	15,556,000	0.44%
Mr. Wong Wai Sheung	Beneficial owner	5,831,430	0.17%
	Corporate interest (Note c)	76,899,993	2.18%
Mr. Chan Wai	Beneficial owner	1,000,000	0.03%
	Family interest	100,000	0.00%
	Corporate interest (Note c)	76,899,993	2.18%
Mr. Tse Moon Chuen	Beneficial owner	200,000	0.01%
	Corporate interest (Note c)	76,899,993	2.18%
Mr. Wong Koon Cheung	Corporate interest (Note c)	76,899,993	2.18%
Mr. Lee Shu Kuan	Corporate interest (Note c)	76,899,993	2.18%
Kwai Kee Cheung Jewellery & Goldsmith Company Limited	Corporate interest (Note c)	76,899,993	2.18%
Luk Fook (Control) Limited	Corporate interest (Note c)	76,899,993	2.18%
Luk Fook Holdings (International) Limited	Corporate interest (Note c)	76,899,993	2.18%

Notes:

- (a) Perfect Ace Investments Limited ("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. Accordingly, Dr. Wong is deemed to be interested in the shares through his controlling interest in Perfect Ace and Limin Corporation. Dr. Wong is personally interested in 139,728,122 shares. Mrs. Wong, the chairman and an executive director of the Company, being the spouse of Dr. Wong, is personally interested in 336,000 shares. As such, Dr. Wong is deemed to be interested in all the shares held by Perfect Ace, Limin Corporation and Mrs. Wong. Please also refer to the interests in shares of Mrs. Wong in the Company as disclosed under "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" section above.
- (b) 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 is deemed to have interest in all the shares in Ming Feng.

Other Information

- (c) The corporate interest represents the aggregate of the two lots of shares being 45,000,000 shares held by Luk Fook Holdings Company Limited and 31,899,993 shares held by Luk Fook 3D Management Company Limited. Luk Fook Holdings Company Limited and Luk Fook 3D Management Company Limited are wholly owned by Luk Fook Investment (B.V.I.) Limited. Luk Fook Investment (B.V.I.) Limited is wholly owned by Luk Fook Holdings (International) Limited. Luk Fook (Control) Limited controls over one-third of the voting power of Luk Fook Holdings (International) Limited. Mr. Wong Wai Sheung is a discretionary beneficiary of the Wong's Family Trust (the "Trust"). The Trust is the beneficial owner of the entire issued share capital of Kwai Kee Cheung Jewellery & Goldsmith Company Limited which controls over one-third of the voting power of Luk Fook (Control) Limited. Mr. Wong Wai Sheung, Mr. Chan Wai, Mr. Tse Moon Chuen, Mr. Wong Koon Cheung and the administrator of Mr. Lee Shu Kuan collectively control (directly or indirectly) over one-half of the voting power of Luk Fook (Control) Limited. Accordingly, Mr. Wong Wai Sheung, Mr. Chan Wai, Mr. Tse Moon Chuen, Mr. Wong Koon Cheung, the administrator of Mr. Lee Shu Kuan, Kwai Kee Cheung Jewellery & Goldsmith Company Limited, Luk Fook (Control) Limited and Luk Fook Holdings (International) Limited are deemed to be interested in such shares.

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

Name of substantial shareholders	Capacity	Number of shares interested	% of issued ordinary shares
Dr. Wong Kennedy Ying Ho	Beneficial owner (Note a)	1,620,817	0.05%
	Family interest (Note b)	24,000	0.00%
	Corporate interest (Note c)	34,983,067	0.99%
Perfect Ace Investments Limited	Beneficial owner (Note c)	34,983,067	0.99%
Dr. Liu Wangzhi	Corporate interest (Note d)	7,500,000	0.21%
Mr. Wong Wai Sheung	Corporate interest (Note e)	317,111,111	9.00%
Mr. Chan Wai	Corporate interest (Note e)	317,111,111	9.00%
Mr. Tse Moon Chuen	Corporate interest (Note e)	317,111,111	9.00%
Mr. Wong Koon Cheung	Corporate interest (Note e)	317,111,111	9.00%
Mr. Lee Shu Kuan	Corporate interest (Note e)	317,111,111	9.00%
Kwai Kee Cheung Jewellery & Goldsmith Company Limited	Corporate interest (Note e)	317,111,111	9.00%
Luk Fook (Control) Limited	Corporate interest (Note e)	317,111,111	9.00%
Luk Fook Holdings (International) Limited	Corporate interest (Note e)	317,111,111	9.00%
Luk Fook 3D Management Company Limited	Beneficial owner (Note e)	317,111,111	9.00%

Notes:

- (a) These derivatives comprise the 457,437 bonus warrant shares underlying the bonus warrants and the interests in 1,163,380 shares in the form of share option held by Dr. Wong.
- (b) These derivatives represent the 24,000 bonus warrant shares underlying the bonus warrants held by Mrs. Wong.
- (c) These derivatives represent the 34,983,067 bonus warrant shares underlying the bonus warrants held by Perfect Ace. Dr. Wong is deemed to be interested in these derivatives through his controlling interest in Perfect Ace.
- (d) These derivatives represent the 7,500,000 bonus warrant shares underlying the bonus warrants held by Ming Feng. Ming Feng is owned as to 49% by Ms. Chan, the spouse of Dr. Liu and 51% by Dr. Liu. Ms. Chan holds 49% shares in trust for Dr. Liu. As such, Dr. Liu is deemed to have interest in all the shares in Ming Feng.
- (e) The corporate interest represents the same lot of convertible bond held by Luk Fook 3D Management Company Limited convertible into shares of the Company. Luk Fook 3D Management Company Limited is wholly owned by Luk Fook Investment (B.V.I.) Limited. Luk Fook Investment (B.V.I.) Limited is wholly owned by Luk Fook Holdings (International) Limited. Luk Fook (Control) Limited controls over one-third of the voting power of Luk Fook Holdings (International) Limited. Mr. Wong Wai Sheung is a discretionary beneficiary of the Trust. The Trust is the beneficial owner of the entire issued share capital of Kwai Kee Cheung Jewellery & Goldsmith Company Limited which controls over one-third of the voting power of Luk Fook (Control) Limited. Mr. Wong Wai Sheung, Mr. Chan Wai, Mr. Tse Moon Chuen, Mr. Wong Koon Cheung and the administrator of Mr. Lee Shu Kuan collectively control (directly or indirectly) over one-half of the voting power of Luk Fook (Control) Limited. Accordingly, Mr. Wong Wai Sheung, Mr. Chan Wai, Mr. Tse Moon Chuen, Mr. Wong Koon Cheung, the administrator of Mr. Lee Shu Kuan, Kwai Kee Cheung Jewellery & Goldsmith Company Limited, Luk Fook (Control) Limited and Luk Fook Holdings (International) Limited are deemed to be interested in the convertible bond held by Luk Fook 3D Management Company Limited.

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 2015.

Other Information

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 21 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.

COMPLIANCE WITH THE CODE PROVISIONS ON CORPORATE GOVERNANCE CODE

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

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

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

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

Other Information

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, Mr. Fan Chun Wah, Andrew, Mr. Fan, Anthony Ren Da and Mr. Wong Kam Wing.

By Order of the Board

Hong Kong Resources Holdings Company Limited

Mrs. Wong Chew Li Chin

Chairman

Hong Kong, 29 February 2016

Report On Review of Condensed Consolidated Financial Statements



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 17 to 46, which comprise the condensed consolidated statement of financial position as of 31 December 2015 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

29 February 2016

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2015

	NOTES	Six months ended 31 December	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Turnover	3(a)	638,547	680,336
Cost of sales		(473,250)	(454,778)
Gross profit		165,297	225,558
Other income		16,264	19,849
Selling expenses		(162,913)	(165,082)
General and administrative expenses		(48,879)	(70,156)
Impairment loss on trade receivables recognised		—	(3,628)
Other operating expenses		(13,936)	(14,868)
Loss from operations		(44,167)	(8,327)
Change in fair value of derivatives embedded in convertible bonds and share option		29,021	24,009
Impairment loss on amount due from a joint venture recognised		—	(2,800)
Finance costs	4	(21,349)	(23,946)
Share of results of joint ventures		—	(15)
Loss before taxation	5	(36,495)	(11,079)
Taxation	6	(1,728)	(9,780)
Loss for the period		(38,223)	(20,859)
Other comprehensive (expense) income: <i>Item that will not be reclassified to profit or loss:</i> Exchange difference arising on translation		(54,593)	1,285
Total comprehensive expense for the period		(92,816)	(19,574)
Loss for the period attributable to:			
Owners of the Company		(7,337)	(7,642)
Non-controlling interests		(30,886)	(13,217)
		(38,223)	(20,859)
Total comprehensive expense for the period attributable to:			
Owners of the Company		(42,811)	(7,975)
Non-controlling interests		(50,005)	(11,599)
		(92,816)	(19,574)
Loss per ordinary share	8		
Basic		(HK\$0.002)	(HK\$0.002)
Diluted		(HK\$0.008)	(HK\$0.008)

Condensed Consolidated Statement of Financial Position

As at 31 December 2015

	NOTES	31 December 2015 HK\$'000 (Unaudited)	30 June 2015 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	61,216	59,731
Deposits paid	10	15,709	17,010
Intangible assets	11	168,066	169,433
Interests in joint ventures		–	3,488
Investments	12	52,290	33,704
Deferred tax assets		15,706	16,769
		312,987	300,135
Current assets			
Inventories		817,544	843,720
Trade and other receivables and deposits paid	10	190,831	189,771
Loan to a related party	13	–	1,424
Derivative financial instruments	14(b)	–	2,309
Pledged bank deposits		322,745	418,412
Bank balances and cash		183,643	261,961
		1,514,763	1,717,597
Current liabilities			
Trade and other payables, accruals and deposits received	15	281,005	267,307
Amounts due to joint ventures		–	3,642
Financial liabilities at fair value through profit or loss	16	6,742	1,491
Obligations under finance leases		77	180
Bank and other borrowings	17	645,154	657,178
Gold loans	18	141,698	256,124
Loan from a non-controlling shareholder of a subsidiary	19	20,000	20,000
Tax liabilities		3,638	4,832
		1,098,314	1,210,754
Net current assets		416,449	506,843
Total assets less current liabilities		729,436	806,978

Condensed Consolidated Statement of Financial Position

As at 31 December 2015

	NOTES	31 December 2015 HK\$'000 (Unaudited)	30 June 2015 HK\$'000 (Audited)
Non-current liabilities			
Convertible bonds	14(a)	69,323	64,574
Derivative financial instruments	14(b)	13,639	42,660
Bank and other borrowings	17	20,000	20,000
Loan from a non-controlling shareholder of a subsidiary	19	100,000	100,000
Deferred tax liabilities		42,016	42,016
		244,978	269,250
NET ASSETS		484,458	537,728
CAPITAL AND RESERVES			
Share capital	20	35,224	31,905
Reserves		331,310	337,894
Equity attributable to owners of the Company		366,534	369,799
Non-controlling interests		117,924	167,929
TOTAL EQUITY		484,458	537,728

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2015

	Attributable to owners of the Company										Non-controlling interests	
	Ordinary	Share	Contributed	Other	Share	Warrant	Exchange	PRC	Accumulated			
	share	premium	surplus	reserve	option	reserve	reserve	statutory	losses	Total	interests	Total
	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 (a))				(Note (b))				
At 1 July 2014 (audited)	31,885	680,877	55,327	(256,051)	18,762	21,820	44,684	25,657	(167,316)	455,645	230,607	686,252
Loss for the period	-	-	-	-	-	-	-	-	(7,642)	(7,642)	(13,217)	(20,859)
Other comprehensive (expense) income for the period	-	-	-	-	-	-	(333)	-	-	(333)	1,618	1,285
Total comprehensive expense for the period	-	-	-	-	-	-	(333)	-	(7,642)	(7,975)	(11,599)	(19,574)
Transfer between reserves	-	-	-	-	-	-	-	1,309	(1,309)	-	-	-
Equity-settled share-based payments	-	-	-	-	531	-	-	-	-	531	-	531
Exercise of warrants	-	1	-	-	-	-	-	-	-	1	-	1
Lapse of share options	-	-	-	-	(1,326)	-	-	-	1,326	-	-	-
At 31 December 2014 (unaudited)	31,885	680,878	55,327	(256,051)	17,967	21,820	44,351	26,966	(174,941)	448,202	219,008	667,210
At 1 July 2015 (audited)	31,905	681,516	55,327	(256,051)	17,591	21,819	51,625	26,966	(260,899)	369,799	167,929	537,728
Loss for the period	-	-	-	-	-	-	-	-	(7,337)	(7,337)	(30,886)	(38,223)
Other comprehensive expense for the period	-	-	-	-	-	-	(35,474)	-	-	(35,474)	(19,119)	(54,593)
Total comprehensive expense for the period	-	-	-	-	-	-	(35,474)	-	(7,337)	(42,811)	(50,005)	(92,816)
Transfer between reserves	-	-	-	-	-	-	-	2,097	(2,097)	-	-	-
Issue of shares, net of transaction costs	3,319	36,227	-	-	-	-	-	-	-	39,546	-	39,546
At 31 December 2015 (unaudited)	35,224	717,743	55,327	(256,051)	17,591	21,819	16,151	29,063	(270,333)	366,534	117,924	484,458

Notes:

(a) Other reserve comprises:

- an amount of HK\$213,605,000 which 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 ("CGS"), a subsidiary of the Company, being acquired from the non-controlling shareholders on 14 May 2010;
- an amount of HK\$3,643,000 which represents the difference between the fair value of the consideration paid and the carrying amount of the net liabilities attributable to the additional interest in Rise Rich International Limited, a subsidiary of the Company, being acquired from the non-controlling shareholders on 31 December 2013; and
- an amount of HK\$38,803,000 in relation to the disposal of partial interest in CGS on 6 June 2014.

(b) People's Republic of China (the "PRC") statutory reserve of the Group represents general and development fund reserve applicable to the PRC subsidiaries which were established in accordance with the relevant regulations.

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2015

	Six months ended 31 December	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(39,605)	(175,033)
Investing activities		
Interest received	5,458	13,456
Purchase of property, plant and equipment	(20,218)	(13,093)
Proceeds from disposal of property, plant and equipment	597	1,101
Additions to intangible assets	(145)	(9)
Investment in a film	(3,866)	–
Investments in entertainment events	(1,659)	–
Acquisition of long term investments	(1,489)	(3,388)
Repayments of loans from related parties	1,424	50,594
Advance to a joint venture	–	(1,052)
Placement of pledged bank deposits	–	(158,035)
Withdrawal of pledged bank deposits	72,131	196,144
Net cash from investing activities	52,233	85,718
Financing activities		
Interest paid	(18,451)	(21,210)
New bank and other borrowings	244,154	189,500
Repayment of bank and other borrowings	(256,178)	(256,086)
New gold loans	–	125,676
Repayment of gold loans	(88,438)	(149,101)
Repayment of obligation under finance leases	(106)	–
Loan from a non-controlling shareholder of a subsidiary	–	20,000
Proceeds from the issue of new shares	40,824	–
Transaction costs for the issue of new shares	(1,278)	–
Exercise of warrants	–	1
Net cash used in financing activities	(79,473)	(91,220)
Net decrease in cash and cash equivalents	(66,845)	(180,535)
Cash and cash equivalents at beginning of the period	261,961	357,952
Effect of foreign exchange rate changes	(11,473)	(2,776)
Cash and cash equivalents at end of the period, represented by bank balances and cash	183,643	174,641

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2015.

3. TURNOVER AND SEGMENT INFORMATION

(a) Turnover

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

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

(b) Segment information

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

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

For the six months ended 31 December 2015 (unaudited)

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

For the six months ended 31 December 2014 (unaudited)

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

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

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

4. FINANCE COSTS

	Six months ended 31 December	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Interests on:		
Bank and other borrowings	8,933	10,495
Gold loans	5,638	7,647
Obligations under finance leases	3	7
Loan from a non-controlling shareholder of a subsidiary	208	–
Effective interest on convertible bonds (note 14(a))	6,567	5,734
Other finance costs	–	63
	21,349	23,946

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

5. LOSS BEFORE TAXATION

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

6. TAXATION

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

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

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

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

7. DIVIDENDS

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

8. LOSS PER ORDINARY SHARE

	Six months ended 31 December	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss:		
Loss for the period attributable to owners of the Company for the purpose of basic loss per ordinary share	(7,337)	(7,642)
Effect of dilutive potential ordinary share:		
– Interest on CB 2019 (as defined in note 14(a))	3,117	2,703
– Change in fair value in derivatives embedded in CB 2019	(24,577)	(21,436)
Loss for the period attributable to owners of the Company for the purpose of diluted loss per ordinary share	(28,797)	(26,375)
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic loss per ordinary share (Note)	3,273,994	3,188,494
Effect of dilutive potential ordinary shares:		
– CB 2019	317,111	317,111
Weighted average number of ordinary shares for the purpose of diluted loss per ordinary share	3,591,105	3,505,605

Note:

The computation of diluted loss per ordinary share did not assume the exercise of share options and bonus warrants (six months ended 31 December 2014: share options and bonus warrants) because their exercise price is higher than the average share price, and the conversion of CGS CB 2018 (as defined in note 14(a)) (six months ended 31 December 2014: CGS CB 2018) since their conversion would result in a decrease in loss per ordinary share.

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of HK\$20,218,000 (six months ended 31 December 2014: HK\$13,356,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

10. TRADE AND OTHER RECEIVABLES AND DEPOSITS PAID

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

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

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

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

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

11. INTANGIBLE ASSETS

	Notes	31 December 2015 HK\$'000 (Unaudited)	30 June 2015 HK\$'000 (Audited)
Trademarks	(a)	168,066	168,066
License	(b)	–	975
Core technology and Apps	(c)	–	392
		168,066	169,433

Notes:

- (a) The trademarks have contractual lives of 10 years commencing in December 2008 and April 2009 of “3D-Gold”, 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 2015, 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 2015: 17%). The cash flows beyond the five-year period are extrapolated using a 1% (30 June 2015: 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.

- (b) License represented 10 year’s non-exclusive right to use a cartoon image on all web applications on internet and mobile devices, including but not limited to apps on iphones and ipads. The cost is amortised on a straight-line method to profit or loss over 10 years.

During the six months ended 31 December 2015, management expected that the carrying amount of the license cannot be recovered and, therefore, full impairment was recognised in the profit or loss.

- (c) Core technology includes packaged contents and application templates for production of software, Apps for sales, Apps under development and completed Apps for the application for mobile devices. The costs include expenditure (including but not limited to staff costs, depreciation charges of certain computer equipment, production office rent and rates, outsourced freelance costs and IT development fees) that are directly attributable to the development of the application for mobile devices. The costs are amortised on a straight-line method to profit or loss over the estimated useful life of 5 years. Apps under development are not amortised.

During the six months ended 31 December 2015, management expected that the carrying amount of the core technology and Apps cannot be recovered and therefore, full impairment was recognised in the profit or loss.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

12. INVESTMENTS

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

Notes:

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

During the period, the Group exercised an option to subscribe for additional 12 new shares of the private limited liability company incorporated in Hong Kong (the “Investee Company”) (note 14(b)(i)). Upon the completion of the exercise of option, the Group’s interest in the Investee Company increased from 15.9% to 24.0%. Pursuant to the Articles of Associations of the Investee Company, the Group has no contractual and unconditional right in appointing directors to the board. As at 31 December 2015, the Group has one out of the three directors in the Investee Company.

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

13. LOAN TO A RELATED PARTY

At 30 June 2015, the amount represented a loan to an investee company, of which the Company held 15.9% equity interest and was with a common director as the Company. The loan was unsecured, interest-free and fully settled during the period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

14. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS

(a) Convertible bonds

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

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

	CB 2019	Liability component CGS CB 2018	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 July 2015	32,784	31,790	64,574
Coupon interest accrued at 1 July 2015 and included in other payables	869	985	1,854
Interest charged during the period	3,117	3,450	6,567
Payment of coupon interest	(1,712)	(1,950)	(3,662)
Coupon interest accrued at 31 December 2015 and included in other payables	—	(10)	(10)
At 31 December 2015	35,058	34,265	69,323

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

(b) Derivative financial instruments

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

14. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

(b) Derivative financial instruments *(Continued)*

(i) Share option asset

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

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

The following are the movement in the share option asset:

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

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

(ii) Derivatives embedded in convertible bonds

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

14. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(b) Derivative financial instruments (Continued)

(ii) Derivatives embedded in convertible bonds (Continued)

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

	At 31 December 2015	At 30 June 2015
CB 2019		
Share price	HK\$0.13	HK\$0.21
Exercise price	HK\$0.18	HK\$0.18
Expected dividend yield	0.00%	0.00%
Volatility	41.31%	47.03%
CGS CB 2018		
Share price	US\$8,313.70	US\$15,794.99
Exercise price	US\$24,390.24	US\$24,390.24
Expected dividend yield	2.26%	1.76%
Volatility	31.25%	35.75%

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

15. TRADE AND OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

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

Notes:

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

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

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

16. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities at fair value through profit or loss comprise:

	31 December 2015 HK\$'000 (Unaudited)	30 June 2015 HK\$'000 (Audited)
Bullion forward contract (Note (a))	6,398	832
Gold bullion contracts through margin account (Note (b))	344	659
	6,742	1,491

Notes:

- (a) The Group used bullion forward contract 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 contract is measured at fair value at the end of the reporting period. The fair value is determined based on the quoted market prices at the end of the reporting period. The total notional value of the outstanding bullion forward contract as at 31 December 2015 amounted to RMB91,310,000 (30 June 2015: RMB91,310,000) which has maturity period of 12 months (30 June 2015: 12 months) since date of inception.

- (b) The amount as at 31 December 2015 represented the fair value of the open position of gold bullion contracts through margin account with an aggregated notional value of US\$4,285,000 (30 June 2015: US\$18,014,000). The contracts contained 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 was determined based on the quoted market price at the end of the reporting period.

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17. BANK AND OTHER BORROWINGS

	31 December 2015 HK\$'000 (Unaudited)	30 June 2015 HK\$'000 (Audited)
Bank borrowings:		
Unsecured fixed rate bank loans	96,154	63,678
Secured fixed rate bank loan	–	56,500
Secured floating rate bank loans	549,000	537,000
	645,154	657,178
Other borrowings:		
Unsecured fixed rate other borrowing		
– An independent third party	20,000	20,000
	665,154	677,178
Secured	549,000	593,500
Unsecured	116,154	83,678
	665,154	677,178
Carrying amounts repayable:		
On demand or within one year*	549,000	593,500
More than five years*	20,000	20,000
	569,000	613,500
Carrying amount of bank loans that contain a repayment on demand clause (shown under current liabilities):		
Repayable within one year*	96,154	63,678
	665,154	677,178
Less: Amounts due within one year and shown under current liabilities	(645,154)	(657,178)
Amounts shown under non-current liabilities	20,000	20,000

* 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 2015

18. GOLD LOANS

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

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

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

19. LOAN FROM A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

The loan from a non-controlling shareholder of a subsidiary is unsecured, interest-free and mutually agreed by the Group and the lender not to be repaid within one year after the end of the reporting period, except for an amount of HK\$20,000,000 (30 June 2015: HK\$20,000,000) which is unsecured, interest bearing at 2% per annum and repayable on 4 May 2016.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

20. SHARE CAPITAL

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

Note:

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

21. 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 2015 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 1.7.2015 and 31.12.2015
Directors	23.1.2009	23.1.2009 to 22.1.2019	0.4280	1,051,208
	20.7.2009	20.7.2009 to 19.7.2019	1.2980	3,839,154
	26.7.2011	26.7.2011 to 25.7.2021	0.4810	2,326,760
	26.7.2011	26.7.2012 to 25.7.2021	0.4810	3,490,140
	26.7.2011	26.7.2013 to 25.7.2021	0.4810	4,653,522
	25.1.2013	28.2.2013 to 24.1.2023	0.2288	5,800,000
	25.1.2013	28.2.2014 to 24.1.2023	0.2288	7,800,000
	25.1.2013	28.2.2015 to 24.1.2023	0.2288	7,800,000
				36,760,784

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

21. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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

Eligible person	Date of grant	Exercise period	Exercise price HK\$	Number of options Outstanding as at 1.7.2015 and 31.12.2015
Employees	20.7.2009	20.7.2009 to 19.7.2019	1.2980	1,163,380
	25.1.2013	28.2.2013 to 24.1.2023	0.2288	2,800,000
	25.1.2013	28.2.2014 to 24.1.2023	0.2288	2,800,000
	25.1.2013	28.2.2015 to 24.1.2023	0.2288	4,300,000
	27.2.2013	28.2.2014 to 24.1.2023	0.2288	10,000,000
	27.2.2013	28.2.2015 to 24.1.2023	0.2288	10,000,000
				31,063,380
Consultants	20.7.2009	20.7.2009 to 19.7.2019	1.2980	232,676
	13.4.2010	13.4.2009 to 12.4.2020	1.2030	2,326,761
	13.4.2010	13.7.2010 to 12.4.2020	1.2030	5,816,901
	13.4.2010	13.10.2010 to 12.4.2020	1.2030	5,816,901
	13.4.2010	13.1.2011 to 12.4.2020	1.2030	6,710,377
	25.1.2013	28.2.2013 to 24.1.2023	0.2288	800,000
	25.1.2013	28.2.2014 to 24.1.2023	0.2288	800,000
	25.1.2013	28.2.2015 to 24.1.2023	0.2288	800,000
				23,303,616
				91,127,780
Exercisable at the end of the period				91,127,780
Weighted average exercise price				0.5425

Notes to the Condensed Consolidated Financial Statements

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21. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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

Eligible person	Date of grant	Exercise period	Exercise price HK\$	Number of options		
				Outstanding as at 1.7.2014	Lapsed during the period	Outstanding as at 31.12.2014
Directors	23.1.2009	23.1.2009 to 22.1.2019	0.4280	1,051,208	–	1,051,208
	20.7.2009	20.7.2009 to 19.7.2019	1.2980	5,002,534	(1,163,380)	3,839,154
	26.7.2011	26.7.2011 to 25.7.2021	0.4810	2,326,760	–	2,326,760
	26.7.2011	26.7.2012 to 25.7.2021	0.4810	3,490,140	–	3,490,140
	26.7.2011	26.7.2013 to 25.7.2021	0.4810	4,653,522	–	4,653,522
	25.1.2013	28.2.2013 to 24.1.2023	0.2288	8,800,000	(1,000,000)	7,800,000
	25.1.2013	28.2.2014 to 24.1.2023	0.2288	8,800,000	(1,000,000)	7,800,000
	25.1.2013	28.2.2015 to 24.1.2023	0.2288	8,800,000	(1,000,000)	7,800,000
				42,924,164	(4,163,380)	38,760,784
Employees	20.7.2009	20.7.2009 to 19.7.2019	1.2980	1,163,380	–	1,163,380
	25.1.2013	28.2.2013 to 24.1.2023	0.2288	4,100,000	–	4,100,000
	25.1.2013	28.2.2014 to 24.1.2023	0.2288	6,400,000	(1,300,000)	5,100,000
	25.1.2013	28.2.2015 to 24.1.2023	0.2288	7,900,000	(1,300,000)	6,600,000
	27.2.2013	28.2.2014 to 24.1.2023	0.2288	10,000,000	–	10,000,000
	27.2.2013	28.2.2015 to 24.1.2023	0.2288	10,000,000	–	10,000,000
				39,563,380	(2,600,000)	36,963,380
Consultants	20.7.2009	20.7.2009 to 19.7.2019	1.2980	232,676	–	232,676
	13.4.2010	13.4.2009 to 12.4.2020	1.2030	2,326,761	–	2,326,761
	13.4.2010	13.7.2010 to 12.4.2020	1.2030	5,816,901	–	5,816,901
	13.4.2010	13.10.2010 to 12.4.2020	1.2030	5,816,901	–	5,816,901
	13.4.2010	13.1.2011 to 12.4.2020	1.2030	6,710,377	–	6,710,377
				20,903,616	–	20,903,616
				103,391,160	(6,763,380)	96,627,780
Exercisable at the end of the period				76,691,160		72,227,780
Weighted average exercise price				0.517		0.525

(b) During the six months ended 31 December 2014, the Group recognised the total expense of HK\$531,000 in profit or loss 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

22. CAPITAL COMMITMENTS

	31 December 2015 HK\$'000 (Unaudited)	30 June 2015 HK\$'000 (Audited)
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	741	454

23. 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 2015 HK\$'000 (Unaudited)	30 June 2015 HK\$'000 (Audited)
Within one year	70,399	74,526
In the second to fifth year inclusive	43,803	70,201
	114,202	144,727

Leases are negotiated for lease terms of one to five years (30 June 2015: one to five years).

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.

The lease commitments as at 30 June 2015 includes the non-cancellable operating leases with a fellow subsidiary of a non-controlling shareholder of a subsidiary amounted to HK\$326,000 and HK\$353,000 which falls due within one year and in the second to five years, respectively. Such lease was early terminated during the current period.

24. PLEDGE OF ASSETS

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

Notes to the Condensed Consolidated Financial Statements

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25. 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	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
A solicitors firm in which a former director of the Company is a partner	Company secretariat and legal services fee	–	45
A joint venture	Purchase of jewellery	–	2
A non-controlling shareholder of a subsidiary	Interest expense	202	62
Fellow subsidiaries of a non-controlling shareholder of a subsidiary	Purchase of jewellery	34,065	76,143
	Sales of jewellery	–	685
	Specialty fee	209	111
	Subcontracting fee	–	266
	Rental expense	26	–
Related parties	Interest income	–	4,968
An Investee Company	Consultancy fee income	1,347	–

As at 31 December 2015, the ultimate holding of a non-controlling shareholder of a subsidiary issued financial guarantee amounting to HK\$489,663,000 (30 June 2015: HK\$443,199,000) to banks in respect of banking facilities granted to the Group.

(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, 13, 14, 15, 19 and 20.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

25. 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	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Fees	990	695
Salaries	5,164	4,636
Retirement benefit costs	36	27
Equity-settled share-based payments	—	645
	6,190	6,003

26. CONTINGENT LIABILITIES

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

27. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

27. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Financial liabilities included in the condensed consolidated statement of financial position	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	31 December 2015 HK\$'000	30 June 2015 HK\$'000		
1) Bullion forward contracts and gold bullion contract through margin account	6,742	1,491	Level 2	Discounted cash flows Inputs to valuation model are determined from observable forward gold price.
2) Gold loans	141,698	256,124	Level 2	Quoted bid prices of gold
3) Conversion option derivatives embedded in convertible bonds	13,618	40,820	Level 3	Trinomial option pricing model The fair value is estimated based on the risk free rate, discount rate, share price, volatility of the share price of the Company and CGS, dividend yield and exercise price.
4) CGS Share Option	21	1,840	Level 3	Trinomial option pricing model The fair value is estimated based on the risk free rate, discount rate, share price, volatility of the share price of the CGS, dividend yield and exercise price.

There were no transfer between level 1, 2 and 3 during both periods presented.