

# EXPLORE

interim report **2019-20**

# OPPORTUNITIES

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

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

# Contents

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

	Page (s)
Corporate Information	4
Management Discussion and Analysis	6
Other Information	13
Interim Financial Statements:	
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	19
Condensed Consolidated Statement of Financial Position	20
Condensed Consolidated Statement of Changes in Equity	22
Condensed Consolidated Statement of Cash Flows	24
Notes to the Condensed Consolidated Financial Statements	25

# Mission

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

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



# Corporate Information

## DIRECTORS

### Executive Directors

Mr. Li Ning, *Chairman*

Mr. Xu Zhigang (*re-designated as non-executive Director on 4 October 2019 and resigned as non-executive Director on 7 January 2020*)

Ms. Dai Wei

Mr. Hu Hongwei (*appointed as non-executive Director on 29 March 2019 and re-designated as executive Director on 14 July 2019*)

### Independent Non-executive Directors

Dr. Loke Yu alias Loke Hoi Lam<sup>a,b,c</sup>

Mr. Xu Xiaoping<sup>a,b,c</sup>

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

<sup>a</sup> *Member of the Audit Committee*

<sup>b</sup> *Member of the Remuneration Committee*

<sup>c</sup> *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  
Bank of China

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited  
4th Floor North  
Cedar House  
41 Cedar Avenue  
Hamilton HM 12  
Bermuda

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## STOCK CODE

2882

## WEBSITE

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

The Period under review has been challenging for all businesses and in particular for Hong Kong retailers. The escalation of trade tensions between Mainland China and the United States have hurt general consumption sentiment. The agreement on the first phase of the trade deal between Mainland China and the United States has come too late for the economy. In Hong Kong, retail sales plummeted since July 2019. Hong Kong has been gripped by large-scale social unrest. Visitors were avoiding Hong Kong and the number plunged sharply. Amid the difficult business environment, the Group recorded a decline in overall same-store growth of 7%.

## FINANCIAL REVIEW

The Group recorded a total turnover of approximately HK\$517 million for the Period, representing a decrease of 34% as compared to the turnover of approximately HK\$781 million for the same period last year ("Last Period"). The loss for the Period attributable to the owners was approximately HK\$38 million compared to approximately HK\$48 million Last Period, representing a decrease of 21%. This was mainly attributable to increase in international gold price.

Retailing of gold and jewellery products accounted for 92% (2018: 80%) of total turnover. The retail revenue was approximately HK\$474 million for the Period, representing a 24% decrease from approximately HK\$624 million Last Period. Mainland China continued to be the Group's major market, contributing 73% (2018: 61%) of retail sales for the Period. The retail revenue from Mainland China dropped by 9% to HK\$347 million for the Year from HK\$382 million Last Period. The Group's retail revenue from Hong Kong and Macau market was approximately HK\$127 million for the Period, representing a 48% decrease from HK\$242 million Last Period. The Group recorded a decline in overall same-store growth of 7% (2018: decline of 4%), of which same-store growth in Mainland China saw a growth of 4% (2018: decline of 6%) and same-store growth in Hong Kong and Macau slipped to a decline of 41% (2018: decline of 1%).

The Group's selling and distribution expenses decreased to HK\$143 million (2018: HK\$180 million), whereas the percentage to total turnover increased to 28% (2018: 23%) this Period as a result of more advertising and promotional campaign. Rental expenses amounted to HK\$47 million (2018: HK\$63 million), representing 10% (2018: 10%) of total retail revenue. The percentage to turnover remained at a relatively low level. It is the Group's intention to negotiate with individual landlords on rental level in current economic environment.

The Group has implemented various cost control measures. General and administrative expenses have decreased by 4% to HK\$46 million (2018: HK\$48 million).

over **370**  
shops in China

373 shops in Mainland China  
8 shops in Hong Kong  
2 shops in Macau

<b>23</b> Anhui	<b>10</b> Heilongjiang	<b>2</b> Jilin	<b>2</b> Sichuan
<b>22</b> Beijing	<b>8</b> Henan	<b>8</b> Liaoning	<b>14</b> Tianjin
<b>2</b> Chongqing	<b>8</b> Hong Kong	<b>2</b> Macau	<b>4</b> Xinjiang
<b>6</b> Fujian	<b>23</b> Hubei	<b>5</b> Ningxia	<b>1</b> Qinghai
<b>2</b> Gansu	<b>4</b> Hunan	<b>6</b> Shaanxi	
<b>96</b> Guangdong	<b>10</b> Inner Mongolia	<b>54</b> Shandong	
<b>17</b> Guangxi	<b>26</b> Jiangsu	<b>2</b> Shanghai	
<b>16</b> Hebei	<b>1</b> Jiangxi	<b>9</b> Shanxi	



# Management Discussion and Analysis

## ENHANCED INTERNAL CONTROL MEASURES

The Company has enhanced a number of control measures and engaged an independent accounting firm to perform internal review of the Company's internal control which have focused on (i) supervision; (ii) information and communication; (iii) controlled activities; (iv) risk management; (v) internal control environment; and (vi) investment management. The Board considers that the measures are appropriate.

## INTERIM DIVIDENDS

The Board has resolved not to recommend an interim dividend in respect of the six months ended 31 December 2019 to the holders of ordinary shares of the Company.

## BUSINESS REVIEW

### Retail business

Overall revenue from the retail business reached HK\$127 million (2018: HK\$242 million) for Hong Kong and Macau and HK\$347 million (2018: HK\$382 million) for Mainland China. The drop was mainly due to the decrease of 1 shop in Hong Kong and 6 shops and counters in Mainland China and a decline in overall same-store growth of 7% in Hong Kong and Macau as well as Mainland China.

As at 31 December 2019, the Group had 8 points-of-sale in Hong Kong, 2 points-of-sale in Macau and 373 points-of-sale in Mainland China under the brand name "3D-GOLD." Of the points-of-sale in Mainland China, 68 are self-operated points-of-sale and 305 are licensee points-of-sale. During the Year, 54 new shops and counters were opened in Mainland China and 60 loss-making shops and counters were closed.

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

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

# Management Discussion and Analysis

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 including requesting landlords to provide rental reduction or relief; 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.

## Wholesale and sub-contracting business

As the wholesale and sub-contracting business was highly competitive, the Group has suspended this business and considers to re-position this business so as to create greater value for stakeholders.

## Products and Design

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

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

- “Love Lane” Collection
- “Love Rhythm” Collection
- “Starry Shimmer” Collection
- “Pure Gold Chinese Zodiac” Collection
- “Cool Love” Collection
- “Classic Gold” Collection

# Management Discussion and Analysis

## Marketing and Promotion

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

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

- Organized a “New Product Launch of “Golden Allure GA” 5G Collection” in Shenzhen of PRC;
- Organized a “New Image Shop Opening Celebration” in Wuhan 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 2019 (Jewellery & Watch)”
- “Charter on External Lighting – Gold Award”

## OUTLOOK

The continual trade tensions between China and the United States and social unrest in Hong Kong continues to impact the business and consumer sentiments. The recent COVID-19 spreading worldwide will also inevitably affect the global economy, in particular Mainland China and Hong Kong. The retail industry has been in the front line of the outbreak’s impact. The Group foresees the year ahead will be difficult with both local and overseas factors pressuring on our business. However, the Group remains prudently optimistic about the prospects of business growth in long term. The construction of Guangdong-Hong Kong-Macau Greater Bay Area will enable Hong Kong and Macau to maintain its stability of the operating environment and economic progress.

Going forward, the Group will continuously explore new business opportunities to diversify revenue base, so as to create greater value for our investors and stakeholders.

# Management Discussion and Analysis

## OTHERS

### Liquidity and Financial Resources

The Group centralises funding for all its operations through the corporate treasury based in Hong Kong. As at 31 December 2019, the Group had total cash and cash equivalents amounting to HK\$1,052 million (30 June 2019: 1,074 million) whilst total deficit were HK\$86 million (30 June 2019: HK\$9 million). The Group's net borrowing as at 31 December 2019 was HK\$898 million (30 June 2019: HK\$995 million), being total borrowing of HK\$1,950 million (30 June 2019: HK\$2,069 million less pledged bank deposits and bank balances and cash of HK\$1,052 million (30 June 2019: HK\$1,074 million). After taking into account the gold inventories of HK\$301 million (30 June 2019: HK\$356 million), the Group's net borrowing as at 31 December 2019 was HK\$597 million (30 June 2019: HK\$639 million), being total borrowing less pledged bank deposits, bank balances and cash and gold inventories. As at 31 December 2019, the Group has available unutilised revolving banking facilities of HK\$452 million (30 June 2019: HK\$296 million).

### Capital Commitments

Capital commitments of the Group as at 31 December 2019 are set out in note 20.

### Pledged Assets

Pledged assets of the Group as at 31 December 2019 are set out in note 21.

### Material litigation

#### (a) Hong Kong Winding-up Petition

On 2 October 2019, the Company received a statutory demand from the non-controlling shareholder of a subsidiary demanding repayment of the loan principal amounting approximately HK\$57,080,000, with relevant accrued interest, under section 178(1)(a) or 327(4)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

Further to the statutory demand on 2 October 2019, the Company received a winding-up petition filed by the non-controlling shareholder of a subsidiary against the Company in the Court of First Instance of the High Court of the Hong Kong Special Administrative Region on 24 October 2019 (the “**Hong Kong Petition**”). Pursuant to the consent summons entered into between the Company and the non-controlling shareholder of a subsidiary dated 30 December 2019, the hearing of Hong Kong Petition has been vacated and all proceedings has been stayed upon the determination of Bermuda Petition (as defined below).

# Management Discussion and Analysis

## (b) Bermuda Winding-up Petition

On 28 November 2019, the Company received a winding-up petition filed by the non-controlling shareholder of a subsidiary against the Company in the Supreme Court of Bermuda (the “**Supreme Court**”) (collectively referred to as “**Bermuda Petition**”). On 17 January 2020, The Supreme Court made an order whereby the hearing for Bermuda Petition be adjourned to 21 February 2020. Application of further adjournment of the hearing for Bermuda Petition is proceeding as at the date of this report.

The directors of the Company are of the opinion that the Company has sufficient working capital to repay such loan from the non-controlling shareholder of a subsidiary and the relevant accrued interest, after taking into the available facilities and the subsequent issuance of convertible bond, and any resulting liability would not materially affect the financial position of the Group.

## Acquisition, Disposal and Significant Investments

The Group did not have any significant investment, material acquisitions or disposals of assets, subsidiaries, associates or joint ventures during the period ended 31 December 2019.

## Events after the reporting period

- (a) On 16 January 2020, the Group issued convertible bonds with a principal amount of HK\$121,950,000 to an independent third party, which will be due in year of 2022 and at an interest rate of 4% per annum.
- (b) Due to the outbreak of the Novel Coronavirus (“**COVID-19**”) in early 2020 as well as subsequent quarantine measures and travel restrictions imposed by the government authorities in Hong Kong and Mainland China, various retail shops and counters in Hong Kong and Mainland China have temporarily suspended the operations. Even though certain retail shops and counters have resumed their operations, they are still not yet operating at their normal capacity. The Group will closely monitor the development of COVID-19 and ensure resumption of full operation of its retail operations as soon as possible in light of safety and to the practicable extent. With all the increased uncertainties prompted by the outbreak of COVID-19, the impact on the Group’s financial positions and operating results could not be reasonably estimated as at the date these condensed consolidated financial statements are authorised for issue.

## Financial Risk and Exposure

The Group did not have any outstanding material foreign exchange contracts, interest or currency swaps, or other financial derivatives as at 31 December 2019.

## Employees and Remuneration Policy

As at 31 December 2019, the Group had 1,178 employees (30 June 2019: 1,321). 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 2019, the interests and short positions of the directors and chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

### (a) Long positions in shares

Name of director	Number of ordinary shares			% of issued	
	Personal interests	Family interests	Corporate interests	Total	ordinary shares
Mr. Li Ning	—	—	210,000,000	210,000,000	16.58%
Mr. Xu Zhigang	—	—	—	—	—
Ms. Dai Wei	—	—	—	—	—
Mr. Hu Hongwei	—	—	—	—	—
Dr. Loke Yu alias Loke Hoi Lam	—	—	—	—	—
Mr. Xu Xiaoping	—	—	—	—	—
Mr. Fan, Anthony Ren Da	—	—	—	—	—

Notes:

- The shares are held by Eminent Rise Holdings Limited ("Eminent Rise"). Eminent Rise is a company wholly-owned by Mr. Li Ning, an executive Director and Chairman of the Board.
- The percentage of shareholding is calculated based on 1,266,716,012 issued shares as at 31 December 2019.

## Other Information

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

Name of director	Capacity	Number of shares interested	% of issued ordinary shares
Ms. Dai Wei	Beneficial owner (Note a, b)	8,750,000	0.69%
Dr. Loke Yu alias Loke Hoi Lam	Beneficial owner (Note a, b)	875,000	0.07%
Mr. Xu Xiaoping	Beneficial owner (Note a, b)	875,000	0.07%
Mr. Fan, Anthony Ren Da	Beneficial owner (Note a, b)	1,354,084	0.11%

Notes:

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

(b) The percentage of shareholding is calculated based on 1,266,716,012 issued shares as at 31 December 2019.

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 2019.

## SUBSTANTIAL SHAREHOLDERS

At 31 December 2019, 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.

## Other Information

### (a) Long positions in shares of the Company

Name of substantial shareholder	Capacity	Number of issued ordinary shares held	% of issued ordinary shares
Mr. Zheng Yue Wen	Corporate interest (Note a, d)	251,055,619	19.82%
Mr. Wen Jialong	Beneficial owner (Note a, d)	1,415,489	0.11%
	Corporate interest (Note a, d)	251,055,619	19.82%
Hallow King Global Investment Limited	Corporate interest (Note a, d)	251,055,619	19.82%
Kerui Jinrong Company Limited	Corporate interest (Note a, d)	251,055,619	19.82%
Weltrade Group Limited	Beneficial owner (Note a, d)	251,055,619	19.82%
Mr. Li Ning	Corporate interest (Note b, d)	210,000,000	16.58%
Eminent Rise Holdings Limited	Beneficial owner (Note b, d)	210,000,000	16.58%
Mr. Wong Wai Sheung	Beneficial owner (Note d)	1,457,857	0.12%
	Corporate interest (Note c, d)	19,224,998	1.52%
Mr. Chan Wai	Beneficial owner (Note d)	250,000	0.02%
	Family interest (Note d)	25,000	0.00%
	Corporate interest (Note c, d)	19,224,998	1.52%
Mr. Tse Moon Chuen	Beneficial owner (Note d)	416,000	0.03%
	Corporate interest (Note c, d)	19,224,998	1.52%
Mr. Lee Shu Kuan	Corporate interest (Note c, d)	19,224,998	1.52%
Kwai Kee Cheung Jewellery & Goldsmith Company Limited	Corporate interest (Note c, d)	19,224,998	1.52%
Luk Fook (Control) Limited	Corporate interest (Note c, d)	19,224,998	1.52%
Luk Fook Holdings (International) Limited	Corporate interest (Note c, d)	19,224,998	1.52%
Luk Fook Holdings Company Limited	Beneficial owner (Note c, d)	11,250,000	0.89%
Luk Fook 3D Management Company Limited	Beneficial owner (Note c, d)	7,974,998	0.63%

#### Notes:

- (a) The shares are held by Weltrade Group Limited (“Weltrade”). Weltrade is a company wholly-owned by Kerui Jinrong Company Limited. Kerui Jinrong Company Limited is in turn owned by Mr. Zheng Yue Wen, Mr. Xiang Hong and Hallow King Global Investment Limited as to 40%, 20% and 40% respectively. Hallow King Global Investment Limited is an entity wholly-owned by Mr. Wen Jialong. As such, Mr. Zheng Yue Wen and Mr. Wen Jialong are deemed to be interested in all the shares held by Weltrade.
- (b) The shares are held by Eminent Rise Holdings Limited (“Eminent Rise”). Eminent Rise is a company wholly-owned by Mr. Li Ning, the executive Director and Chairman of the Board.
- (c) 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.
- (d) The percentage of shareholding is calculated based on 1,266,716,012 issued shares as at 31 December 2019.



## Other Information

### (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
Mr. Wen Jialong	Beneficial owner (Note a, c)	5,000,000	0.39%
Mr. Wong Wai Sheung	Corporate interest (Note b, c, d, e)	80,168,539	6.33%
Mr. Chan Wai	Corporate interest (Note b, c, d, e)	80,168,539	6.33%
Mr. Tse Moon Chuen	Corporate interest (Note b, c, d, e)	80,168,539	6.33%
Mr. Lee Shu Kuan	Corporate interest (Note b, c, d, e)	80,168,539	6.33%
Kwai Kee Cheung Jewellery & Goldsmith Company Limited	Corporate interest (Note b, c, d, e)	80,168,539	6.33%
Luk Fook (Control) Limited	Corporate interest (Note b, c, d, e)	80,168,539	6.33%
Luk Fook Holdings (International) Limited	Corporate interest (Note b, c, d, e)	80,168,539	6.33%
Luk Fook 3D Management Company Limited	Beneficial owner (Note b, c, d, e)	80,168,539	6.33%

Notes:

- (a) These derivatives comprise interests in 5,000,000 shares in the form of share option held by Mr. Wen Jialong.
- (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) The percentage of shareholding is calculated based on 1,266,716,012 issued shares as at 31 December 2019.
- (d) The total number of shares interested has been adjusted to 80,168,539 at an adjusted conversion price of HK\$0.712.
- (e) Luk Fook 3D Management Company Limited is a holder of the convertible bonds ("Luk Fook 3DM CB") in the principal amount of HK\$57,080,000 issued by the Company on 6 June 2014. The Luk Fook 3DM CB conferred the right to convert into 80,168,539 shares upon fully exercise the conversion right attached thereto. The conversion right attached to the Luk Fook 3DM CB expired on 6 June 2019 and the Luk Fook 3DM CB became a straight bond with no right to convert into any shares of the Company. Hence, Luk Fook 3D Management Company Limited and its shareholder(s) and/or ultimate beneficial owner(s) ceased to have interest in 80,168,539 shares upon the expiry of the conversion right attached to the Luk Fook 3DM CB.

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 2019.

### 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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

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

CG Code A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. On 12 June 2019, Mr. Li Ning is appointed as an executive Director and Chairman of the Board to provide strong leadership and ensure the execution of the Group's strategies and policies. After the resignation of Mr. Xu Zhigang as chief executive officer on 4 October 2019, Mr. Li Ning has been assuming the role of chief executive officer. The Board is of the view that currently vesting the roles of chairman and chief executive in Mr. Li Ning 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.

### Non-compliance with Financial Reporting Provisions of the Listing Rules

On 27 September 2019, the Company announces that as additional time is required to provide for the Company's auditors to complete their audit procedures in respect of the financial information of the Group for the year ended 30 June 2019, the Company could not timely publish its annual results and annual report as required under the Listing Rules.

As such, the Company was not able to timely comply with the financial reporting provisions under the Listing Rules in (i) announcing the annual results for the financial year ended 30 June 2019 and interim results for the six months period ended 31 December 2019; and (ii) publishing the related annual report and interim report for the above-mentioned year and period.

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

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

### AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim financial statements for the Period. The Group's unaudited interim financial statements for the period ended 31 December 2019 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. Li Ning**

*Chairman*

Hong Kong, 16 March 2020

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

For the six months ended 31 December 2019

	Notes	Six months ended 31 December 2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue			
Goods and services		517,164	775,630
Interest		–	5,695
Total revenue	3(a)	517,164	781,325
Cost of sales		(331,841)	(586,334)
Gross profit		185,323	194,991
Other income		6,194	4,200
Selling expenses		(143,457)	(180,405)
General and administrative expenses		(46,280)	(47,562)
Other gains and losses		(6,342)	(10,825)
Change in fair value of derivatives embedded in convertible bonds		–	385
Reversal of impairment loss/(impairment loss) on trade and other receivables	10	4,244	(1,300)
Finance costs	4	(43,147)	(37,093)
Loss before taxation	5	(43,465)	(77,609)
Taxation	6	(18,724)	(1,891)
Loss for the period		(62,189)	(79,500)
Other comprehensive expense:			
<i>Item that will not be reclassified to profit or loss:</i>			
Exchange difference arising on translation		575	(4,431)
Fair value loss of equity instruments at fair value through other comprehensive income ("FVTOCI")		(1,555)	–
<i>Items that may be reclassified subsequently to profit and loss:</i>			
Exchange difference arising on translation of foreign operations		(13,272)	(15,674)
Fair value loss of equity instruments at fair value through other comprehensive income ("FVTOCI")		–	(2,726)
		(13,272)	(18,400)
Other comprehensive expense for the period		(14,252)	(22,831)
Total comprehensive expense for the period		(76,441)	(102,331)
Loss for the period attributable to:			
Owners of the Company		(37,972)	(48,271)
Non-controlling interests		(24,217)	(31,229)
		(62,189)	(79,500)
Total comprehensive expense for the period attributable to:			
Owners of the Company		(46,623)	(62,236)
Non-controlling interests		(29,818)	(40,095)
		(76,441)	(102,331)
Loss per ordinary share			
Basic and diluted	8	(HK\$0.030)	(HK\$0.046)

# Condensed Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	31 December 2019 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	9	37,123	51,806
Right-of-use assets		40,058	–
Deposits paid	10	7,727	8,375
Intangible assets	11	169,144	169,144
Interest in a joint venture		–	–
Equity instruments at FVTOCI	12	2,029	3,584
Deferred tax assets		6,464	11,857
		<b>262,545</b>	<b>244,766</b>
<b>Current Assets</b>			
Inventories		725,527	857,389
Right to returned goods asset		2,895	2,950
Trade and other receivables and deposits paid	10	124,616	166,643
Loan receivables	13	–	–
Tax receivable		1,692	2,590
Pledged bank deposits		862,782	941,388
Bank balances and cash		189,122	132,755
		<b>1,906,634</b>	<b>2,103,715</b>
<b>Current Liabilities</b>			
Trade and bills payables, other payables, accruals and deposits received	14	195,396	218,065
Bank and other borrowings	15	1,733,800	1,891,892
Contract liabilities		22,076	23,249
Refund liabilities		4,693	4,782
Lease liabilities		29,562	–
Loans from a non-controlling shareholder of a subsidiary	16	57,080	57,080
Loan from a shareholder	17	59,000	–
Tax liabilities		746	544
		<b>2,102,353</b>	<b>2,195,612</b>
<b>Net Current Liabilities</b>		<b>(195,719)</b>	<b>(91,897)</b>
<b>Total Assets Less Current Liabilities</b>		<b>66,826</b>	<b>152,869</b>

# Condensed Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	31 December 2019 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Audited)
<b>Non-current Liabilities</b>			
Bank and other borrowings	15	–	20,000
Lease liabilities		10,398	–
Loans from a non-controlling shareholder of a subsidiary	16	100,000	100,000
Deferred tax liabilities		42,016	42,016
		152,414	162,016
<b>NET LIABILITIES</b>		<b>(85,588)</b>	<b>(9,147)</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	18	50,668	50,668
Reserves		(103,426)	(56,803)
Deficit attributable to owners of the Company		(52,758)	(6,135)
Non-controlling interests		(32,830)	(3,012)
<b>TOTAL DEFICIT</b>		<b>(85,588)</b>	<b>(9,147)</b>

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2019

	Attributable to owners of the Company											Non-controlling interests	Total
	Ordinary share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Other reserve HK\$'000 (Note (a))	Share option reserve HK\$'000	Warrant reserve HK\$'000 (Note (b))	Investment revaluation reserve HK\$'000	Exchange reserve HK\$'000	PRC statutory reserve HK\$'000 (Note (c))	Accumulated losses HK\$'000	Total HK\$'000		
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	–	–	–	–	–	–	(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
At 1 July 2019 (audited)	50,668	777,848	55,327	(256,051)	15,048	–	(11,892)	6,692	34,733	(678,508)	(6,135)	(3,012)	(9,147)
Loss for the period	–	–	–	–	–	–	–	–	–	(37,972)	(37,972)	(24,217)	(62,189)
Exchange difference arising on translation	–	–	–	–	–	–	–	(7,096)	–	–	(7,096)	(5,601)	(12,697)
Fair value loss on equity instruments at FVTOCI	–	–	–	–	–	–	(1,555)	–	–	–	(1,555)	–	(1,555)
Total comprehensive expense for the period	–	–	–	–	–	–	(1,555)	(7,096)	–	(37,972)	(46,623)	(29,818)	(76,441)
Transfer between reserves	–	–	–	–	–	–	–	–	(387)	387	–	–	–
Lapse of share options	–	–	–	–	(2,557)	–	–	–	–	2,557	–	–	–
At 31 December 2019 (unaudited)	50,668	777,848	55,327	(256,051)	12,491	–	(13,447)	(404)	34,346	(713,536)	(52,758)	(32,830)	(85,588)

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2019

## 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, 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 2019 and 31 December 2019, the Company had no outstanding 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 2019

	Six months ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Net cash from/(used in) operating activities</b>	<b>152,235</b>	<b>(128,441)</b>
<b>Investing activities</b>		
Interest received	4,388	1,770
Purchase of property, plant and equipment	(4,623)	(16,910)
Proceeds from disposal of property, plant and equipment	5,936	300
Proceeds from disposal of equity instruments at FVTOCI	–	7,658
Withdrawal of pledged bank deposits	88,000	350,000
Placement of pledged bank deposits	(11,408)	(527,000)
<b>Net cash from/(used in) investing activities</b>	<b>82,293</b>	<b>(184,182)</b>
<b>Financing activities</b>		
Interest paid	(38,120)	(32,308)
Proceeds from issue of shares, net of transaction costs	–	27,029
Repayment of loan from a non-controlling shareholder of a subsidiary	–	(43,190)
New bank and other borrowings	81,299	1,076,265
Repayments of bank and other borrowings	(200,163)	(710,000)
Repayments of lease liabilities	(16,819)	–
<b>Net cash (used in)/from financing activities</b>	<b>(173,803)</b>	<b>317,796</b>
<b>Net increase in cash and cash equivalents</b>	<b>60,725</b>	<b>5,173</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>132,755</b>	<b>56,988</b>
<b>Effect of foreign exchange rate changes</b>	<b>(4,358)</b>	<b>(1,720)</b>
<b>Cash and cash equivalents at end of the period, represented by bank balances and cash</b>	<b>189,122</b>	<b>60,441</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 1. BASIS OF PREPARATION

The Group incurred a net loss of HK\$62,189,000 for the period ended 31 December 2019 and as of that date, the Group's current liabilities exceeded its current assets by HK\$195,719,000 and its total liabilities exceeded its total assets by HK\$85,588,000.

Subsequent to the end of the reporting period, the Group issued convertible bonds with a principal amount of HK\$121,950,000 to an independent third party, which will be due in year of 2022 and at an interest rate of 4% per annum, to improve the Group's financial position and alleviate its liquidity pressure.

After taking into account the financial resources of the Group, including the available loan facilities and the convertible bonds, the directors of the Company are of the opinion that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly these condensed consolidated financial statements have been prepared on a going concern basis.

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 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2019.

### 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 mandatorily effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### 2.1 Impacts and changes in accounting policies on application of HKFRS 16 “Leases” (“HKFRS 16”)

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 “Leases” (“HKAS 17”), and the related interpretations.

#### 2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

##### *Definition of a lease*

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

##### *As a lessee*

##### *Allocation of consideration to components of a contract*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate standalone price of the non-lease components.

##### *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

##### *Right-of-use assets*

Except for short-term lease and leases of low-value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### 2.1 Impacts and changes in accounting policies on application of HKFRS 16 “Leases” (“HKFRS 16”) (Continued)

#### 2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

##### *As a lessee (Continued)*

##### *Right-of-use assets (Continued)*

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets (that do not meet the definition of investment property) as a separate line item on the condensed consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within “investment properties”.

##### *Refundable rental deposits*

Refundable rental deposits paid are accounted under HKFRS 9 “Financial Instruments” and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

##### *Lease liabilities*

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### 2.1 Impacts and changes in accounting policies on application of HKFRS 16 “Leases” (“HKFRS 16”) (Continued)

#### 2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

##### *As a lessee (Continued)*

##### *Lease liabilities (Continued)*

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

##### *Lease modifications*

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the standalone price for the increase in scope and any appropriate adjustments to that standalone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

##### *Taxation*

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### 2.1 Impacts and changes in accounting policies on application of HKFRS 16 “Leases” (“HKFRS 16”) (Continued)

#### 2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

##### *As a lessor*

##### *Allocation of consideration to components of a contract*

Effective on 1 July 2019, the Group applies HKFRS 15 “Revenue from Contracts with Customers” (“HKFRS 15”) to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

##### *Refundable rental deposits*

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Subsequently, adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

##### *Lease modification*

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

#### 2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

##### *Definition of a lease*

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 July 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### 2.1 Impacts and changes in accounting policies on application of HKFRS 16 “Leases” (“HKFRS 16”) (Continued)

#### 2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

##### *As a lessee*

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 July 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in the People’s Republic of China and properties in Hong Kong was determined on a portfolio basis.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK\$53,236,000 and right-of-use assets of HK\$53,236,000 at 1 July 2019.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### 2.1 Impacts and changes in accounting policies on application of HKFRS 16 “Leases” (“HKFRS 16”) (Continued)

#### 2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

##### As a lessee (Continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee’s incremental borrowing rate applied is 8% per annum. The following table reconciles the opening lease commitments as at 30 June 2019 to the opening balance for lease liabilities recognised as at 1 July 2019:

	At 1 July 2019 HK\$’000
Operating lease commitments disclosed as at 30 June 2019	72,240
Less: Recognition exemption – short-term leases and leases of low-value assets	(14,334)
Operating lease commitments before discounting as at 30 June 2019	57,906
Lease liabilities discounted at relevant incremental borrowing rates	53,236
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 at 1 July 2019	53,236
Analysed as:	
Current	29,709
Non-current	23,527
	53,236

The carrying amount of right-of-use assets as at 1 July 2019 comprises the following:

	Right-of-use assets HK\$’000
Right-of-use assets relating to operating leases recognised upon application of HKFRS	53,236



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### 2.1 Impacts and changes in accounting policies on application of HKFRS 16 “Leases” (“HKFRS 16”) (Continued)

#### 2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

##### *As a lessee (Continued)*

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 July 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 30 June 2019 HK\$'000	Adjustments HK\$'000	Carrying amounts under HKFRS 16 at 1 July 2019 HK\$'000
<b>Non-current Assets</b>			
Right-of-use assets	—	53,236	53,236
Deposits paid	8,375	(980)	7,395
<b>Current Liabilities</b>			
Lease liabilities	—	29,709	29,709
<b>Non-current Liabilities</b>			
Lease liabilities	—	23,527	23,527

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 3. REVENUE AND SEGMENT INFORMATION

### (a) Revenue

An analysis of the Group's revenue 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	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Retail sales of goods	347,005	382,056	126,900	241,789	–	–	–	–	473,905	623,845
Wholesales of goods	–	–	–	–	–	113,056	–	–	–	113,056
Franchise income	3,572	2,064	–	–	–	–	–	–	3,572	2,064
Licence income	39,687	35,000	–	–	–	–	–	–	39,687	35,000
Sub-contracting service fee income	–	–	–	–	–	1,665	–	–	–	1,665
Goods and services	390,264	419,120	126,900	241,789	–	114,721	–	–	517,164	775,630
Interest (Note)	–	–	–	–	–	–	–	5,695	–	5,695
	390,264	419,120	126,900	241,789	–	114,721	–	5,695	517,164	781,325

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 3. REVENUE AND SEGMENT INFORMATION (Continued)

### (a) Revenue (Continued)

#### (i) Disaggregation of revenue for the six months ended 31 December 2018 and 2019 (unaudited):

	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	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Geographical markets										
– Mainland China	390,264	419,120	–	–	–	114,721	–	–	390,264	533,841
– Hong Kong and Macau	–	–	126,900	241,789	–	–	–	5,695	126,900	247,484
	390,264	419,120	126,900	241,789	–	114,721	–	5,695	517,164	781,325
Timing of revenue recognition										
– A point in time	347,005	382,056	126,900	241,789	–	114,721	–	–	473,905	738,566
– Over time	43,259	37,064	–	–	–	–	–	–	43,259	37,064
	390,264	419,120	126,900	241,789	–	114,721	–	–	517,164	775,630
Interest (Note)	–	–	–	–	–	–	–	5,695	–	5,695
	390,264	419,120	126,900	241,789	–	114,721	–	5,695	517,164	781,325

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 3. REVENUE AND SEGMENT INFORMATION *(Continued)*

### (a) Revenue *(Continued)*

#### (ii) Performance obligations for contracts with customers

##### **Retail sales**

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

##### **Wholesales**

The Group wholesales a range of gold and jewellery products to customers in Mainland China. Revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the customer's specific location. Following the delivery, the customer 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 30 days upon delivery.

##### **Franchising and licensing operations**

The Group has granted the franchise to franchisees in Mainland China to use the Group's trademark and provided various license support services to those franchisees in accordance with the substance of relevant agreements. Revenue is recognised over time using output method when the services are provided, because the franchisee simultaneously receives and consumes the benefits of the Group's performance as it occurs.

### (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 sales and franchising operations for gold and jewellery products in Mainland China;
- b. Retail sales operations for gold and jewellery products in Hong Kong and Macau; and
- c. Wholesales and sub-contracting operations for gold and jewellery products in Mainland China..

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 3. REVENUE AND SEGMENT INFORMATION (Continued)

### (b) Segment information (Continued)

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

For the six months ended 31 December 2019 (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	Consolidated HK\$'000
<b>REVENUE</b>						
External sales	390,264	126,900	–	517,164	–	517,164
<b>RESULT</b>						
Segment results	42,626	(8,223)	1,848	36,251	(63)	36,188
Other income						6,194
Unallocated staff related expenses						(15,928)
Other unallocated corporate expenses						(6,825)
Advertising, promotion and business development expenses						(13,609)
Exchange loss, net						(6,338)
Finance costs						(43,147)
Loss before taxation						(43,465)
Taxation						(18,724)
Loss for the period						(62,189)

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 3. REVENUE AND SEGMENT INFORMATION (Continued)

### (b) Segment information (Continued)

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
<b>REVENUE</b>						
External sales	419,120	241,789	114,721	775,630	5,695	781,325
<b>RESULT</b>						
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)

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 loss, 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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 4. FINANCE COSTS

	Six months ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interests on:		
Bank and other borrowings	38,916	32,144
Lease liabilities	1,851	–
Loan from a non-controlling shareholder of a subsidiary	2,380	164
Effective interest on convertible bonds	–	4,785
	43,147	37,093

## 5. LOSS BEFORE TAXATION

	Six months ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss before taxation has been arrived at after charging (crediting):		
Cost of inventories recognised as an expense	331,416	585,538
Depreciation of property, plant and equipment	12,286	11,261
Depreciation of right-of-use assets	15,879	–
Exchange loss, net	6,338	10,409
Loss on disposal of property, plant and equipment	4	416
Staff costs, including directors' emoluments:		
– Wages, salaries and other benefits costs	73,620	83,348
– Retirement benefit costs	7,761	9,609
	81,381	92,957
Bank interest income (included in “Other income”)	(3,893)	(2,021)
Operating lease rentals		
– contingent rental	–	35,111
– minimum lease payments	–	31,735
Expenses relating to short-term leases and variable lease payments	35,060	–
Allowance of inventories (included in cost of sales)	425	508

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 6. TAXATION

	Six months ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax	13,331	1,311
Deferred taxation	5,393	580
	18,724	1,891

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%.

No provision for taxation in Hong Kong has been made for both periods as the Group incurred tax losses in Hong Kong.

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

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

PRC withholding income tax of 10% shall be levied on the dividends declared by the companies established in the PRC to their foreign investors out of their profits earned after 1 January 2008.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 7. DIVIDENDS

The Board has resolved not to recommend an interim dividend in respect of the six months ended 31 December 2019 and 31 December 2018 to the holders of ordinary shares of the Company.

## 8. LOSS PER ORDINARY SHARE

	Six months ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per ordinary share	(37,972)	(48,271)

  

	2019	2018
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per ordinary share	1,266,716	1,044,302

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 on 18 July 2018.

The computation of diluted loss per ordinary share did not assume the exercise of share options (for the six months ended 31 December 2018: share options) because their exercise price is higher than the average share price.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of HK\$4,623,000 (for the six months ended 31 December 2018: HK\$16,910,000).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 10. TRADE AND OTHER RECEIVABLES AND DEPOSITS PAID

	31 December 2019 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (audited)
Deposits paid under non-current assets represent:		
Rental deposits	7,727	8,375
Trade and other receivables and deposits paid under current assets comprise:		
Trade receivables	75,227	89,835
Less: allowance for credit loss	(2,772)	(6,725)
	72,455	83,110
Rental deposits	5,308	7,936
Value added tax receivables	33,985	54,263
Prepayments	6,043	10,061
Loan interest receivables	—	11,558
Less: allowance for credit loss	—	(11,558)
	—	—
Other receivables and deposits paid	6,625	11,273
	124,616	166,643

As at 31 December 2019 and 1 July 2019, trade receivables from contracts with customers amounted to HK\$72,455,000 and HK\$83,110,000, respectively.

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

Included in trade receivables as at 31 December 2019 is amount related to a fellow subsidiary of a non-controlling shareholder of a subsidiary amounting to HK\$3,491,000 (30 June 2019: HK\$746,000).

Included in rental deposits and other receivables and deposits paid as at 31 December 2019 are amounts related to a fellow subsidiary of a non-controlling shareholder of a subsidiary amounting to HK\$840,000 (30 June 2019: HK\$5,167,000).

The loan interest receivables are arising from money lending business with gross carrying amount of HK\$ nil (30 June 2019: HK\$11,558,000 and full impairment loss provided).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

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

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 2019 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (audited)
0-30 days	54,225	50,366
31-60 days	6,182	5,082
61-90 days	3,268	28
Over 90 days	8,780	27,634
	72,455	83,110

## 11. INTANGIBLE ASSETS

	31 December 2019 HK\$'000 (Unaudited)	30 June 2019 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 2019, 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 11% (30 June 2019: 11%). The cash flows beyond the ten-year period are extrapolated using a 3% (30 June 2019: 3%) growth rate. The key assumptions for the value in use calculations are discount rate and growth rate. The growth rate does not exceed the long-term average growth rate for the relevant industry. Based on the assessments, management expects the carrying amount of the trademarks to be recoverable and there is no impairment of the trademarks. Management considers that any reasonable possible change in these key assumptions would not cause the carrying amount of the trademarks to exceed the recoverable amount.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 12. EQUITY INSTRUMENTS AT FVTOCI

	Notes	31 December 2019 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (audited)
<b>Quoted equity investment</b>			
– Equity instruments at FVTOCI	(a)	2,029	3,584
<b>Unquoted equity investments</b>			
– Equity instruments at FVTOCI	(b)	–	–
		<b>2,029</b>	<b>3,584</b>

Note:

- (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. Impairment of HK\$2,726,000 was provided during the six months ended 31 December 2018 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. Full impairment had been made in prior year.

## 13. LOAN RECEIVABLES

	31 December 2019 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Audited)
Fixed-rate loan receivables		
– Secured	10,000	10,000
– Unsecured	64,400	64,400
Less: allowance for credit loss	(74,400)	(74,400)
	–	–

The Group holds collateral of entire equity interest of a private limited company for secured loan receivables at principal amount of HK\$10,000,000 (30 June 2019: HK\$10,000,000). Loan receivables at principal amount of HK\$12,000,000 (30 June 2019: HK\$12,000,000) are unsecured and guaranteed by respective sole shareholder of the borrowers, while the remaining loan receivables are unsecured and unguaranteed. Included in the unsecured loan receivables as at 31 December 2019 are loans advanced to a substantial shareholder at principal amount of HK\$2,900,000 (30 June 2019: HK\$2,900,000).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

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

	31 December 2019 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Audited)
Trade payables	29,564	37,839
Deposits received	25,000	25,000
Franchisee guarantee deposits (Note)	49,362	48,986
Value added tax payables	5,534	17,374
Salary and bonus payables	52,844	52,960
Other payables, accruals and other deposits	33,092	35,906
	195,396	218,065
Less: Amounts due within one year and shown under current liabilities	(195,396)	(218,065)
Amounts shown under non-current liabilities	—	—

Note: Franchisee guarantee deposits represent refundable deposits from the franchisees for use of the trademarks “3D-GOLD”.

The credit period on purchase of goods ranges from 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled with the credit timeframe.

Included in trade payables as at 31 December 2019 are trade payables to certain fellow subsidiaries of a non-controlling shareholder of a subsidiary amounting to HK\$513,000 (30 June 2019: HK\$882,000).

Included in franchisee guarantee deposits and other payables, accruals and other deposits as at 31 December 2019 are deposits received from and other payables to certain fellow subsidiaries of a non-controlling shareholder of a subsidiary amounting to HK\$732,000 (30 June 2019: HK\$922,000) and HK\$694,000 (30 June 2019: HK\$894,000) respectively.

Included in other payables, accruals and other deposits are accruals for service fee payable to a company in which a director of a subsidiary has beneficial interest amounting to HK\$2,158,000 (30 June 2019: HK\$2,365,000).

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

	31 December 2019 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (audited)
0-30 days	28,250	33,428
31-60 days	1,086	2,808
61-90 days	31	472
Over 90 days	197	1,131
	29,564	37,839

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 15. BANK AND OTHER BORROWINGS

	31 December 2019 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Audited)
Secured floating rate bank borrowings	1,698,000	1,860,749
Unsecured fixed rate other borrowings – independent third parties	35,800	51,143
	1,733,800	1,911,892
Carrying amounts repayable:		
Within one year*	185,800	187,892
More than two years but not exceeding five years*	–	20,000
	185,800	207,892
Carrying amount of bank loans that contain a repayment on demand clause (shown under current liabilities):		
– Repayable within one year*	1,548,000	1,704,000
	1,733,800	1,911,892
Less: Amounts due within one year and shown under current liabilities	(1,733,800)	(1,891,892)
Amounts shown under non-current liabilities	–	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 of approximately HK\$20,000,000, which were repayable within one year and carrying interest at Hong Kong Interbank Offered Rate plus a margin of 1.08% to 2.5% per annum.

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

As at 31 December 2019, the loan from a non-controlling shareholder of a subsidiary of HK\$100,000,000 (30 June 2019: 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\$57,080,000 (30 June 2019: HK\$57,080,000) which is unsecured, interest bearing at 8% per annum and repayable within one year after the end of the reporting period.

## 17. LOAN FROM A SHAREHOLDER

As at 31 December 2019, the loan from a shareholder of HK\$59,000,000 (30 June 2019: HK\$nil) is unsecured, interest bearing at 8% per annum and repayable within 3 months.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 18. SHARE CAPITAL

	Notes	Number of shares '000	Amount HK\$'000
<b>Authorised:</b>			
Ordinary shares of HK\$0.01 each at 1 July 2018		20,000,000	200,000
Adjustment from Share Consolidation	(a)	(15,000,000)	–
Ordinary shares of HK\$0.04 each at 31 December 2018, 1 July 2019 and 31 December 2019		5,000,000	200,000
Preference shares of HK\$0.01 each at 1 July 2018		3,000,000	30,000
Adjustments from Share Consolidation	(a)	(2,250,000)	–
Preference shares of HK\$0.04 each at 31 December 2018, 1 July 2019 and 31 December 2019		750,000	30,000
<b>Total:</b>			
At 1 July 2018		23,000,000	230,000
At 31 December 2018 and 1 July 2019		5,750,000	230,000
At 31 December 2019		5,750,000	230,000
<b>Ordinary shares issued and fully paid:</b>			
Ordinary shares of HK\$0.01 each at 1 July 2018		3,822,423	38,224
Issue of shares	(b) (i) & (ii)	263,110	4,044
Adjustments from Share Consolidation	(a)	(3,028,818)	–
Ordinary shares of HK\$0.04 each at 31 December 2018		1,056,715	42,268
Ordinary shares of HK\$0.04 each at 1 July 2019		1,266,716	50,668
Ordinary shares of HK\$0.04 each at 31 December 2019		1,266,716	50,668

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 18. SHARE CAPITAL *(Continued)*

Notes:

- (a) 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.
- (b)
  - (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.
- (c) On 29 May 2019, the Company entered into a subscription agreement with an independent third party, pursuant to which the independent third party agreed to subscribe 210,000,000 shares of the Company at the subscription price of HK\$0.12 per share. The subscription was completed on 18 June 2019.

## 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 2019 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.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 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 1.7.2019 HK\$	Number of options		
				Outstanding as at 1.7.2019	Lapsed during the period (Note)	Outstanding as at 31.12.2019 (Note)
Directors	20.7.2009	20.7.2009 to 19.7.2019	5.1920	29,084	(29,084)	–
	25.1.2013	28.2.2013 to 24.1.2023	0.9152	150,000		150,000
	25.1.2013	28.2.2014 to 24.1.2023	0.9152	150,000		150,000
	25.1.2013	28.2.2015 to 24.1.2023	0.9152	150,000		150,000
	12.1.2018	12.1.2018 to 11.1.2028	0.3232	11,375,000		11,375,000
				11,854,084	(29,084)	11,825,000
Employees	20.7.2009	20.7.2009 to 19.7.2019	5.1920	290,845	(290,845)	–
	25.1.2013	28.2.2013 to 24.1.2023	0.9152	250,000		250,000
	25.1.2013	28.2.2014 to 24.1.2023	0.9152	250,000		250,000
	25.1.2013	28.2.2015 to 24.1.2023	0.9152	625,000		625,000
	12.1.2018	12.1.2018 to 11.1.2028	0.3232	32,750,000	(17,500,000)	15,250,000
				34,165,845	(17,790,845)	16,375,000
Consultants	20.7.2009	20.7.2009 to 19.7.2019	5.1920	58,168	(58,168)	–
	13.4.2010	13.4.2009 to 12.4.2020	4.8120	581,690		581,690
	13.4.2010	13.7.2010 to 12.4.2020	4.8120	1,454,225		1,454,225
	13.4.2010	13.10.2010 to 12.4.2020	4.8120	1,454,225		1,454,225
	13.4.2010	13.1.2011 to 12.4.2020	4.8120	1,677,594		1,677,594
	27.2.2013	28.2.2014 to 24.1.2023	0.9152	2,500,000		2,500,000
	27.2.2013	28.2.2015 to 24.1.2023	0.9152	2,500,000		2,500,000
	12.1.2018	12.1.2018 to 11.1.2028	0.3232	8,750,000		8,750,000
				18,975,902	(58,168)	18,917,734
				64,995,831	(17,878,097)	47,117,734
Exercisable at the end of the year/period				64,995,831		47,117,734
Weighted average exercise price				0.7683		0.8981

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

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

Note:

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 or cancelled during the current period. The lapse of the share options is due to the expiry of the exercisable period.

## 20. CAPITAL COMMITMENTS

	31 December 2019 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Audited)
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	—	367

## 21. PLEDGE OF ASSETS

As at 31 December 2019, the Group's bank deposits with carrying amounts of HK\$862,782,000 (30 June 2019: HK\$941,388,000) were pledged to banks as securities to obtain the banking facilities granted to the Group.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 22. RELATED PARTY DISCLOSURES

### (a) Related party transactions

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

Relationship	Nature of transactions	Six months ended 31 December	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
A non-controlling shareholder of a subsidiary	Interest expense	2,380	164
Fellow subsidiaries of a non-controlling shareholder of a subsidiary	License income	(24)	105
	Purchase of gold and jewellery products	475	11,971
	Rental expense	1,926	1,442
	Sales of jewellery	520	390
	Sales of consumables	2	–
	Specialty fee	66	299
	Subcontracting fee	71	139
A company in which a director of a subsidiary has beneficial interest	License and service fee	2,158	2,748

As at 31 December 2019, the ultimate holding company of a non-controlling shareholder of a subsidiary issued financial guarantee amounting to HK\$1,075,000,000 (30 June 2019: HK\$1,075,000,000) 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, 16 and 17.

### (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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Fees	490	480
Salaries	5,623	4,734
Retirement benefit costs	50	57
	6,163	5,271

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 23. 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		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
		31 December 2019 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Audited)			
1)	Equity instruments at FVTOCI-Quoted equity investment	2,029	3,584	Level 1	Bid prices quoted in active market.	Not applicable
2)	Equity instrument at FVTOCI-Unquoted equity investment	–	–	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)

Note:

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

### *Reconciliation of Level 3 fair value measurements*

	Conversion Option derivatives HK\$'000
At 1 July 2018 (audited)	385
Fair value gain recognised in profit or loss	(385)
At 30 June 2019 (audited) and at 31 December 2019 (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.

## 24. EVENTS AFTER THE REPORTING PERIOD

- (a) On 16 January 2020, the Group issued convertible bonds with a principal amount of HK\$121,950,000 to an independent third party, which will be due in year of 2022 and at an interest rate of 4% per annum.
- (b) Due to the outbreak of the Novel Coronavirus (“COVID-19”) in early 2020 as well as subsequent quarantine measures and travel restrictions imposed by the government authorities in Hong Kong and Mainland China, various retail shops and counters in Hong Kong and Mainland China have temporarily suspended the operations. Even though certain retail shops and counters have resumed their operations, they are still not yet operating at their normal capacity. The Group will closely monitor the development of COVID-19 and ensure resumption of full operation of its retail operations as soon as possible in light of safety and to the practicable extent. With all the increased uncertainties prompted by the outbreak of COVID-19, the impact on the Group’s financial positions and operating results could not be reasonably estimated as at the date these condensed consolidated financial statements are authorised for issue.