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

EXPLORE OPPORTUNITIES

interim report 2018-19

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 glamourous 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

Contents

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.

"Starry Shimmer" Collection

Corporate Information

DIRECTORS

Executive Directors

Mr. Lam Kwok Hing, Wilfred, J.P.
Mr. Wu Xiaolin[c] *(resigned on 28 August 2018)*
Mr. Xu Zhigang[c]
Mr. Zhao Jianguo
Ms. Dai Wei

Independent Non-executive Directors

Dr. Loke Yu alias Loke Hoi Lam[a,b,c]
Mr. Xu Xiaoping[a,b,c]
Mr. Fan, Anthony Ren Da[a,b,c]

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

COMPANY SECRETARY

Ms. Ho Suet Man Stella

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton, HM11
Bermuda

PRINCIPAL OFFICE IN HONG KONG

Room 905, 9th Floor, Star House
3 Salisbury Road, Tsim Sha Tsui
Kowloon
Hong Kong

Corporate Information

PRINCIPAL BANKERS

Hang Seng Bank
DBS Bank
Shanghai Commercial Bank
United Overseas Bank

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 trademark licensing and retailing for gold and jewellery products in Hong Kong, Macau and Mainland China and wholesaling and subcontracting of gold and jewellery products in Mainland China.

During the Period under review, the escalation of trade tensions between the United States and Mainland China appeared to have hurt market sentiment. In Hong Kong, in the shadow of volatilities in the financial markets, weaker asset prices and a more cautious consumption sentiment appeared as results. In Mainland China, domestic engines that used to drive expansion showed signs of weakening momentum. The economy was facing downward pressure. Therefore, the overall same store growth of the Group's retail business recorded a decline of 4% for the Period. As a part of the Group's strategy, the Group has expanded its retail business by a net addition of 11 shops and counters in Hong Kong and Mainland China.

FINANCIAL REVIEW

The Group recorded a total turnover of approximately HK$781 million for the Period, representing an increase of 25% as compared to the turnover of approximately HK$623 million same period last year ("Last Period"). The launch of the wholesaling and sub-contracting businesses in Mainland China contributed 73% of overall increase in turnover. The loss for the Period attributable to the owners was approximately HK$48 million compared to approximately HK$23 million Last Period, representing an increase of 109%. This was mainly attributable to devaluation of Renminbi, decrease in international gold price and increase in finance costs.

Retailing of gold and jewellery products accounted for 80% (2017: 94%) of total turnover. The Group recorded retail revenue of approximately HK$624 million for the Period, representing a 7% increase from approximately HK$584 million Last Period. Mainland China continued to be the Group's major market, contributing 61% (2017: 64%) of retail sales for the Period. The retail revenue from Mainland China rose by 2% to approximately HK$382 million for the Period from approximately HK$373 million Last Period. The Group recorded retail revenue from Hong Kong and Macau of approximately HK$242 million for the Period, representing a 15% increase from HK$211 million Last Period. The Group recorded a decline in overall same-store growth of 4% (2017: a growth of 18%), of which same-store growth in Mainland China decline by 6% (2017: a growth of 17%) and same store growth in Hong Kong and Macau decline by 1% (2017: a growth of 8%). The wholesaling and sub-contracting of gold and jewellery products in Mainland China are new businesses for the Group, and accounted for 15% (2017: 0%) of total turnover. The Group recorded revenue from wholesaling and sub-contracting of gold and jewellery in Mainland China of approximately HK$115 million (2017: Nil).

In line with the increase in turnover, the Group's selling expenses increased to HK$180 million (2017: HK$147 million) this Period, whereas the percentage to total turnover decreased to 23% (2017: 24%) this Period. Advertising and promotional expenses amounted to HK$18 million (2017: HK$10 million), equivalent to 2.3% (2017: 1.6%) of total revenue. Rental expenses amounted to HK$63 million (2017: HK$60 million), representing 10% (2017: 10%) of total retail revenue. The rental was generally in line with the market trend, yet the percentage to turnover remained at a relatively low level.

The Group has successfully implemented various cost control measures. General and administrative expenses have decreased by HK$7 million to HK$48 million (2017: HK$55 million).

The Group's other gains and losses have decreased by HK$13 million from a gain of approximately HK$3 million Last Period to a loss of approximately HK$11 million for the Period. Included in other gains and losses are exchange loss of HK$10 million for the Period.

over **380** shops in China

384 shops in Mainland China
10 shops in Hong Kong
2 shops in Macau

23	Anhui	15	Hebei	26	Jiangsu	52	Shandong
26	Beijing	8	Heilongjiang	1	Jiangxi	1	Shanghai
5	Chongqing	10	Henan	3	Jilin	9	Shanxi
11	Fujian	10	Hong Kong	10	Liaoning	3	Sichuan
2	Gansu	29	Hubei	2	Macau	16	Tianjin
89	Guangdong	4	Hunan	5	Ningxia	4	Xinjiang
15	Guangxi	6	Inner Mongolia	8	Shaanxi	2	Zhejiang
						1	Qinghai

金至尊
3D-GOLD

INTERIM DIVIDENDS

The Board has resolved not to recommend an interim dividend in respect of the six months ended 31 December 2018 to the holders of ordinary shares of the Company.

BUSINESS REVIEW

Retail business

Overall revenue from the retail business reached HK$242 million (2017: HK$211 million) for Hong Kong and Macau and HK$382 million (2017: HK$373 million) for Mainland China. The increase was mainly due to the increment of 1 shop in Hong Kong and 10 shops and counters in Mainland China.

As at 31 December 2018, the Group had 10 points-of-sale in Hong Kong, 2 points-of-sale in Macau and 384 points-of-sale in Mainland China under the brand name “3D-GOLD”. Of the points-of-sale in Mainland China, 88 are self-operated points-of-sale and 296 are licensee points-of-sale. During the Period, 46 new shops and counters were opened in Mainland China and 36 shops and counters were closed.

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

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

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

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

Products and Design

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

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

– "Spellbound" Collection

– "Starry Shimmer" Collection

– Pure Gold Chinese Zodiac Collection

– "K • Love" Collection

– "Love Lane" Collection

– Pure Gold Wedding Collection

– "Precious Dear" Collection

– "Golden Allure" Collection

Marketing and Promotion

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

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

– Sponsored "Kelly x MOOV Live Music Stage" Concert in Hong Kong;

– Organized a " 2018 Autumn Brand Licensee Business Seminar" in Shenzhen of PRC;

– Organized a "New Image Shop Opening Celebration" in Wuhan of PRC;

– Organized a "Kick-off Ceremony of "Starry Shimmer" Roadshow" in Guangzhou of PRC.

Awards and Achievements

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

– "Q-Mark Elite Brand Award 2018 (Jewellery & Watch)"

– "TVB Weekly Brand Awards 2018"

Wholesale and sub-contracting businesses

The Group has launched new wholesaling and sub-contracting businesses for gold and jewellery products in Mainland China. The Group will continue to explore more opportunities to work with business partners in Mainland China to facilitate the growth of its wholesale business network.

OUTLOOK

The increased visitor arrivals from Mainland China pointed to a better consumption sentiment. However, under the influence of US-China trade war and geopolitics, uncertainties are still around. The Group remains prudently optimistic about the prospects of its business growth in the coming year. Looking ahead, the Group is positive about the business outlook in the medium-to-long run, despite short-term market volatility. Mainland China continues to be the major market and it remains one of the fastest-growing economies in the world and buttresses the Group's optimistic business outlook in the medium-to-long run.

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

The Group has also been exploring new business opportunities to diversify revenue base. Ultimately, it aims to achieve its goals, which will result in growth and value for our investors and other stakeholders.

USE OF PROCEEDS FROM PLACING AND SUBSCRIPTION OF NEW SHARES

The Company has received net proceeds of approximately HK$27 million in connection with the placing and subscription of new shares completed on 18 July 2018 and 30 July 2018 respectively. As of 31 December 2018, all net proceeds have been used by the Group. Set forth below is a summary of the utilization of the net proceeds:

	Amount of net proceeds intended to be allocated *HK$* *(approximately)*	**Actual utilized amount as of 31 December 2018** *HK$* *(approximately)*	**Unutilized amount as of 31 December 2018** *HK$* *(approximately)*
Intended use disclosed in the Company's Announcement dated 8 June 2018			
General working capital/Group's acquisition	15,200,000	15,200,000	–
Intended use disclosed in the Company's Announcement dated 20 July 2018			
General working capital	11,700,000	11,700,000	–
	26,900,000	26,900,000	–

OTHERS

Liquidity, Financial Resources and Capital Structure

The Group centralises funding for all its operations through the corporate treasury based in Hong Kong. As at 31 December 2018, the Group had total cash and cash equivalents amounting to HK$976 million (30 June 2018: HK$799 million) whilst total net assets were HK$117 million (30 June 2018: HK$197 million). The Group's net gearing ratio as at 31 December 2018 was 892% (30 June 2018: 454%), being a ratio of total borrowing of HK$2,020 million (30 June 2018: HK$1,693 million) less pledged bank deposits and bank balances and cash of HK$976 million (30 June 2018: HK$799 million) to total equity of HK$117 million (30 June 2018: HK$197 million). After taking into account the gold inventories of HK$343 million (30 June 2018: HK$386 million), the Group's adjusted net gearing ratio as at 31 December 2018 was 599% (30 June 2018: 258%), being a ratio of total borrowing less pledged bank deposits, bank balances and cash and gold inventories to total equity. As at 31 December 2018, the Group has available unutilised revolving banking facilities of HK$346,000,000 (30 June 2018: nil).

Capital Commitments

Capital commitments of the Group as at 31 December 2018 are set out in note 20.

Pledged Assets and Contingent Liabilities

Pledged assets of the Group as at 31 December 2018 are set out in note 22. The Group did not have any material contingent liabilities as at 31 December 2018.

Financial Risk and Exposure

Except for the financial derivatives set out in note 17, the Group did not have any outstanding material foreign exchange contracts, interest or currency swaps, or other financial derivatives as at 31 December 2018.

Employees and Remuneration Policy

As at 31 December 2018, the Group had 1,496 employees (30 June 2018: 1,456). The Group's remuneration policy is periodically reviewed by the Remuneration Committee and the Board. Remuneration is determined by reference to market conditions, company performance, and individual qualifications and performance.

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

At 31 December 2018, 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

	Number of ordinary shares				% of issued
Name of director	Personal interests	Family interests	Corporate interests	Total	ordinary shares (Note b)
Mr. Lam Kwok Hing, Wilfred	2,220,000	140,000 (Note a)	–	2,360,000	0.22%
Mr. Xu Zhigang	–	–	–	–	–
Mr. Zhao Jianguo	–	–	–	–	–
Ms. Dai Wei	–	–	–	–	–
Dr. Loke Yu alias Loke Hoi Lam	–	–	–	–	–
Mr. Xu Xiaoping	–	–	–	–	–
Mr. Fan, Anthony Ren Da	–	–	–	–	–

Notes:

(a) The shares are held by the spouse of Mr. Lam Kwok Hing, Wilfred.

(b) On 18 July 2018, the Company has conducted a share consolidation whereby every four existing issued and unissued ordinary shares of par value of HK$0.01 each in the share capital of the Company have been consolidated into one consolidated share of par value of HK$0.04 each. The percentage of shareholding is calculated based on 1,056,716,012 issued shares as at 31 December 2018.

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

Name of director	Capacity	Number of shares interested	% of ordinary shares (Note b)
Mr. Lam Kwok Hing, Wilfred	Beneficial owner (Note a, b)	11,349,647	1.07%
Mr. Zhao Jianguo	Beneficial owner (Note a, b)	8,750,000	0.83%
Ms. Dai Wei	Beneficial owner (Note a, b)	8,750,000	0.83%
Dr. Loke Yu alias Loke Hoi Lam	Beneficial owner (Note a, b)	875,000	0.08%
Mr. Xu Xiaoping	Beneficial owner (Note a, b)	875,000	0.08%
Mr. Fan, Anthony Ren Da	Beneficial owner (Note a, b)	1,485,485	0.14%

Notes:

(a) All interests above are in the form of share options of the Company.

(b) On 18 July 2018, the Company has conducted a share consolidation whereby every four existing issued and unissued ordinary shares of par value of HK$0.01 each in the share capital of the Company have been consolidated into one consolidated share of par value of HK$0.04 each. The percentage of shareholding is calculated based on 1,056,716,012 issued shares as at 31 December 2018.

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 2018.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2018, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company.

(a) Long positions in shares of the Company

Name of substantial shareholder	Capacity	Number of issue ordinary shares held	% of issued ordinary shares (Note e)
Mr. Wen Jialong	Beneficial owner	1,415,489	0.13%
	Corporate interest (Note a, b)	251,055,619	23.76%
Weltrade Group Limited	Beneficial owner (Note a)	245,055,619	23.19%
China Force Enterprises Inc.	Beneficial owner (Note b)	6,000,000	0.57%
Kerui Jinrong Co., Limited	Person have a security interest in shares (Note c)	245,055,619	23.19%
Mr. Wong Wai Sheung	Beneficial owner	1,457,857	0.14%
	Corporate interest (Note d)	19,224,998	1.82%
Mr. Chan Wai	Beneficial owner	250,000	0.02%
	Family interest	25,000	0.00%
	Corporate interest (Note d)	19,224,998	1.82%
Mr. Tse Moon Chuen	Beneficial owner	416,000	0.04%
	Corporate interest (Note d)	19,224,998	1.82%
Mr. Lee Shu Kuan	Corporate interest (Note d)	19,224,998	1.82%
Kwai Kee Cheung Jewellery & Goldsmith Company Limited	Corporate interest (Note d)	19,224,998	1.82%
Luk Fook (Control) Limited	Corporate interest (Note d)	19,224,998	1.82%
Luk Fook Holdings (International) Limited	Corporate interest (Note d)	19,224,998	1.82%

Notes:

(a) The shares are held by Weltrade Group Limited ("Weltrade"). Weltrade is a company wholly-owned by Mr. Wen Jialong ("Mr. Wen"). As such, Mr. Wen is deemed to be interested in all the shares held by Weltrade.

(b) The shares are held by China Force Enterprises Inc. ("China Force"). China Force is a company wholly-owned by Mr. Wen. As such, Mr. Wen is deemed to be interested in all the shares held by China Force.

(c) Kerui Jinrong Co., Limited has a security interest in the shares held by Weltrade.

(d) The corporate interest represents the aggregate of the two lots of shares being 11,250,000 shares held by Luk Fook Holdings Company Limited and 7,974,998 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 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, 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.

(e) On 18 July 2018, the Company has conducted a share consolidation whereby every four existing issued and unissued ordinary shares of par value of HK$0.01 each in the share capital of the Company have been consolidated into one consolidated share of par value of HK$0.04 each. The percentage of shareholding is calculated based on 1,056,716,012 issued shares as at 31 December 2018.

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

Name of substantial shareholder	Capacity	Number of shares interested	% of issued ordinary shares (Note c)
Mr. Wen Jialong	Beneficial owner (Note a)	5,000,000	0.47%
Mr. Wong Wai Sheung	Corporate interest (Note b)	80,168,539 (Note d)	7.59%
Mr. Chan Wai	Corporate interest (Note b)	80,168,539 (Note d)	7.59%
Mr. Tse Moon Chuen	Corporate interest (Note b)	80,168,539 (Note d)	7.59%
Mr. Lee Shu Kuan	Corporate interest (Note b)	80,168,539 (Note d)	7.59%
Kwai Kee Cheung Jewellery & Goldsmith Company Limited	Corporate interest (Note b)	80,168,539 (Note d)	7.59%
Luk Fook (Control) Limited	Corporate interest (Note b)	80,168,539 (Note d)	7.59%
Luk Fook Holdings (International) Limited	Corporate interest (Note b)	80,168,539 (Note d)	7.59%
Luk Fook 3D Management Company Limited	Beneficial owner (Note b)	80,168,539 (Note d)	7.59%

Notes:

(a) These derivatives comprise interests in 5,000,000 shares in the form of share option held by Mr. Wen.

(b) 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 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, 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.

(c) On 18 July 2018, the Company has conducted a share consolidation whereby every four existing issued and unissued ordinary shares of par value of HK$0.01 each in the share capital of the Company have been consolidated into one consolidated share of par value of HK$0.04 each. The percentage of shareholding is calculated based on 1,056,716,012 issued shares as at 31 December 2018.

(d) As at 31 December 2018, the total number of shares interested has been adjusted to 80,168,539 at an adjusted conversion price of HK$0.712.

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 2018.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in Note 19 to the 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 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. Mr. Xu Zhigang was appointed as an executive Director and chief executive officer on 14 February 2018 and has been assuming the role of chairman of the Company. The Board is of the view that currently vesting the roles of chairman and chief executive in Mr. Xu Zhigang 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.

CHANGE OF DIRECTOR'S INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the change of Director's information is as follows:

Dr. Loke Yu alias Loke Hoi Lam resigned as an independent non-executive director of China Beidahuang Industry Group Holdings Ltd (stock code: 39) on 1 November 2018, a company listed on the Main Board of the Stock Exchange.

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. The Group's unaudited interim financial statements for the period ended 31 December 2018 have been reviewed by the Audit Committee. As at the date of this report, the Audit Committee comprises three independent non-executive directors, namely, Dr. Loke Yu alias Loke Hoi Lam, Mr. Xu Xiaoping and Mr. Fan, Anthony Ren Da.

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

Hong Kong, 28 February 2019

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2018

	NOTES	Six months ended 31 December 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Revenue	3(a)		
Goods and services		**775,630**	623,093
Interest		**5,695**	–
Total revenue		**781,325**	623,093
Cost of sales		**(586,334)**	(427,466)
Gross profit		**194,991**	195,627
Other income		**4,200**	4,972
Selling expenses		**(180,405)**	(146,690)
General and administrative expenses		**(47,562)**	(55,212)
Other gains and losses		**(10,825)**	2,616
Change in fair value of derivatives embedded in convertible bonds		**385**	3,638
Impairment loss on available-for-sale investments recognised	12(a) & (b)	**–**	(3,460)
Impairment loss on trade receivables recognised		**(1,300)**	–
Finance costs	4	**(37,093)**	(23,159)
Loss before taxation	5	**(77,609)**	(21,668)
Taxation	6	**(1,891)**	(4,999)
Loss for the period		**(79,500)**	(26,667)
Other comprehensive (expense) income:			
Item that will not be reclassified to profit or loss:			
Exchange difference arising on translation		**(4,431)**	6,826
Items that may be reclassified subsequently to profit and loss:			
Exchange difference arising on translation of foreign operations		**(15,674)**	8,619
Fair value loss of equity instruments at fair value through other comprehensive income ("FVTOCI")		**(2,726)**	–
Fair value loss on an available-for-sale investment		**–**	(840)
Investment revaluation reserve reclassified to profit or loss upon impairment of an available-for-sale investment		**–**	840
		(18,400)	8,619
Other comprehensive (expense) income for the period		**(22,831)**	15,445
Total comprehensive expense for the period		**(102,331)**	(11,222)
Loss for the period attributable to:			
Owners of the Company		**(48,271)**	(22,769)
Non-controlling interests		**(31,229)**	(3,898)
		(79,500)	(26,667)
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(62,236)**	(12,547)
Non-controlling interests		**(40,095)**	1,325
		(102,331)	(11,222)
			(Restated)
Loss per ordinary share	8		
Basic and diluted		**(HK$0.046)**	(HK$0.026)

Condensed Consolidated Statement of Financial Position

As at 31 December 2018

	NOTES	**31 December 2018 HK$'000 (Unaudited)**	30 June 2018 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current Assets			
Property, plant and equipment	9	**56,285**	52,922
Deposits paid	10	**13,349**	10,306
Intangible assets	11	**169,144**	169,144
Interest in a joint venture		**–**	–
Available-for-sale investments	12	**–**	15,118
Equity instruments at FVTOCI	12	**4,734**	–
Deferred tax assets		**17,079**	17,112
		260,591	264,602
Current Assets			
Inventories		**952,405**	979,354
Trade and other receivables and deposits paid	10	**214,516**	213,712
Loan receivables	13	**71,500**	14,000
Tax recoverable		**2,463**	1,739
Right to returned goods asset		**3,552**	–
Pledged bank deposits		**915,697**	742,299
Bank balances and cash		**60,441**	56,988
		2,220,574	2,008,092
Current Liabilities			
Trade and bills payables, other payables, accruals and deposits received	14	**270,131**	333,097
Contract liabilities		**24,524**	–
Refund liabilities		**6,150**	–
Bank and other borrowings	15	**1,846,265**	1,480,000
Amount due to a joint venture		**11**	11
Loans from a non-controlling shareholder of a subsidiary	16	**–**	43,190
Convertible bonds	17(a)	**53,607**	49,753
Derivative financial instruments	17(b)	**–**	385
Tax liabilities		**1,327**	4,103
		2,202,015	1,910,539
Net Current Assets		**18,559**	97,553
Total Assets Less Current Liabilities		**279,150**	362,155

Condensed Consolidated Statement of Financial Position

As at 31 December 2018

	NOTES	**31 December 2018 HK$'000 (Unaudited)**	30 June 2018 HK$'000 (Audited)
Non-current Liabilities			
Other payable	14	**–**	3,593
Bank and other borrowings	15	**20,000**	20,000
Loan from a non-controlling shareholder of a subsidiary	16	**100,000**	100,000
Deferred tax liabilities		**42,016**	42,016
		162,016	165,609
NET ASSETS		**117,134**	196,546
CAPITAL AND RESERVES			
Share capital	18	**42,268**	38,224
Reserves		**60,221**	101,527
Equity attributable to owners of the Company		**102,489**	139,751
Non-controlling interests		**14,645**	56,795
TOTAL EQUITY		**117,134**	196,546

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2018

	Attributable to owners of the Company												
	Ordinary share capital	Share premium	Contributed surplus	Other reserve	Share option reserve	Warrant reserve	Investment revaluation reserve	Exchange reserve	PRC statutory reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000 (Note (a))	HK$'000	HK$'000 (Note (b))	HK$'000	HK$'000	HK$'000 (Note (c))	HK$'000	HK$'000	HK$'000	HK$'000
At 1 July 2017 (audited)	35,224	717,743	55,327	(256,051)	13,405	21,819	–	5,462	30,334	(468,124)	155,139	62,430	217,569
Loss for the period	–	–	–	–	–	–	–	–	–	(22,769)	(22,769)	(3,898)	(26,667)
Exchange difference arising on translation	–	–	–	–	–	–	–	10,222	–	–	10,222	5,223	15,445
Fair value loss on an available-for-sale investment	–	–	–	–	–	–	(840)	–	–	–	(840)	–	(840)
Investment revaluation reserve reclassified to profit and loss in relation to impairment loss on an available-for-sale investment	–	–	–	–	–	–	840	–	–	–	840	–	840
Total comprehensive income (expense) for the period	–	–	–	–	–	–	–	10,222	–	(22,769)	(12,547)	1,325	(11,222)
Transfer between reserves	–	–	–	–	–	–	–	–	3,156	(3,156)	–	–	–
Lapse of share options	–	–	–	–	(1,055)	–	–	–	–	1,055	–	–	–
At 31 December 2017 (unaudited)	35,224	717,743	55,327	(256,051)	12,350	21,819	–	15,684	33,490	(492,994)	142,592	63,755	206,347
At 1 July 2018 (audited)	**38,224**	**738,063**	**55,327**	**(256,051)**	**21,127**	**–**	**–**	**17,462**	**33,537**	**(507,938)**	**139,751**	**56,795**	**196,546**
Adjustments (see note 2)	**–**	**–**	**–**	**–**	**–**	**–**	**(16,493)**	**–**	**–**	**14,438**	**(2,055)**	**(2,055)**	**(4,110)**
At 1 July 2018 (restated)	**38,224**	**738,063**	**55,327**	**(256,051)**	**21,127**	**–**	**(16,493)**	**17,462**	**33,537**	**(493,500)**	**137,696**	**54,740**	**192,436**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(48,271)**	**(48,271)**	**(31,229)**	**(79,500)**
Exchange difference arising on translation	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(11,239)**	**–**	**–**	**(11,239)**	**(8,866)**	**(20,105)**
Fair value loss on equity instruments at FVTOCI	**–**	**–**	**–**	**–**	**–**	**–**	**(2,726)**	**–**	**–**	**–**	**(2,726)**	**–**	**(2,726)**
Total comprehensive expense for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(2,726)**	**(11,239)**	**–**	**(48,271)**	**(62,236)**	**(40,095)**	**(102,331)**
Transfer between reserves	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,194**	**(1,194)**	**–**	**–**	**–**
Investment revaluation reserve reclassified to accumulated losses upon disposal of equity instruments at FVTOCI	**–**	**–**	**–**	**–**	**–**	**–**	**8,477**	**–**	**–**	**(8,477)**	**–**	**–**	**–**
Issue of shares, net of transaction costs	**4,044**	**22,985**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**27,029**	**–**	**27,029**
At 31 December 2018 (unaudited)	**42,268**	**761,048**	**55,327**	**(256,051)**	**21,127**	**–**	**(10,742)**	**6,223**	**34,731**	**(551,442)**	**102,489**	**14,645**	**117,134**

Notes:

(a) Other reserve comprises:

(i) a debit amount of HK$213,605,000 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;

(ii) a debit amount of HK$3,643,000 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

(iii) a debit amount of HK$38,803,000 represents the difference between (i) the aggregate of the fair value of the consideration (net of transaction cost) received for disposal of partial interest in CGS on 6 June 2014 and proceeds received from issuance of CB 2019 (as defined in note 17(a)), and (ii) the aggregate amount of the carrying amount of the net assets attributable to the disposed interest in CGS to the purchaser, the fair value of the share option of CGS issued to the purchaser and the fair values of the liability component and the embedded derivatives of CB 2019 issued to the purchaser, on 6 June 2014.

(b) Warrant reserve arises from the issue of warrants less the expenses incurred on warrants issue. On 31 January 2013, the Company executed an warrant instrument relating to the issue of warrants conferring rights to subscribe up to 196,908,602 new ordinary shares of the Company at the subscription price of HK$0.245 per share, which are exercisable during the 5 years period from 31 January 2013 to 30 January 2018, both days inclusive. As at 1 July 2018 and 31 December 2018, the Company had no outstanding units of warrants (31 December 2017: 196,808,925 units of warrants).

(c) 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 2018

	Six months ended 31 December	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	**(128,441)**	(98,910)
Investing activities		
Interest received	**1,770**	2,268
Purchase of property, plant and equipment	**(16,910)**	(14,365)
Proceeds from disposal of property, plant and equipment	**300**	2,064
Proceeds from disposal of equity instruments at FVTOCI	**7,658**	–
Placement of pledged bank deposits	**350,000**	(391,364)
Withdrawal of pledged bank deposits	**(527,000)**	218,353
Net cash used in investing activities	**(184,182)**	(183,044)
Financing activities		
Interest paid	**(32,308)**	(19,072)
Proceeds from issue of shares, net of transaction costs	**27,029**	–
Loan from a shareholder	**–**	3,500
Repayment of loan from a non-controlling shareholder of a subsidiary	**(43,190)**	–
New bank and other borrowings	**1,076,265**	553,360
Repayments of bank and other borrowings	**(710,000)**	(150,596)
Repayments of gold loans	**–**	(86,498)
Net cash from financing activities	**317,796**	300,694
Net increase in cash and cash equivalents	**5,173**	18,740
Cash and cash equivalents at beginning of the period	**56,988**	114,953
Effect of foreign exchange rate changes	**(1,720)**	1,316
Cash and cash equivalents at end of the period, represented by bank balances and cash	**60,441**	135,009

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group's major revenue streams are mainly retail sales and wholesales of gold and jewellery products, franchising, licensing and sub-contracting operations for gold and jewellery products, and interest income from money lending business. HKFRS 15 applies to all contracts except for interest income which is accounted under HKFRS 9 *Financial Instruments*.

The Group operates a chain of retail stores selling a variety of gold and jewellery products in Hong Kong, Macau and Mainland China. Revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail stores. Payment of the transaction price is due immediately at the point the customer purchases the goods.

The Group wholesales a range of gold and jewellery products to wholesalers in Mainland China. Revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the wholesaler's specific location. Following the delivery, the wholesaler has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 60 to 90 days upon delivery.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers *(Continued)*

The Group has granted the franchise to different franchisees in Mainland China. Revenue is recognised over time throughout the franchise period, as the Group's promise in granting the franchise to its franchisee is to provide the franchisee a right to access the Group's trademark as it exists throughout the franchise period.

The Group has also provided various license support services to the franchisees. Revenue is recognised over time using output method when the services are provided. The Group applied the practical expedient in HKFRS by recognising revenue in the amount to which the Group has right to invoice, since the Group is entitled to bill a fixed amount in advance for each month according to the terms of the relevant license agreement.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 July 2018. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 July 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and HKAS 11 and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Variable consideration

For contracts that contain variable consideration (i.e. the rights of return), the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled. The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

Refund liabilities

The Group recognises a refund liability if the Group expects to refund some or all of the consideration received from customers.

Sale with a right of return

For a sale of products with a right of return, the Group recognises all of the following:

(a) revenue for the transferred products in the amount of consideration to which the Group expects to be entitled (therefore, revenue would not be recognised for the products expected to be returned);

(b) a refund liability; and

(c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers on settling the refund liability.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

2.1.2 Summary of effects arising from initial application of HKFRS 15

The following table summarised the impact on accumulated losses at 1 July 2018:

	HK$'000
Accumulated losses	
Products with a right to return	(1,161)

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers *(Continued)*

2.1.2 Summary of effects arising from initial application of HKFRS 15 (Continued)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 July 2018. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 30 June 2018 HK$'000	Reclassification HK$'000	Remeasurement HK$'000	Carrying amounts under HKFRS 15 at 1 July 2018 HK$'000
Non-current Asset					
Deferred tax assets	(a)	17,112	–	300	17,412
Current Asset					
Right to return goods asset	(a)	–	–	3,914	3,914
Current Liabilities					
Trade and bills payables, other payables, accruals and deposits received					
– Receipts in advance from customers	(b)	25,783	(25,783)	–	–
– Deferred revenue	(c)	2,266	(2,266)	–	–
Contract liabilities	(b), (c)	–	28,049	–	28,049
Refund liabilities	(a)	–	–	6,536	6,536
Capital and Reserves					
Accumulated losses	(a)	(507,938)	–	(1,161)	(509,099)
Non-controlling interests	(a)	56,795	–	(1,161)	55,634

Notes:

(a) At the date of initial application, the rights of returns and credit refunds of license income are considered as variable consideration. The Group uses expected value method to estimate the return that best predicts the amount of variable consideration on the revenue streams from retail operations for selling gold and jewllery products in Hong Kong and Macau and franchising operations for selling gold and jewellery products in Mainland China. As such, the Group presents refund liabilities and rights to returned goods asset separately in the condensed consolidated statement of financial position. An opening adjustment of HK$1,161,000 (net of deferred tax) was recognised in the accumulated losses with corresponding adjustment to non-controlling interests of HK$1,161,000 to reflect the adoption of the new standard.

(b) At the date of initial application, receipts in advance from customers for sales of inventories of HK$25,783,000 previously included in trade and bills payables, other payables, accruals and deposits received were reclassified to contract liabilities.

(c) At the date of initial application, deferred revenue in relation to customer loyalty programmes of HK$2,266,000 previously included in trade and bills payables, other payables, accruals and deposits received were reclassified to contract liabilities.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers *(Continued)*

2.1.2 Summary of effects arising from initial application of HKFRS 15 (Continued)

The following tables summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 31 December 2018 and its condensed consolidated statement of profit or loss and other comprehensive income for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position as at 31 December 2018

	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15* HK$'000
Non-current Asset			
Deferred tax assets	17,079	(298)	16,781
Current Asset			
Right to return goods asset	3,552	(3,552)	–
Current Liabilities			
Trade and bills payables, other payables, accruals and deposits received			
– Receipts in advance from customers	–	22,034	22,034
– Deferred revenue	–	2,490	2,490
Contract liabilities	24,524	(24,524)	–
Refund liabilities	6,150	(6,150)	–
Capital and Reserves			
Exchange reserve	6,223	(38)	6,185
Accumulated losses	(551,442)	1,188	(550,254)
Non-controlling interests	14,645	1,150	15,795

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers *(Continued)*

2.1.2 Summary of effects arising from initial application of HKFRS 15 (Continued)

Impact on the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 31 December 2018

	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15* HK$'000
Revenue			
Goods and services	**775,630**	**(202)**	**775,428**
Cost of sales	**(586,334)**	**254**	**(586,080)**
Taxation	**(1,891)**	**2**	**(1,889)**
Items that may be reclassified subsequent to profit or loss:			
Exchange difference arising on translation of foreign operations	**(15,674)**	**(76)**	**(15,750)**

* The amounts in this column are before adjustments from the application of HKFRS 9.

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the current period, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to financial instruments that have not been derecognised as at 1 July 2018 (date of initial application) and has not applied the requirements to financial instruments that have already been derecognised as at 1 July 2018. The difference between carrying amounts as at 30 June 2018 and the carrying amounts as at 1 July 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets of the Group are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

Equity instruments designated as at FVTOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated losses.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, loan receivables, pledged bank deposits and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model *(Continued)*

Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and loan receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 July 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in note 2.2.2.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments *(Continued)*

2.2.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 July 2018.

	Notes	Available-for-sale investments HK$'000	Equity instruments at FVTOCI HK$'000	Trade receivables HK$'000	Deferred tax assets HK$'000	Investment revaluation reserve HK$'000	Accumulated losses HK$'000	Non-controlling interests HK$'000
Closing balance at 30 June 2018								
– HKAS 39		15,118	–	106,705	17,112	–	(507,938)	56,795
Effect arising from initial application of HKFRS 9:								
– Reclassification								
From available-for-sale investments	(a)	(15,118)	15,118	–	–	(16,493)	16,493	–
– Remeasurement								
Impairment under ECL model	(b)	–	–	(2,035)	247	–	(894)	(894)
Opening balance at 1 July 2018		–	15,118	104,670	17,359	(16,493)	(492,339)	55,901

Notes:

(a) Available-for-sale investments

From available-for-sale investments to equity investments at FVTOCI

The Group elected to present in OCI for the fair value changes of all its equity investments previously classified as available-for-sale. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, HK$15,118,000 were reclassified from available-for-sale investments to equity instruments at FVTOCI. Impairment losses previously recognised of HK$16,493,000 of which HK$6,008,000 related to unquoted equity instruments previously measured at cost less impairment under HKAS 39, were transferred from accumulated losses to investment revaluation reserve as at 1 July 2018.

(b) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been assessed individually. Assessment of loss allowances for other financial assets at amortised cost mainly comprise of loan receivables, pledged bank deposits and bank balances are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 July 2018, the additional credit loss allowance (net of deferred tax) of HK$894,000 has been recognised against accumulated losses, with corresponding adjustment of HK$894,000 to non-controlling interests. The additional loss allowance of HK$2,035,000 is charged against the allowance for doubtful debts, with the deferred tax effect of HK$247,000 credited to the deferred tax assets.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments *(Continued)*

2.2.2 Summary of effects arising from initial application of HKFRS 9 (Continued)

Notes: *(Continued)*

(b) Impairment under ECL model *(Continued)*

The allowance for doubtful debts as at 30 June 2018 reconcile to the opening allowance for doubtful debts as at 1 July 2018 is as follows:

	Trade receivables-allowance for doubtful debts HK$'000
As at 30 June 2018	
– HKAS 39	–
Amounts remeasured through accumulated losses	(2,035)
As at 1 July 2018	(2,035)

The directors of the Company have reviewed and assessed the Group's other financial assets. No material impairment was noted at the date of initial application, 1 July 2018.

2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. Line items that were not affected by the changes have not been included.

	30 June 2018 HK$'000	HKFRS 15 HK$'000	HKFRS 9 HK$'000	1 July 2018 HK$'000
Non-current Assets				
Available-for-sale investments	15,118	–	(15,118)	–
Equity instruments at FVTOCI	–	–	15,118	15,118
Deferred tax assets	17,112	300	247	17,659
Current Assets				
Trade and other receivables and deposit paid	213,712	–	(2,035)	211,677
Right to return goods asset	–	3,914	–	3,914
Current Liabilities				
Trade and bills payables, other payables, accruals and deposit received	333,097	(28,049)	–	305,048
Contract liabilities	–	28,049	–	28,049
Refund liabilities	–	6,536	–	6,536
Capital and Reserves				
Investment revaluation reserve	–	–	(16,493)	(16,493)
Accumulated losses	(507,938)	(1,161)	15,599	(493,500)
Non-controlling interests	56,795	(1,161)	(894)	54,740

3. TURNOVER AND SEGMENT INFORMATION

(a) Turnover

An analysis of the Group's turnover for the period is 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		Wholesales and sub-contracting operations for gold and jewellery products in Mainland China		Others		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Retail sales of goods	**382,056**	373,461	**241,789**	210,526	**–**	–	**–**	–	**623,845**	583,987
Wholesales of goods	**–**	–	**–**	–	**113,056**	–	**–**	–	**113,056**	–
Franchise income (Note a)	**2,064**	3,589	**–**	–	**–**	–	**–**	–	**2,064**	3,589
Licence income (Note a)	**35,000**	35,517	**–**	–	**–**	–	**–**	–	**35,000**	35,517
Sub-contracting service fee income	**–**	–	**–**	–	**1,665**	–	**–**	–	**1,665**	–
Goods and services	**419,120**	412,567	**241,789**	210,526	**114,721**	–	**–**	–	**775,630**	623,093
Interest (Note b)	**–**	–	**–**	–	**–**	–	**5,695**	–	**5,695**	–
	419,120	412,567	**241,789**	210,526	**114,721**	–	**5,695**	–	**781,325**	623,093

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(a) Turnover *(Continued)*

Disaggregation of revenue for the six months ended 31 December 2018 (unaudited):

	Retail and franchising operations for selling gold and jewellery products in Mainland China HK$'000	Retail operations for selling gold and jewellery products in Hong Kong and Macau HK$'000	Wholesales and sub-contracting operations for gold and jewellery products in Mainland China HK$'000	Others HK$'000	Total HK$'000
Geographical markets					
– Mainland China	419,120	–	114,721	–	533,841
– Hong Kong and Macau	–	241,789	–	5,695	247,484
	419,120	241,789	114,721	5,695	781,325
Timing of revenue recognition					
– A point in time	382,056	241,789	114,721	–	738,566
– Over time (Note a)	37,064	–	–	–	37,064
	419,120	241,789	114,721	–	775,630
Interest (Note b)	–	–	–	5,695	5,695
	419,120	241,789	114,721	5,695	781,325

Notes:

a) Franchise income and license income were recognised over time upon application of HKFRS 15.

b) Interest represented the interest income from money lending business, which is accounted for under HKFRS 9.

(b) Segment information

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

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

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

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

c. Wholesales and sub-contracting operations for gold and jewellery products in Mainland China.

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

The Group commenced the business of wholesales and sub-contracting operations since January 2018. Accordingly, it is considered as a new operating and reportable segment.

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 2018 (unaudited)

	Reportable segments					
	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	Wholesales and sub-contracting operations for gold and jewellery products in Mainland China HK$'000	Total HK$'000	Others HK$'000 (Note)	Consolidated HK$'000
REVENUE						
External sales	419,120	241,789	114,721	775,630	5,695	781,325
RESULT						
Segment results	13,532	(5,893)	(1,491)	6,148	5,390	11,538
Other income						4,200
Unallocated staff related expenses						(16,259)
Other unallocated corporate expenses						(10,364)
Advertising, promotion and business development expenses						(19,607)
Change in fair value of derivatives embedded in convertible bonds						385
Exchange loss, net						(10,409)
Finance costs						(37,093)
Loss before taxation						(77,609)
Taxation						(1,891)
Loss for the period						(79,500)

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

For the six months ended 31 December 2017 (unaudited)

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

Segment profit (loss) represents the profit (loss) of each segment without allocation of other income, advertising, promotion and business development expenses, corporate staff and directors' salaries, change in fair value of derivatives embedded in convertible bonds, exchange gain (loss), impairment loss on available-for-sale investments recognised, finance costs 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 money lending business, for the segment information for the six months ended 31 December 2018.

4. FINANCE COSTS

	Six months ended 31 December	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interests on:		
Bank and other borrowings	**32,144**	17,770
Gold loans	**–**	867
Loan from a non-controlling shareholder of a subsidiary	**164**	435
Effective interest on convertible bonds (note 17(a))	**4,785**	4,087
	37,093	23,159

5. LOSS BEFORE TAXATION

	Six months ended 31 December	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Loss before taxation has been arrived at after charging (crediting):		
Change in fair value of gold loans (included in "Cost of sales")	**–**	(539)
Cost of inventories recognised as an expense	**585,538**	428,005
Depreciation of property, plant and equipment	**11,261**	9,323
Exchange loss (gain), net	**10,409**	(3,307)
Loss on disposal of property, plant and equipment	**416**	690
Bank interest income (included in "Other income")	**(2,021)**	(2,268)
Operating lease rentals		
– contingent rental	**35,111**	36,079
– minimum lease payments	**31,735**	26,356

6. TAXATION

	Six months ended 31 December	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax	**1,311**	4,451
Deferred taxation	**580**	548
	1,891	4,999

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The two-tiered profits tax rates regime are applied to the subsidiaries subjected to Hong Kong Profit Tax for the six months ended 31 December 2018. No provision for taxation in Hong Kong has been made in both periods as the Group incurred tax losses in Hong Kong.

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

No provision for the Macau Complementary Tax has been made in both periods, as the Group has no assessable profits in Macau for the six months ended 31 December 2018 and the assessable profits were fully absorbed by the tax losses carried forward from prior periods for the six months ended 31 December 2017.

7. DIVIDENDS

The Board has resolved not to recommend an interim dividend in respect of the six months ended 31 December 2018 and 31 December 2017 to the holders of ordinary shares of the Company.

8. LOSS PER ORDINARY SHARE

	Six months ended 31 December	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Loss:		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per ordinary share	**(48,271)**	(22,769)

	'000	'000
	(Unaudited)	(Unaudited) (restated)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per ordinary share	**1,044,302**	880,599

Note:

The weighted average number of ordinary shares for the purposes of calculating basis and diluted loss per ordinary share for the six months ended 31 December 2018 has been adjusted to reflect the Share Consolidation (as defined in note 18) occurred during the current interim period. The corresponding weighted average number of ordinary shares for the six months ended 31 December 2017 has been retrospectively adjusted to reflect the Share Consolidation.

The computation of diluted loss per ordinary share did not assume the exercise of share options (for the six months ended 31 December 2017: share options and bonus warrants) because their exercise price is higher than the average share price, and the conversion of CB 2019 (as defined in note 17(a)) 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$16,910,000 (for the six months ended 31 December 2017: HK$14,365,000).

10. TRADE AND OTHER RECEIVABLES AND DEPOSITS PAID

	31 December 2018 HK$'000 (Unaudited)	30 June 2018 HK$'000 (Audited)
Deposits paid under non-current assets represent:		
Rental and utility deposits	**13,349**	10,306
Trade and other receivables and deposits paid under current assets comprise:		
Trade receivables	**117,758**	106,705
Less: allowance for doubtful debts	**(3,335)**	–
	114,423	106,705
Rental deposits	**4,672**	6,600
Value added tax receivables	**73,737**	84,095
Other receivables and deposits paid	**21,684**	16,312
	214,516	213,712

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 rental deposits, and other receivables and deposits paid as at 31 December 2018 are amounts related to a fellow subsidiary of a non-controlling shareholder of a subsidiary amounting to HK$1,442,000 (30 June 2018: HK$1,008,000).

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 2018 HK$'000 (Unaudited)	30 June 2018 HK$'000 (Audited)
0-30 days	**80,531**	76,032
31-60 days	**14,677**	9,902
61-90 days	**6,426**	12,854
Over 90 days	**12,789**	7,917
	114,423	106,705

The Group applies the HKFRS 9 simplified approach to measure lifetime ECL for trade receivables. Trade receivables have been assessed individually based on the Group's historical credit loss experience and the historical observed default rates adjusted by forward-looking estimates and allowance of HK$3,335,000 has been recognised as at 31 December 2018. The Group does not hold any collateral over these balances.

The Group rebuts the presumption of default under ECL for trade receivables over 90 days past due based on the good repayment records of those customers and continuous business relationship with the Group.

10. TRADE AND OTHER RECEIVABLES AND DEPOSITS PAID *(Continued)*

Allowance for doubtful debts

The movement in the allowance for allowance for doubtful debts in respect of trade receivables during the current interim period was as follows:

	HK$'000
As at 1 July 2018	(2,035)
Net remeasurement of allowance for doubtful debts	(1,300)
As at 31 December 2018	(3,335)

11. INTANGIBLE ASSETS

	31 December 2018 HK$'000 (Unaudited)	30 June 2018 HK$'000 (Audited)
Trademarks (Note)	**168,066**	168,066
License	**1,078**	1,078
	169,144	169,144

Note: The trademarks have contractual lives of 10 years commencing in November 2018 and April 2009 of "3D-Gold", 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 2018, management of the Group conducted impairment review on the trademarks. The recoverable amounts of the trademarks have been determined based on a value in use calculation, which is based on the financial budgets approved by management covering a ten-year period and a pre-tax discount rate of 12% (30 June 2018: 12%). The cash flows beyond the ten-year period are extrapolated using a 3% (30 June 2018: 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.

12. EQUITY INSTRUMENTS AT FVTOCI/AVAILABLE-FOR-SALE INVESTMENTS

	Notes	**31 December 2018 HK$'000 (Unaudited)**	30 June 2018 HK$'000 (Audited)
Quoted equity investment			
– Equity instruments at FVTOCI	(a)	**4,734**	–
– Available-for-sale investments	(a)	**–**	15,118
Unquoted equity investments			
– Equity instruments at FVTOCI	(b)	**–**	–
– Available-for-sale investments, at cost	(b)	**–**	–
		4,734	15,118

Notes:

(a) The quoted equity investment is stated at its fair value, determined by reference to bid prices quoted in an active market. The management considered that the investment at the end of the reporting period is held for strategic purpose and is not to be disposed of in the foreseeable future. Impairment of HK$840,000 was provided under HKAS 39 during the six months ended 31 December 2017 as the management considered that the decrease in fair value is significant and prolonged.

(b) The unquoted equity investments represented equity investments in private limited companies stated at their fair values, determined with reference to underlying assets and take into consideration of discount for lack of marketability and minority discount. impairment of HK$2,620,000 was provided under HKAS 39 during the six months ended 31 December 2017.

13. LOAN RECEIVABLES

	31 December 2018 HK$'000 (Unaudited)	30 June 2018 HK$'000 (Audited)
Loan receivables	**71,500**	14,000

All the loan receivables are unsecured, carries fixed-rate interests ranging from 15% to 22% per annum with maturity of ranging between 6 months to one year, except for the loan receivables amounting HK$10,000,000 (30 June 2018: nil) which the Group holds collateral of equity shares. The principal will be receivable on maturity date. Included in loan receivables are loans advanced to a shareholder amounting HK$2,900,000 (30 June 2018: nil).

Before accepting any new borrower, the Group carries out research on the creditability of the new borrower and assesses the potential customer's credit quality and defines loan terms with borrower. The credit of the borrowers granted with loans are reviewed once a year.

There were no loan receivables past due at the end of the reporting period. The Group applies the HKFRS 9 general approach to measure 12m ECL for loan receivables. Loan receivables have been assessed individually based on the Group's historical loss experience and the historical observed default rates adjusted by forward-looking estimates. The directors of the Company consider that no allowance is required to be recognised as at 31 December 2018.

14. TRADE AND BILLS PAYABLES, OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	31 December 2018 HK$'000 (Unaudited)	30 June 2018 HK$'000 (Audited)
Trade payables	**71,937**	107,441
Bills payables	**17,151**	22,964
	89,088	130,405
Receipts in advance from customers (Note (a))	**–**	25,783
Franchisee guarantee deposits (Note (b))	**49,710**	50,701
Value added tax payables	**34,684**	36,884
Salary and bonus payables	**61,864**	58,470
Payable in respect of the acquisition of a property	**3,593**	3,593
Other payables, accruals and other deposits	**31,192**	30,854
	270,131	336,690
Less: amounts due within one year and shown under current liabilities	**(270,131)**	(333,097)
Amounts shown under non-current liabilities	**–**	3,593

Notes:

(a) Amount represents receipts in advance from customers for sales of inventories. Such amounts are reclassified to "Contract liabilities" upon application of HKFRS 15 in the current interim period.

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

Included in trade payables as at 31 December 2018 are trade payables to certain fellow subsidiaries of a non-controlling shareholder of a subsidiary amounting to HK$3,964,000 (30 June 2018: HK$3,519,000).

Included in franchisee guarantee deposits and other payables, accruals and other deposits as at 31 December 2018 are deposits received from and other payables to certain fellow subsidiaries of a non-controlling shareholder of a subsidiary amounting to HK$766,000 (30 June 2018: HK$1,586,000) and HK$4,303,000 (30 June 2018: HK$3,017,000) respectively.

Included in other payables, accruals and other deposits are service fee payable to a company in which a director of a subsidiary has beneficial interest amounting to HK$2,748,000 (30 June 2018: HK$2,680,000).

14. TRADE AND BILLS PAYABLES, OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED *(Continued)*

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

	31 December 2018 HK$'000 (Unaudited)	30 June 2018 HK$'000 (Audited)
0-30 days	**57,236**	72,216
31-60 days	**25,827**	49,971
61-90 days	**2,029**	1,219
Over 90 days	**3,996**	6,999
	89,088	130,405

15. BANK AND OTHER BORROWINGS

	31 December 2018 HK$'000 (Unaudited)	30 June 2018 HK$'000 (Audited)
Secured floating rate bank borrowings	**1,821,265**	1,450,000
Unsecured fixed rate other borrowings from independent third parties	**45,000**	50,000
	1,866,265	1,500,000
Carrying amounts repayable:		
Within one year*	**192,265**	180,000
More than two years but not exceeding five years*	**20,000**	20,000
	212,265	200,000
Carrying amount of bank loans that contain a repayment on demand clause (shown under current liabilities):		
– Repayable within one year*	**1,654,000**	1,300,000
	1,866,265	1,500,000
Less: amounts due within one year and shown under current liabilities	**(1,846,265)**	(1,480,000)
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.

During the current interim period, the Group obtained secured floating rate bank borrowings and unsecured floating rate other borrowings of approximately HK$1,071,265,000 and HK$5,000,000 respectively, which were repayable within one year and carrying interest at Hong Kong Interbank Offered Rate plus a margin of 1.5% to 2.5% and 100% of the People's Bank of China prescribed interest rate.

16. LOANS FROM A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

As at 31 December 2018, the loan from a non-controlling shareholder of a subsidiary of HK$100,000,000 (30 June 2018: HK$100,000,000) 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. Another loans from a non-controlling shareholder of a subsidiary of HK$20,000,000 and HK$23,190,000 which were unsecured, interest bearing at 2% per annum and repayable in August 2018 and September 2018, respectively, were repaid in current period.

17. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS

(a) Convertible bonds

Convertible bonds due 2019 ("CB 2019")

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

	HK$'000
At 1 July 2018 (audited)	49,753
Coupon interest accrued at 1 July 2018 and included in other payables	824
Interest charged during the period	4,785
Coupon interest accrued at 31 December 2018 and included in other payables	(1,755)
At 31 December 2018 (unaudited)	53,607

The effective interest rate of CB 2019 was 19.47% per annum.

(b) Derivative financial instruments

Derivatives embedded in CB 2019

The fair values of the embedded derivatives in CB 2019 at 30 June 2018 and 31 December 2018 are based on valuation carried out on those dates by an independent professional valuer. The change in fair value of HK$385,000 (for the six months ended 31 December 2017: HK$3,638,000) has been credited to profit or loss for the six months ended 31 December 2018.

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 2018	At 30 June 2018
Share price	HK$0.18	HK$0.068
Exercise price (note)	HK$0.712	HK$0.178
Expected dividend yield	0.00%	0.00%
Volatility	46.52%	55.23%
Risk free rate	1.80%	1.68%

Note: Upon completion of the Share Consolidation (as defined in note 18), the exercise price has adjusted from HK$0.178 to HK$0.712 per ordinary share, and the number of shares to be issued upon conversion has been adjusted from 320,674,157 to 80,168,539.

18. SHARE CAPITAL

	Notes	Number of shares '000	Amount HK$'000
Authorised:			
Ordinary shares of HK$0.01 each at 1 July 2017		6,000,000	60,000
Increase	(a)	14,000,000	140,000
Ordinary shares of HK$0.01 each at 31 December 2017		20,000,000	200,000
Ordinary shares of HK$0.01 each at 1 July 2018		20,000,000	200,000
Adjustment from Share Consolidation	(b)	(15,000,000)	–
Ordinary shares of HK$0.04 each at 31 December 2018		5,000,000	200,000
Preference shares of HK$0.01 each at 1 July 2017, 31 December 2017 and 1 July 2018		3,000,000	30,000
Adjustments from Share Consolidation	(b)	(2,250,000)	–
Preference shares of HK$0.04 each at 31 December 2018		750,000	30,000
Total:			
At 1 July 2017		9,000,000	90,000
At 31 December 2017 and 1 July 2018		23,000,000	230,000
At 31 December 2018		5,750,000	230,000
Ordinary shares issued and fully paid:			
Ordinary shares of HK$0.01 each at 1 July 2017		3,522,394	35,224
Exercise of warrants	(c)	3	–
Ordinary shares of HK$0.04 each at 31 December 2017		3,522,397	35,224
Ordinary shares of HK$0.01 each at 1 July 2018		3,822,423	38,224
Issue of shares	(d) (i) & (ii)	263,110	4,044
Adjustments from Share Consolidation	(b)	(3,028,817)	–
Ordinary shares of HK$0.04 each at 31 December 2018		1,056,716	42,268

18. SHARE CAPITAL *(Continued)*

Notes:

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

(b) Pursuant to the resolution passed on 17 July 2018, the consolidation of every four issued and unissued ordinary shares of par value of HK$0.01 each in the share capital of the Company into one consolidated ordinary share of par value of HK$0.04 each in the share capital of the Company (the "Share Consolidation") became effective on 18 July 2018. Upon the completion of the Share Consolidation, the conversion price and the number of share issued upon conversion of the CB 2019 (as disclosed in note 17) and the exercise price and the number of underlying shares comprised in the outstanding options of the Company (as disclosed in note 19) have been adjusted accordingly.

(c) During the six months ended 31 December 2017, the Company issued 3,000 ordinary shares of HK$0.01 at the exercise price of HK$0.245 per ordinary share upon exercise of the bonus warrants granted by the Company.

(d) (i) On 18 July 2018, the Company issued 216,000,000 ordinary shares by way of placing at a price of HK$0.0728 per share, which has been consolidated into 54,000,000 shares upon the completion of the Share Consolidation.

(ii) On 20 July 2018, the Company entered into a subscription agreement with an independent third party, pursuant to which the independent third party agreed to subscribe 47,110,000 shares of the Company at the subscription price of HK$0.25 per share. The subscription was completed on 30 July 2018.

19. 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 2018 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.

19. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

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 as at 1.7.2018 HK$	Number of options outstanding as at 1.7.2018	Adjusted exercise price HK$ (Note)	Number of options outstanding as at 31.12.2018 (Note)
Directors	23.1.2009	23.1.2009 to 22.1.2019	0.4280	525,604	1.7120	131,401
	20.7.2009	20.7.2009 to 19.7.2019	1.2980	1,279,718	5.1920	319,929
	26.7.2011	26.7.2011 to 25.7.2021	0.4810	1,163,380	1.9240	290,845
	26.7.2011	26.7.2012 to 25.7.2021	0.4810	1,745,070	1.9240	436,267
	26.7.2011	26.7.2013 to 25.7.2021	0.4810	2,326,761	1.9240	581,690
	25.1.2013	28.2.2013 to 24.1.2023	0.2288	600,000	0.9152	150,000
	25.1.2013	28.2.2014 to 24.1.2023	0.2288	2,600,000	0.9152	650,000
	25.1.2013	28.2.2015 to 24.1.2023	0.2288	2,600,000	0.9152	650,000
	12.1.2018	12.1.2018 to 11.1.2028	0.0808	150,500,000	0.3232	37,625,000
				163,340,533		40,835,132
Employees	20.7.2009	20.7.2009 to 19.7.2019	1.2980	1,163,380	5.1920	290,845
	25.1.2013	28.2.2013 to 24.1.2023	0.2288	1,000,000	0.9152	250,000
	25.1.2013	28.2.2014 to 24.1.2023	0.2288	1,000,000	0.9152	250,000
	25.1.2013	28.2.2015 to 24.1.2023	0.2288	2,500,000	0.9152	625,000
	12.1.2018	12.1.2018 to 11.1.2028	0.0808	131,000,000	0.3232	32,750,000
				136,663,380		34,165,845
Consultants	20.7.2009	20.7.2009 to 19.7.2019	1.2980	232,676	5.1920	58,168
	13.4.2010	13.4.2009 to 12.4.2020	1.2030	2,326,761	4.8120	581,690
	13.4.2010	13.7.2010 to 12.4.2020	1.2030	5,816,901	4.8120	1,454,225
	13.4.2010	13.10.2010 to 12.4.2020	1.2030	5,816,901	4.8120	1,454,225
	13.4.2010	13.1.2011 to 12.4.2020	1.2030	6,710,377	4.8120	1,677,594
	27.2.2013	28.2.2014 to 24.1.2023	0.2288	10,000,000	0.9152	2,500,000
	27.2.2013	28.2.2015 to 24.1.2023	0.2288	10,000,000	0.9152	2,500,000
	12.1.2018	12.1.2018 to 11.1.2028	0.0808	35,000,000	0.3232	8,750,000
				75,903,616		18,975,902
				375,907,529		93,976,879
Exercisable at the end of the year/period				375,907,529		93,976,879
Weighted average exercise price				0.1692		0.6768

Note: The number of share options and the corresponding exercise price were adjusted from 375,907,529 to 93,976,879 with exercise price ranging from HK$0.3232 to HK$5.1920 per share option as a result of Share Consolidation (as defined in note 18) on 17 July 2018.

19. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The variables and assumptions used in computing the fair value of the share options are based on binomial option pricing model. 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.

No share options under 2009 Share Option Scheme have been granted, exercised, lapsed or cancelled during the current period.

20. CAPITAL COMMITMENTS

	31 December 2018 HK$'000 (Unaudited)	30 June 2018 HK$'000 (Audited)
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**538**	560

21. 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 2018 HK$'000 (Unaudited)	30 June 2018 HK$'000 (Audited)
Within one year	**52,353**	40,747
In the second to fifth year inclusive	**41,426**	33,858
	93,779	74,605

Leases are negotiated for lease terms of one to five years (30 June 2018: 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 above lease commitments as at 31 December 2018 included the non-cancellable operating lease with a fellow subsidiary of a non-controlling shareholder of the Company amounted to HK$5,142,000 in the band of "within one year" and HK$9,426,000 in the band of "in the second year to five year inclusive" (30 June 2018: HK$3,872,000 in the band of "within one year" and HK$324,000 in the band of "in the second to five year inclusive").

22. PLEDGE OF ASSETS

As at 31 December 2018, the Group's bank deposits with carrying amounts of HK$915,697,000 (30 June 2018: HK$742,299,000) were pledged to banks as securities to obtain the banking facilities granted to the Group.

23. 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 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
A joint venture	Purchase of jewellery	–	35
A non-controlling shareholder of a subsidiary	Interest expense	164	435
Fellow subsidiaries of a non-controlling shareholder of a subsidiary	Interest on gold loans	–	867
	License income	105	1,113
	Purchase of gold and jewellery products	11,971	17,099
	Rental expense	1,442	1,582
	Sales of jewellery	390	5,919
	Specialty fee	299	102
	Subcontracting fee	139	217
A company in which a director of a subsidiary has beneficial interest	License and service fee	2,748	2,439

As at 31 December 2018, the ultimate holding company of a non-controlling shareholder of a subsidiary issued financial guarantee amounting to HK$1,075,000,000 (30 June 2018: HK$893,036,000) to banks in respect of banking facilities granted to the Group. No fee is paid or payable by the Group to the guarantor.

(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 and 16.

(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 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Fees	480	605
Salaries	4,734	4,576
Retirement benefit costs	57	54
	5,271	5,235

24. 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).

	Financial assets/liabilities included in the condensed consolidated statement of financial position	Fair value as at 31 December 2018 HK$'000 (Unaudited)	Fair value as at 30 June 2018 HK$'000 (Audited)	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
1)	Available-for-sale financial assets	**N/A**	15,118	Level 1	Bid prices quoted in active market.	Not applicable
2)	Equity instruments at FVTOCI-Quoted equity investment	**4,734**	N/A	Level 1	Bid prices quoted in active market.	Not applicable
3)	Equity instrument at FVTOCI-Unquoted equity investment	**–**	N/A	Level 3	The fair value is estimated based on the underlying assets, taking into consideration of discount for lack of marketability and minority discount.	Discount for lack of marketability and minority discount (Note a)
4)	Conversion option derivatives embedded in convertible bonds	**–**	(385)	Level 3	Binomial option pricing model The fair value is estimated based on the risk free rate, share price, volatility of the share price of the Company, dividend yield and exercise price.	Volatility of the share price of the Company determined by reference to the historical share price of the Company (Note b)

24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

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

Notes:

(a) the higher the discount for lack of marketability and minority discount, the lower the fair value of the unquoted equity investment.

(b) The higher the volatility of the share price of the Company, the higher the fair value of the conversion option derivative. For the volatility of the share price of the Company used in the fair value measurement, please refer to note 17(b).

Reconciliation of Level 3 fair value measurements

	Conversion Option derivatives HK$'000
At 1 July 2017 (audited)	4,299
Fair value gain recognised in profit or loss	(3,914)
At 30 June 2018 (audited)	**385**
Fair value gain recognised in profit or loss	**(385)**
At 31 December 2018 (unaudited)	–

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded as amortised cost in the condensed consolidated financial statements approximate to their fair values.

The fair value of such financial assets and financial liabilities are determined in accordance with general accepted pricing models based on discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.