





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

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

# Contents

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

Page (s)
4
6
13
17
18
20
22
23

# 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.

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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* Ms. Dai Wei

Non-executive Director Mr. Hu Hongwei (re-designated from executive Director to non-executive Director on 27 July 2020)

## Independent Non-executive Directors

Dr. Loke Yu alias Loke Hoi Lam<sup>a,b,c</sup> Mr. Xu Xiaoping<sup>a,b,c</sup> (retired at the conclusion of the AGM on 27 November 2020) Mr. Fan, Anthony Ren Da<sup>a,b,c</sup> Mr. Chan Kim Sun<sup>a,b,c</sup> (appointed on 19 February 2021)

- <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

Crowe (HK) CPA Limited *Certified Public Accountants* 9/F, Leighton Centre 77 Leighton Road Causeway Bay Hong Kong

# **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

# **OVERVIEW**

The Group is principally engaged in trademark licensing and retailing for gold and jewellery products in Hong Kong, Macau and Mainland China.

The Period under review has been tough for the Group. The COVID-19 spreading worldwide since the turn of the year 2020 hit the global economy hard, the likes of which the world has never seen. Consumer confidence and spending took a dive to the lowest depths seen in the retail industry. Coupled with trade frictions between China and the United States and social unrest in Hong Kong since June of 2019, Hong Kong's retail market experienced unprecedented challenges. Amid this difficult business environment, the Group recorded a decline in overall same-store growth of 8%.

The economic outlook remains gloomy and shrouded in uncertainties. The Group swiftly responded to the turbulent retail market by adopting various measure to save costs and minimize expenditures including negotiating persistently with landlords for rental relief or reductions and shortening shop operating hours in order to enhance cost effectiveness and business efficiency.

# FINANCIAL REVIEW

The Group recorded a total turnover of approximately HK\$389 million for the Period, representing a decrease of 25% as compared to the turnover of approximately HK\$517 million for the same period last year ("Last Period").

Nevertheless, the Group recorded a turnaround to profit attributable to owners of approximately HK\$10 million for the six months ended 31 December 2020 as compared to a loss attributable to owners of approximately HK\$38 million of the corresponding period in 2019. The turnaround to profit was mainly attributable to (i) cost saving measures including but not limited to reduction in salary and rental expenses; (ii) receipt of subsidies under the Employment Support Scheme of Hong Kong Government; (iii) decrease in finance costs; (iv) exchange gain arising from the appreciation of the Renminbi and (v) gains arising on change in fair value of the Group's convertible bonds.

Retailing of gold and jewellery products accounted for 88% (2019: 92%) of total turnover. The retail revenue was approximately HK\$343 million for the Period, representing a 28% decrease from approximately HK\$474 million Last Period. Mainland China continued to be the Group's major market, contributing 85% (2019: 73%) of retail sales for the Period. The retail revenue from Mainland China dropped by 16% to HK\$290 million for the Period from HK\$347 million Last Period. The Group's retail revenue from Hong Kong and Macau market was approximately HK\$53 million for the Period, representing a 58% decrease from HK\$127 million Last Period. The Group recorded a decline in overall same-store growth of 8% (2019: decline of 7%), of which same-store growth in Mainland China was a decline of 3% (2019: growth of 4%) and in Hong Kong and Macau was a decline of 18% (2019: decline of 41%).

The Group's selling and distribution expenses decreased to HK\$107 million (2019: HK\$143 million), whereas the percentage to total turnover remained stable of 27% (2019: 28%) this Period.

The Group has successfully implemented various cost control measures such as reduction in salary and rental expenses. General and administrative expenses have decreased by HK\$10 million to HK\$36 million (2019: HK\$46 million).

# over shops in China

350 shops in Mainland China 3 shops in Hong Kong 1 shop in Macau

20	Anhui
20	Beijing
1	Chongqin
4	Fujian
2	Gansu
85	Guangdor
15	Guangxi
18	Hebei

٦g

2

3

	пенонујану
8	Henan
3	Hong Kong
22	Hubei
3	Hunan
11	Inner Mongo
26	Jiangsu

Jiangxi

<b>1</b> Jilin
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8 Liaoning

Ningxia

Shaanxi

Shandong

Shanghai

1

5

5

52

1

8

- 3
- 15 Tianjin
- 2 Xinjiang
- 2 Qinghai



# INTERIM DIVIDENDS

The Board has resolved not to recommend an interim dividend in respect of the six months ended 31 December 2020 to the holders of ordinary shares of the Company.

# **BUSINESS REVIEW**

# Retail business

Overall revenue from the retail business was approximately HK\$53 million (2019: HK\$127 million) for Hong Kong and Macau and HK\$290 million (2019: HK\$347 million) for Mainland China.

As at 31 December 2020, the Group had 3 points-of-sale in Hong Kong, 1 points-of-sale in Macau and 350 points-of-sale in Mainland China under the brand name "3D-GOLD." Of the points-of-sale in Mainland China, 62 are self-operated points-of-sale and 288 are licensee points-of-sale.

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. Management is currently engaged in negotiations with individual landlords to maintain the effective rentals at a reasonable level.

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

With an aim to improve the profitability, the management has focused on the following areas through implementing various measures: (i) adjusting the sales network by focusing on profit-making stores and closing down non-performing stores, (ii) continuing to develop and promote new product series, (iii) persistent costs control including requesting landlords to provide rental reduction or relief; and (iv) 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

The wholesale and sub-contracting business was highly competitive. In order to create greater value for stakeholders, the Group has suspended this business.

# 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:

- "Peter Rabbit<sup>TM</sup>" Collection
- "Pure Gold Chinese Zodiac" Collection
- "PT Starry Shimmer" Collection
- "Golden Allure GA" Collection
- "Cool Love" Collection
- "K LOVE" Collection
- "Love Rhythm" Collection
- "Love Lane" Collection

# Marketing and Promotion

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

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

- Organized a "Brand Licensee Business Webinar (2<sup>nd</sup> quarter 2020)"
- Organized a "Brand Licensee Business Webinar (3<sup>rd</sup> quarter 2020)"

# Awards and Achievements

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

- "10 Years Plus Caring Company"
- "JESSICA OL Favorite Brand Award 2019/2020 (Best Jewellery)"
- "2019 Hong Kong Awards for Environmental Excellence (HKAEE) Certificate of Merit (Shops and Retailers Sector)"
- "BOCHK Corporate Environmental Leadership Awards Programme 2019 Eco Partner"
- "Certificate of Outlet Anti-Epidemic Measures Recognition"
- "Marie Claire Best Label Award 2019/2020 (Best Jewelry)"
- "Capital Weekly Services Awards 2020 Jewellery"
- "Social Capital Builder Logo Award (2020-2022)"

# OUTLOOK

The outbreak of COVID-19 since early last year is undoubtedly a blow for vulnerable businesses, in particular, retail. The trade disputes between China and the United States and social unrest in Hong Kong, which has also undermined the local economy and consumer sentiment. The Group foresees that the social and economic activities would not be able to resume to normal within a short period of time, and the requisite time for the full economy recovery of the world would remain to be seen. In respond to this challenging business environment, the Group will strive to overcome obstacles ahead and weather the storm by continuing to adjust its business scale and costs to match the reality of the current market situation, negotiating with landlords for rental relief and taking a cautious approach to the retail business development in Hong Kong, while tapping the opportunity of the "internal circulation" policy in Mainland China. The Group will also continuously explore new business opportunities.

In the year ahead, the Group will expand its business to digital technology protection in Mainland China. With the emergence of 5G technology, the Board believes the digital intellectual property protection services will become more important over time and helps its clients including the television network, film studios, record labels, games company and publishers effectively prevent infringements. Its service identifies unauthorized use of rights holders' contents and delivers notification to right holders to protect content value. The Board is optimistic about the digital technology industry in the long run. The new business will enable the Group to diversify into a promising industry and it is expected to broaden the Group's income stream and increase shareholders' return.

# NET PROCEEDS FROM SUBSCRIPTION OF CONVERTIBLE BONDS

As at 31 December 2020, the Company has fully utilized the remaining balance of the net proceeds amounting to approximately of HK\$29,200,000 raised from subscription of convertible bonds completed on 16 January 2020 in the manner set out in the annual report for the year ended 30 June 2020.

# 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 2020, the Group had total cash and cash equivalents amounting to HK\$877 million (30 June 2020: HK\$879 million). The Group's net borrowing as at 31 December 2020 was 817 million (30 June 2020: 843 million), being total borrowing of HK\$1,694 million (30 June 2020: HK\$1,722 million) less pledged bank deposits and bank balances and cash of HK\$877 million (30 June 2020: HK\$879 million). After taking into account the gold inventories of HK\$261 million (30 June 2020: HK\$585 million), the Group's net borrowing as at 31 December 2020 was HK\$556 million (30 June 2020: HK\$585 million), being total borrowing less pledged bank deposits, bank balances and cash and gold inventories. As at 31 December 2020, the Group has available unutilised revolving banking facilities of HK\$664 million (30 June 2020: HK\$640 million).

The current ratio of the Group as at 31 December 2020 was 95% (30 June 2020: 92%), calculated on the basis of current assets of HK\$1,668 million (30 June 2020: HK\$1,629 million) over current liabilities of HK\$1,758 million (30 June 2020: HK\$1,775 million). The gearing ratio was 104% (30 June 2020: 106%), calculated on the basis of the total liabilities of HK\$1,969 million (30 June 2020: HK\$1,983 million over total assets of HK\$1,886 million (30 June 2020: HK\$1,864 million).

# Share Capital and Capital Structure

As at 31 December 2020, the Company had 1,546,716,012 ordinary shares of HK\$0.04 each in issue (30 June 2020: 1,546,716,012 ordinary shares of HK\$0.04).

# **Treasury Policies**

The Group generally financed its operations with internally generated resources and funds from equity and/or debt financing activities. All financing methods will be considered so long as such methods are beneficial to the Company. Bank deposits are in HK\$, RMB, US\$ and MOP.

# Capital Commitments

Capital commitments of the Group as at 31 December 2020 are set out in note 20.

# Pledged Assets

Pledged assets of the Group as at 31 December 2020 are set out in note 21.

# **Contingent Liabilities**

The Group did not have any material contingent liabilities as at 31 December 2020.

# Foreign Exchange Exposure

For the period ended 31 December 2020, the Group earned revenue in HK\$, RMB and MOP and incurred costs in HK\$, RMB, US\$ and MOP. Although the Group currently does not have any foreign currency hedging policy, it does not foresee any significant currency exposure in the near future. However, any permanent or significant change in RMB against HK\$, may have possible impact on the Group's results and financial positions.

# Acquisition, Disposal and Significant Investments

The Group did not have any significant investments, material acquisition or disposals of assets, subsidiaries, associates or joint ventures during the period ended 31 December 2020.

# Events after the Reporting Period

In February 2021, the Company received a letter of financial support from Mr. Li Ning, the chairman and an executive director and a substantial shareholder of the Company that Mr. Li Ning will provide adequate funds to enable the Group to meet in full its financial obligations as they fall due for at least 18 months from 31 December 2020.

# 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 2020.

# **Employees and Remuneration Policy**

As at 31 December 2020, the Group had 1,000 employees (30 June 2020: 1,061). 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.

# **Other Information**

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

At 31 December 2020, 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		1	-	Total	% of issued ordinary shares
Mr. Li Ning	1,570,000	_	210,000,000 <sup>(a)</sup>	211,570,000	13.68%
Ms. Dai Wei	_	_	_	_	_
Mr. Hu Hongwei	_	_	_	_	_
Dr. Loke Yu alias Loke Hoi Lam	_	_	_	_	_
Mr. Fan, Anthony Ren Da	_	-	_	-	_

#### Note:

(a) 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.

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

		Number of	% of issued
Name of director	Capacity	shares interested	ordinary shares
Ms. Dai Wei	Beneficial owner (Note a)	8,750,000	0.57%
Dr. Loke Yu alias Loke Hoi Lam	Beneficial owner (Note a)	875,000	0.06%
Mr. Fan, Anthony Ren Da	Beneficial owner (Note a)	1,325,000	0.09%

Note:

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

Saved as disclosed above, none of the directors, chief executives nor their associates had any interests or short positions in any shares or debentures of the Company or any of its associated corporation at 31 December 2020.

# SUBSTANTIAL SHAREHOLDERS

At 31 December 2020, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company.

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

Name of substantial shareholder	Capacity	Number of issued ordinary shares held	% of issued ordinary shares
Ms. Hao Yuanyuan	Corporate interest (Note a)	280,000,000	18.10%
Well Pop Group Limited	Beneficial owner (Note a)	280,000,000	18.10%
Mr. Zheng Yue Wen	Corporate interest (Note b)	251,055,619	16.23%
Mr. Wen Jialong	Beneficial owner (Note b)	1,415,489	0.09%
-	Corporate interest (Note b)	251,055,619	16.23%
Hallow King Global Investment Limited	Corporate interest (Note b)	251,055,619	16.23%
Kerui Jinrong Company Limited	Corporate interest (Note b)	251,055,619	16.23%
Weltrade Group Limited	Beneficial owner (Note b)	251,055,619	16.23%
Mr. Li Ning	Beneficial owner (Note c)	1,570,000	0.10%
	Corporate interest (Note c)	210,000,000	13.58%
Eminent Rise Holdings Limited	Beneficial owner (Note c)	210,000,000	13.58%

Notes:

- (a) The shares are held by Well Pop Group Limited ("**Well Pop**"). Well Pop is a company wholly-owned by Ms. Hao Yuanyuan. As such, Ms. Hao Yuanyuan is deemed to be interested in all the shares held by Well Pop.
- (b) The shares are held by Weltrade Group Limited ("Weltrade"). Weltrade is a company wholly-owned by Kerui Jinrong Company Limited. Keru 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.
- (c) 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.

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

		Number of	% of issued
Name of substantial shareholder	Capacity	shares interested	ordinary shares
Ms. Hao Yuanyuan	Corporate interest (Note a)	533,000,000	34.46%
Well Pop Group Limited	Beneficial owner (Note a)	533,000,000	34.46%

Note:

(a) These derivatives comprise interests in the form of convertible bonds held by Well Pop.

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 2020.

# 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 the former 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 the non-executive director, Mr. Hu Hongwei and the independent non-executive directors, Dr. Loke Yu alias Loke Hoi Lam and Mr. Fan, Anthony Ren Da. However, all the non-executive director and independent non-executive directors are subject to retirement by rotation at least every three years and re-election at the annual general meeting of the Company pursuant to the Company's bye-laws. As such, the Board considers that sufficient measures have been taken to ensure the Company's corporate governance practices are no less exacting than those in the CG Code.

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

# MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

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

# CHANGE OF DIRECTOR'S INFORMATION

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

- (a) Mr. Li Ning was appointed as the director of Beijing Hanbang Technology Corp. (stock code 300449.SZ), a company listed on the Shenzhen Stock Exchange with effect from 17 September 2020.
- (b) Xu Xiaoping did not offer himself for re-election as an independent non-executive director at the AGM and has therefore retired at the conclusion of the AGM with effect from 27 November 2020. Upon his retirement, Mr. Xu also ceased to be the chairman of the remuneration committee and a member of each of the audit committee and the nomination committee of the Company with effect from 27 November 2020.
- (c) Dr. Loke Yu alias Loke Hoi Lam resigned as an independent non-executive director of CIMC-Tianda Holdings Company Ltd (stock code 445) following its privatisation with effect from 1 February 2021.
- (d) Mr. Chan Kim Sun was appointed as an independent non-executive director, chairman of the remuneration committee and a member of each of the audit committee and the nomination committee of the Company with effect from 19 February 2021.

Following the retirement of Mr. Xu Xiaoping as an independent non-executive Director with effect from 27 November 2020, the Board only has two independent non-executive Directors, the number of which falls below the minimum number required under Rules 3.10(1) and 3.21 of the Listing Rules, respectively. Following the appointment of Mr. Chan Kim Sun as the independent non-executive director, chairman of the remuneration committee and a member of each of the audit committee and the nomination committee of the Company with effect from 19 February 2021, the Company has met the requirements under Rules 3.10(1) and 3.21 of the Listing Rules, respectively.

# 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 2020 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. Fan, Anthony Ren Da and Mr. Chan Kim Sun.

By order of the Board of Hong Kong Resources Holdings Company Limited Mr. Li Ning Chairman

Hong Kong, 25 February 2021

	Notes	Six months ende 2020 HK\$'000 (Unaudited)	ed 31 December 2019 HK\$'000 (Unaudited)
Revenue Goods and services Cost of sales	3(a)	389,467 (250,712)	517,164 (331,841)
Gross profit Other income Selling expenses General and administrative expenses Other gains and losses Change in fair value of derivatives embedded in convertible bonds Reversal of impairment loss on trade and other receivables under expected credit loss model		138,755 14,508 (106,633) (36,103) 28,042 8,775	185,323 6,194 (143,457) (46,280) (6,342) - 4,244
Finance costs	4	(23,984)	(43,147)
Profit/(loss) before taxation Income tax expense	5 6	23,360 (3,036)	(43,465) (18,724)
Profit/(loss) for the period		20,324	(62,189)
Other comprehensive income/(expense): <i>Item that will not be reclassified to profit or loss:</i> Exchange difference arising on translation Fair value loss of equity instruments at fair value through other comprehensive income ("FVTOCI")		(34,721) (204)	575 (1,555)
		(34,925)	(980)
<i>Items that will be reclassified subsequently to profit and loss:</i> Exchange difference arising on translation of foreign operations		52,111	(13,272)
Other comprehensive income/(expense) for the period		17,186	(14,252)
Total comprehensive income/(expense) for the period		37,510	(76,441)
Profit/(loss) for the period attributable to: Owners of the Company Non-controlling interests		9,862 10,462	(37,972) (24,217)
		20,324	(62,189)
Total comprehensive income/(expense) for the period attributable to: Owners of the Company Non-controlling interests		16,320 21,190	(46,623) (29,818)
		37,510	(76,441)
Earnings/(loss) per ordinary share Basic Diluted	8 8	HK\$0.006 HK\$0.003	(HK\$0.030) (HK\$0.030)

# **Condensed Consolidated Statement of Financial Position**

As at 31 December 2020

	Notes	31 December 2020 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	24,259	29,943
Right-of-use assets	9	14,600	24,561
Deposits paid	10	49	1,844
Intangible assets	11	169,144	169,144
Equity instruments at FVTOCI	12	1,803	2,007
Deferred tax assets		8,335	7,379
		218,190	234,878
Current assets			
Inventories		667,978	635,536
Right to returned goods asset		1,552	951
Trade and other receivables and deposits paid	10	116,516	109,298
Loan receivables	13		
Income tax recoverable	15	5,296	4,490
Pledged bank deposits		764,771	767,778
Bank balances and cash		111,937	110,810
		1,668,050	1,628,863
Current liabilities			
Trade and other payables, accruals and deposits received	14	184,304	161,206
Bank and other borrowings	16	1,504,000	1,535,400
Contract liabilities	10	19,228	14,516
Refund liabilities		5,999	2,834
Lease liabilities		11,891	20,653
Loans from a non-controlling shareholder of a subsidiary	17	27,000	27,000
Derivative component of convertible bonds	15	2,539	11,314
Income tax liabilities		2,990	1,795
		1,757,951	1,774,718
Net current liabilities		(89,901)	(145,855)
Total assets less current liabilities		128,289	89,023

As at 31 December 2020

	Notes	31 December 2020 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Audited)
Non-current liabilities			
Convertible bonds	15	62,677	59,134
Lease liabilities		3,142	4,068
Loans from a non-controlling shareholder of a subsidiary	17	100,000	100,000
Deferred tax liabilities		44,406	45,267
		210,225	208,469
Net liabilities		(81,936)	(119,446)
Capital and reserves			
Share capital	18	61,868	61,868
Reserves	10	(97,343)	(113,663)
10001100		(77,515)	(115,005)
Deficit attributable to owners of the Company		(35,475)	(51,795)
Non-controlling interests		(46,461)	(67,651)
Ton-controlling interests		(10,101)	(07,0)1)
TOTAL DEFICIT		(81,936)	(119,446)

# **Condensed Consolidated Statement of Changes in Equity**

As at 31 December 2020

				Attrib	utable to ow	ners of the Cor	npany					
	Ordinary share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Other reserve HK\$'000 (Note (a))		Investment revaluation reserve HK\$'000	Exchange reserve HK\$'000	PRC statutory reserve HK\$'000 (Note (b))	Accu- mulated losses HK\$'000	<b>Total</b> HK\$'000	Non- controlling interests HK\$'000	<b>Total</b> HK\$'000
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 Exchange difference arising	-	-	-	-	-	-	-	-	(37,972)	(37,972)	(24,217)	(62,189)
on translation Fair value loss on equity	-	-	-	-	-	-	(7,096)	-	-	(7,096)	(5,601)	(12,697)
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 Lapse of share options	-	-	-	-	- (2,557)	- -	-	(387) –	387 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)
At 1 July 2020 (audited)	61,868	787,648	55,327	(256,051)	4,543	(13,469)	4,330	33,155	(729,146)	(51,795)	(67,651)	(119,446)
Profit for period	-	-	-	-	-	-	-	-	9,862	9,862	10,462	20,324
Exchange difference arising on translation	-	-	-	-	-	-	6,662	-	-	6,662	10,728	17,390
Fair value loss on equity instruments at FVTOCI	-	-	-	-	-	(204)	-	-	-	(204)	-	(204)
Total comprehensive (expense)/income for the period Lapse of share options	-	-	-	-	(240)	(204) –	6,662 -	-	9,862 240	16,320 -	21,190	37,510 -
At 31 December 2020 (unaudited)	61,868	787,648	55,327	(256,051)	4,303	(13,673)	10,992	33,155	(719,044)	(35,475)	(46,461)	(81,936)

# Condensed Consolidated Statement of Changes in Equity

As at 31 December 2020

#### 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;
  - 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) 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 2020

	Six months ende	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Net cash from operating activities	79,446	152,235
Investing activities		
Interest received	3,082	4,388
Purchase of property, plant and equipment	(2,774)	(4,623)
Proceeds from disposal of property, plant and equipment	248	5,936
Withdrawal of pledged bank deposits	12,000	88,000
Placement of pledged bank deposits	(1,539)	(11,408)
Net cash from investing activities	11,017	82,293
Financing activities		
Interest paid	(20,305)	(38,120)
Repayment of loan from a non-controlling shareholder of a subsidiary	(27,000)	(00)
New loan from a non-controlling shareholder of a subsidiary	27,000	_
New bank and other borrowings	_	81,299
Repayments of bank and other borrowings	(31,400)	(200,163)
Repayments of lease liabilities, including related interests	(11,626)	(16,819)
Net cash used in financing activities	(63,331)	(173,803)
Net increase in cash and cash equivalents	27,132	60,725
Cash and cash equivalents at beginning of the period	110,810	132,755
Effect of foreign exchange rate changes	(26,005)	(4,358)
Cash and cash equivalents at end of the period, represented by bank balances and cash	111,937	189,122

# 1. BASIS OF PREPARATION

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

The Group's current liabilities exceeded its current assets by HK\$89,901,000 and its total liabilities exceeded its total assets by HK\$81,936,000 respectively, indicating the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. The directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from 31 December 2020 after taking into consideration of the following:

- i) The Group has been taking stringent cost controls.
- ii) In February 2021, the Company received a letter of financial support from Mr. Li Ning, the chairman and an executive director and a substantial shareholder of the Company that Mr. Li Ning will provide adequate funds to enable the Group to meet in full its financial obligations as they fall due for at least 18 months from 31 December 2020.
- iii) Internal funds shall be generated from the Group's operations and external financing will be available to the Group.

Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis. Should the use of the going concern basis in preparation of the unaudited condensed consolidated interim financial statements be inappropriate, adjustments would have to be made to reflect the situation that assets may need to be realized at the amounts other than which they are currently recorded in the unaudited condensed consolidated statement of financial position as at 31 December 2020. In addition, the Group may have to recognise further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

# 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 amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") and application of certain policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2020 are the same as those presented in the Group's annual financial statements for the year ended 30 June 2020.

#### New and amendments to HKFRSs that are mandatorily effective for the current period

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 July 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3 Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Amendments to HKAS 1 and HKAS 8 Definition of a Business Interest Rate Benchmark Reform Definition of Material

# 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## 3. REVENUE AND SEGMENT INFORMATION

#### a) Revenue

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

	operations for s jewellery p	products in	l for selling gold products in H	ong Kong and	sub-contractin gold and jewe	ales and g operations for ellery products			_	
	Mainlar 2020 HK\$'000	d China 2019 HK\$'000	Ma 2020 HK\$'000	2019 HK\$'000	in Mainla 2020 HK\$'000	and China 2019 HK\$'000	Otl 2020 HK\$'000	hers 2019 HK\$'000	To 2020 HK\$'000	otal 2019 HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Retail sales of goods Franchising and licensing	289,971	347,005	53,173	126,900	-	-	-	-	343,144	473,905
income Trading of computer products	30,220	43,259 -	-	-	-	-	- 16,103	-	30,220 16,103	43,259
Goods and services	320,191	390,264	53,173	126,900	-	-	16,103	-	389,467	517,164

(i) Disaggregation of revenue for the six months ended 31 December 2020 and 2019 (unaudited):

	franchising for selling jewellery p	ales and operations gold and products in	for selling jewellery p	gold and products in	sub-con operations jewellery p	ales and tracting for gold and products in				
	Mainlan 2020	nd China 2019	Hong Kong 2020	and Macau 2019	Mainlar 2020	nd China 2019	2020	hers 2019	2020	<b>tal</b> 2019
	2020 HK\$'000	HK\$'000	2020 HK\$'000	HK\$'000	2020 HK\$'000	HK\$'000	2020 HK\$'000	HK\$'000	2020 HK\$'000	2019 HK\$'000
Geographical markets – Mainland China – Hong Kong and Macau	320,191	390,264	- 53,173	- 126,900	-	-	16,103	-	336,294 53,173	390,264 126,900
	320,191	390,264	53,173	126,900	-	-	16,103	-	389,467	517,164
Timing of revenue recognition – A point in time – Over time	289,971 30,220	347,005 43,259	53,173	126,900	-		16,103	-	359,247 30,220	473,905 43,259
	320,191	390,264	53,173	126,900	-	-	16,103	-	389,467	517,164

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

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

#### 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 up 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:

- i) Retail sales and franchising operations for gold and jewellery products in Mainland China;
- ii) Retail sales operations for gold and jewellery products in Hong Kong and Macau; and
- iii) Wholesales and sub-contracting operations for gold and jewellery products in Mainland China.

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

# 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.

#### Segment revenues and results

#### For the six months ended 31 December 2020 (unaudited)

		Reportab	le segments			
	Retail sales and franchising operations for selling gold and jewellery products in Mainland China HK\$'000	Retail sales 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	<b>Others</b> <b>HK\$'000</b> (Note)	Consolidated HK\$'000
<b>REVENUE</b> External sales	320,191	53,173	-	373,364	16,103	389,467
<b>RESULT</b> Segment results	36,397	(10,364)	-	26,033	(347)	25,686
Unallocated other income Unallocated corporate staff and directors' salaries Other unallocated corporate expenses Advertising, promotion and business						12,332 (16,447) (4,380)
development expenses Change in fair value of derivatives embedded in convertible bonds Exchange gain, net Unallocated finance costs						(9,517) 8,775 30,105 (23,194)
Profit before taxation Income tax expense						23,360 (3,036)
Profit for the period						20,324

Note: Others represent other operating segment that is not reportable, which includes money lending business and computer products trading business.

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

#### (b) Segment information (Continued)

For the six months ended 31 December 2019 (unaudited)

		Reportabl	e segments			
	Retail sales and franchising operations for selling gold and jewellery products in Mainland China HK\$'000	Retail sales 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 Unallocated corporate staff and directors'						6,194
salaries Other unallocated corporate expenses Advertising, promotion and business						(15,928) (6,825)
development expenses Exchange loss, net Finance costs					-	(13,609) (6,338) (43,147)
Loss before taxation Income tax expense					_	(43,465) (18,724)
Loss for the period						(62,189)

Note: Others represent other operating segments that are not reportable, which include money lending business.

Segment profit/(loss) represents the profit/(loss) of each segment without allocation of unallocated other income, advertising, promotion and business development expenses, unallocated corporate staff and directors' salaries, change in fair value of derivatives embedded in convertible bonds, exchange gain/(loss), other unallocated corporate expenses, unallocated finance costs and income tax expense. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

# 4. FINANCE COSTS

	Six months ended 31 December		
	<b>2020</b> 20		
	HK\$'000	HK\$'000	
	(Unaudited)	(Unaudited)	
Interests on:			
Bank and other borrowings	15,710	38,916	
Lease liabilities	782	1,851	
Loan from a non-controlling shareholder of a subsidiary	2,288	2,380	
Effective interest on convertible bonds due in 2023 ("CB 2023")	5,204	-	
Total interest expense on financial liabilities not at fair value through profit or loss	23,984	43,147	

# 5. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation has been arrived at after charging/(crediting):

	Six months ended 31 December		
	<b>2020</b> 20		
	HK\$'000	HK\$'000	
	(Unaudited)	(Unaudited)	
Cost of inventories recognised as an expense	250,336	331,416	
Depreciation of property, plant and equipment	7,890	12,286	
Depreciation of right-of-use assets	13,414	15,879	
Exchange (gain)/loss, net	(30,105)	6,338	
Loss on disposal of property, plant and equipment	2,063	4	
Lease payments not included in the measurement of lease liabilities	24,058	35,060	
Staff costs, including directors' emoluments:			
– Wages, salaries and other benefits costs	65,711	73,620	
– Retirement benefit costs	3,645	7,761	
	69,356	81,381	
Allowance of inventories, net (included in cost of sales)	376	425	

# 6. INCOME TAX EXPENSE

	Six months ended 31 December		
	2020	2019	
	HK\$'000	HK\$'000	
	(Unaudited)	(Unaudited)	
Current tax:			
PRC Enterprise Income Tax	4,247	2,969	
PRC Withholding Tax	606	10,362	
	4,853	13,331	
Deferred taxation	(1,817)	5,393	
	2.026	10.72 (	
	3,036	18,724	

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 the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities 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 rules and regulations of Bermuda and the British Virgin Islands ("**BVI**"), the Group is not subject to any income tax in Bermuda and the BVI.

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、國家税務總局關於深入實施西部大開發戰略有關税收政策問題的通知》(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% (or 5% to certain subsidiaries of the Company) 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.

# 7. DIVIDENDS

The Board has resolved not to recommend an interim dividend in respect of the six months ended 31 December 2020 and 31 December 2019 to the holders of ordinary shares of the Company.

# 8. EARNINGS/(LOSS) PER ORDINARY SHARE

	Six months ended 31 December       2020     20       HK\$'000     HK\$'0       (Unaudited)     (Unaudited)		
Profit/(loss):			
Profit/(loss) for the period attributable to owners of the Company for the purposes of basic earnings/(loss) per ordinary share	9,862	(37,972)	
Effect of dilutive potential ordinary shares – Effective interest on CB 2023 – Change in fair value of derivatives embedded in CB 2023	5,204 (8,775)		
Profit/(loss) for the period attributable to owners of the Company for the purposes of diluted earnings/(loss) per ordinary share	6,291	(37,972)	
	2020 '000 (Unaudited)	2019 '000 (Unaudited)	
Number of shares:			
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per ordinary share (Note) Effect of dilutive potential ordinary shares: CB 2023	1,546,716 533,000	1,266,716	
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per ordinary share	2,079,716	1,266,716	

Note: For the six months ended 31 December 2020 and 31 December 2019, the computation of diluted earnings/(loss) per ordinary share did not assume the exercise of share options because their exercise price is higher than the average share price.

# 9. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the period, the Group acquired property, plant and equipment of HK\$2,774,000 (six months ended 31 December 2019: HK\$4,623,000), and the Group disposed of certain plant and equipment with an aggregate carrying amount of HK\$2,311,000 (six months ended 31 December 2019: HK\$5,940,000) for cash proceeds of HK\$248,000 (six months ended 31 December 2019: HK\$5,936,000), resulting a loss on disposal of HK\$2,063,000 (six months ended 31 December 2019: HK\$5,936,000).

During the period, the Group entered into several new lease agreements with lease terms ranged from 1 to 3 years. The Group is required to make fixed monthly payments. During the period, the Group recognised right-of-use assets of HK\$5,180,000 (six months ended 31 December 2019: HK\$Nil) and lease liabilities of HK\$5,112,000 (six months ended 31 December 2019: HK\$Nil).

# 10. TRADE AND OTHER RECEIVABLES AND DEPOSITS PAID

	31 December 2020 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Audited)
Deposits paid under non-current assets represent: Rental deposits	49	1,844
Trade and other receivables and deposits paid under current assets comprise: Trade receivables Less: allowance for credit loss	48,412 (96)	36,443 (89)
Rental deposits Value added tax receivables Prepayments Loan interest receivables, net of allowance for credit loss Other receivables and deposits paid	48,316 7,856 14,537 40,693 - 5,114	36,354 12,775 20,773 34,499 - 4,897
	116,516	109,298

#### Note:

Retail sales are usually made in cash, through credit cards or through reputable and dispersed department stores. The Group generally allows a credit period up to 90 days (30 June 2020: up to 90 days) to its debtors.

As at 31 December 2020, included in trade and other receivables and deposits paid are trade receivables, net of allowance for credit losses, of HK\$48,316,000 (30 June 2020: HK\$36,354,000).

Included in trade receivables as at 31 December 2020 is amount related to a fellow subsidiary of a non-controlling shareholder of a subsidiary amounting to HK\$11,000 (30 June 2020: HK\$2,777,000).

Included in rental deposits and other receivables and deposits paid as at 31 December 2020 are amounts related to a fellow subsidiary of a non-controlling shareholder of a subsidiary amounting to HK\$1,039,000 (30 June 2020: HK\$825,000).

As at 31 December 2020 and 30 June 2020, the loan interest receivables were arising from money lending business with gross carrying amount of HK\$11,558,000 and full impairment loss provided.

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

An aged analysis based on invoice date, net of allowance, at the end of the reporting period, is as follows:.

	31 December 2020	30 June 2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
0-30 days	43,159	34,891
31-60 days	3,169	1,244
61-90 days	335	15
Over 90 days	1,653	204
	(0.01)	26.254
	48,316	36,354

# **11. INTANGIBLE ASSETS**

	31 December	30 June
	2020	2020
	HK\$'000	HK\$'000
	(Unaudited)	(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 March 2019 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 2020, 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 9.3% (30 June 2020: 10%). Pre-tax discount rate applied reflects the current market assessment of the time value of money and the risk specific to the cash generating unit. The cash flows beyond the ten-year period are extrapolated using a 3% (30 June 2020: 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 of the Group expects the carrying amount of the trademarks to be recoverable and there is no impairment of the trademarks.

# **12. EQUITY INSTRUMENTS AT FVTOCI**

	Notes	31 December 2020 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Audited)
<b>Quoted equity investment</b> – Equity instruments at FVTOCI	(a)	1,803	2,007
<b>Unquoted equity investments</b> – Equity instruments at FVTOCI	(b)	-	
		1,803	2,007

#### Notes:

- (a) The quoted equity investment is stated at its fair value, determined by reference to bid prices quoted in an active market. The management considered that the investment at the end of the reporting period is held for strategic purpose.
- (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.

# **13. LOAN RECEIVABLES**

	31 December 2020 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Audited)
Fixed-rate loan receivables – Secured – Unsecured Less: allowance for credit loss	10,000 64,400 (74,400)	10,000 64,400 (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 2020: HK\$10,000,000). Loan receivables at principal amount of HK\$12,000,000 (30 June 2020: 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 2020 are loans advanced to a substantial shareholder at principal amount of HK\$2,900,000 (30 June 2020: HK\$2,900,000).

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

	31 December 2020 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Audited)
Trade payables	34,630	14,211
Deposits received	12,000	15,000
Franchisee guarantee deposits (Note)	47,982	45,721
Value added tax payables	32	3,429
Salary and bonus payables	54,368	45,376
Other payables, accruals and other deposits	35,292	37,469
	184,304	161,206

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 up to 90 days (30 June 2020: up to 90 days). The Group has financial risk management policies in place to ensure that all payables are settled with the credit timeframe.

As at 31 December 2020, included in trade and other payables, accruals and deposits received are trade payables of HK\$34,630,000 (30 June 2020: HK\$14,211,000).

Included in trade payables as at 31 December 2020 are trade payables to certain fellow subsidiaries of a non-controlling shareholder of a subsidiary amounting to HK\$1,003,000 (30 June 2020: HK\$138,000).

Deposits received at 31 December 2020 amounting to HK\$12,000,000 (30 June 2020: HK\$15,000,000) are unsecured, interest bearing of 8% per annum, and repayable on demand (30 June 2020: unsecured, interest bearing of 8% per annum, and repayable on demand).

Included in franchisee guarantee deposits and other payables, accruals and other deposits as at 31 December 2020 are deposits received from and other payables to certain fellow subsidiaries of a non-controlling shareholder of a subsidiary amounting to HK\$nil (30 June 2020: HK\$443,000) and HK\$2,000 (30 June 2020: HK\$96,000) respectively.

Included in other payables, accruals and other deposits as at 31 December 2020 are accruals for service fee payable to a company in which a director of a subsidiary has beneficial interest amounting to HK\$1,877,000 (30 June 2020: HK\$2,096,000).

An aged analysis based on the invoice date at the end of the reporting period is as follows:

	31 December 2020 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Audited)
0-30 days 31-60 days 61-90 days Over 90 days	33,752 495 259 124	13,981 107 
	34,630	14,211

# 15. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS

#### a) Convertible bonds

#### Convertible bonds due 2023 ("CB 2023")

The inputs used in the binomial option pricing model adopted by the independent professional valuer in determining the derivative component of CB 2023 as follows:

	At 31 December 2020 (Unaudited)	At 30 June 2020 (Audited)
Share price	HK\$0.033	HK\$0.080
Dividend yield	0%	0%
Expected volatility	89.674%	71.387%
Risk-free rate	0.086%	0.723%

The movements of the liability component of CB 2023 are set out below:

	Six months ended 31 December Liability component	
	2020 2 HK\$'000 HK\$	
1 July (Audited) Coupon interest accrued at 1 July 2020 and included in other	59,134	-
payables Interest charged during the period	(1,661) 5,204	
At 31 December (Unaudited)	62,677	_

The effective interest rate of the liability component is 17.01%.

# 15. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

#### Six months ended 31 December **Embedded derivatives CB 2023** 2020 HK\$'000 1 July (Audited) 11,314 Change in fair value (8,838)Amortisation of deferred day one loss in profit of loss 63 (8,775) At 31 December (Unaudited) 2,539

CB 2023

HK\$'000

2019

#### b) Derivative components of convertible bonds

The gain on change in fair value of embedded derivative of the convertible bonds for the six months ended 31 December 2020 of HK\$8,838,000 (six months ended 31 December 2019: HK\$Nil) and amortisation of day one loss of HK\$63,000 (six months ended 31 December 2019: HK\$Nil) were recognised as "Change in fair value of derivative embedded in convertible bonds" in the condensed consolidated statement of profit or loss and other comprehensive income, of which HK\$8,775,000 (31 December 2019: HK\$Nil) was related to derivative components of CB 2023 at 31 December 2020. The related interest expense of the liability component of the convertible bonds for the six months ended 31 December 2020 amounted to HK\$5,204,000 (31 December 2019: HK\$Nil), which was calculated asing the effective interests method.

# **16. BANK AND OTHER BORROWINGS**

	31 December 2020 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Audited)
Secured floating rate bank borrowings Unsecured fixed rate other borrowings	1,486,000	1,510,000
– independent third parties	18,000	25,400
	1,504,000	1,535,400
Secured Unsecured	1,486,000 18,000	1,510,000 25,400
	1,504,000	1,535,400
Carrying amounts repayable: Within one year* Carrying amounts of bank loans that contain a repayment on demand	168,000	175,400
clause (shown under current liabilities) – Repayable within one year*	1,336,000	1,360,000
Less: Amounts due within one year and shown under current liabilities	1,504,000 (1,504,000)	1,535,400 (1,535,400)
Amounts shown under non-current liabilities	-	_

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

As at 31 December 2020, the secured floating rate bank borrowings bear interest ranging from 1-month Hong Kong Interbank Offered Rate ("HIBOR") plus 1.5% to 1.8% (30 June 2020: HIBOR plus 1.08% to 2.5%) per annum, and the unsecured fixed rate other borrowing bears interest at 15% (30 June 2020: 5% to 36%) per annum.

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

As at 31 December 2020, the loan from a non-controlling shareholder of a subsidiary of HK\$100,000,000 (30 June 2020: 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\$27,000,000 (30 June 2020: HK\$27,000,000) which is unsecured, interest bearing at 18% (30 June 2020: 8%) per annum and repayable within one year after the end of the reporting period.

# **18. SHARE CAPITAL**

	Note	Number of shares '000	<b>Amount</b> HK\$'000
<b>Authorised:</b> Ordinary shares of HK\$0.04 each at 1 July 2019 and			
31 December 2019		5,000,000	200,000
Ordinary shares of HK\$0.04 each at 1 July 2020 and 31 December 2020		5,000,000	200,000
Preference shares of HK\$0.04 each at 1 July 2019 and 31 December 2019		750,000	30,000
Preference shares of HK\$0.04 each at 1 July 2020 and 31 December 2020		750,000	30,000
Total:			
At 1 July 2019 (audited) and 31 December 2019 (unaudited)		5,750,000	230,000
At 1 July 2020 (audited) and 31 December 2020 (unaudited)		5,750,000	230,000
<b>Ordinary shares issued and fully paid:</b> Ordinary shares of HK\$0.04 each at 1 July 2019 (audited)			
and 31 December 2019 (unaudited)	( )	1,266,716	50,668
Issue of shares	(a)	280,000	11,200
Ordinary shares of HK\$0.04 each at 30 June 2020 (audited) and 1 July 2020 (audited)		1,546,716	61,868
Ordinary shares of HK\$0.04 each at 31 December 2020 (unaudited)		1,546,716	61,868

#### Note:

(a) On 15 June 2020, the Company issued 280,000,000 ordinary shares pursuant to the partial conversion of CB 2023 by CB 2023 Holder at a conversion price of HK\$0.15 per ordinary shares.

# **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 2020 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.

#### 2009 Share Option Scheme

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

				Number of opinions		
Eligible person	Date of grant	Exercisable period	Exercise price HK\$	Outstanding as at 1.7.2020 (audited)	Lapsed during the period (Note)	Outstanding as at 31.12.2020 (unaudited)
Directors	25.1.2013 25.1.2013 25.1.2013 12.1.2018	28.2.2013 to 24.1.2023 28.2.2014 to 24.1.2023 28.2.2015 to 24.1.2023 12.1.2018 to 11.1.2028	0.9152 0.9152 0.9152 0.3232	150,000 150,000 150,000 11,375,000	- - (875,000)	150,000 150,000 150,000 10,500,000
Employees	25.1.2013 25.1.2013 25.1.2013	28.2.2013 to 24.1.2023 28.2.2014 to 24.1.2023 28.2.2015 to 24.1.2023	0.9152 0.9152 0.9152	11,825,000 250,000 250,000 625,000	(875,000) - - (375,000)	10,950,000 250,000 250,000 250,000
Consultants	27.2.2013	28.2.2014 to 24.1.2023	0.9152	1,125,000	(375,000)	750,000
Conductants	27.2.2013 12.1.2018	28.2.2015 to 24.1.2023 12.1.2018 to 11.1.2028	0.9152 0.9152 0.3232	2,500,000 8,750,000	-	2,500,000 8,750,000
				13,750,000 26,700,000	- (1,250,000)	13,750,000 25,450,000
Exercisable at the	end of the period			26,700,000		25,450,000
Weighted average	exercise price			0.4690		0.4674

#### Note:

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 resignation of a director and employee (31 December 2019: expiry of the exercisable period).

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

#### 2020 Share Option Scheme

In view of the expiry of 2009 Share Option Scheme on 22 January 2019, the Company adopted a share option scheme at the annual general meeting held on 23 June 2020 by way of an ordinary resolution (the "**2020 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 2020 Share Option Scheme are set out in the 2020 annual report of the Company.

No share options were granted during the six months ended 31 December 2020 under the 2020 Share Option Scheme.

## **20. CAPITAL COMMITMENTS**

	31 December 2020 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Audited)
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	805	_

## **21. PLEDGE OF ASSETS**

As at 31 December 2020, the Group's bank deposits with carrying amounts of HK\$764,771,000 (30 June 2020: HK\$767,778,000) were pledged to banks as securities to obtain the banking facilities granted to the Group.

# 22. RELATED PARTY DISCLOSURES

#### a) Related party transactions

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

Relationship	Nature of transactions		ed 31 December 2019 HK\$'000 (Unaudited)
A non-controlling shareholder of a subsidiary	Interest expense	2,288	2,380
A director of the Company Fellow subsidiaries of	Waive of interest expense	(372)	-
a non-controlling shareholder	License income	-	(24)
of a subsidiary	Purchase of gold and jewellery products	1,708	475
	Rental expense	-	1,926
	Repayment of lease liabilities	2,960	_
	Sales of jewellery	8,091	520
	Sales of consumables	-	2
	Specialty fee	9	66
	Subcontracting fee	15	71
A company in which a director of a subsidiary has beneficial Interest	License and service fee	1,240	2,158

As at 31 December 2020, the ultimate holding company of a non-controlling shareholder of a subsidiary issued financial guarantee amounting to HK\$1,075,000,000 (30 June 2020: 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 and 17.

# 22. RELATED PARTY DISCLOSURES (Continued)

#### c) Compensation of key management personnel

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

	Six months ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Fees	792	490
Salaries	4,794	5,623
Retirement benefit costs	54	50
	5,640	6,163

# 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).

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

Financial assets/liabilities included in the condensed consolidated statement of financial position		Fair value as at				Significant unobservable inputs
		31 December 2020 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Audited)	,		Ĩ
1)	Equity instruments at FVTOCI-Quoted equity investment	1,803	2,007	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 discoun for lack of marketability and minority discount	marketability and minority discount t (Note a)
3)	Conversion option derivatives embedded in convertible bonds	2,539	11,314	Level 3	Binomial option pricing model The fair value is estimated based on the share price, dividend yield, volatility of the share price of the Company and risk-free rate.	

Notes:

- a) The higher the discount for lack of marketability and minority discount, the lower the fair value of the unquoted equity investment.
- b) The higher the volatility of the share price of the Company, the higher the fair value of the conversion option derivative. For the volatility of the share price of the Company used in the fair value measurement, please refer to note 15.

There is no transfer between different levels of the fair value hierarchy for the six months ended 31 December 2020 and 30 June 2020.

# 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 (categories within level 3 hierarchy) 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. EVENT AFTER THE REPORTING PERIOD

In February 2021, the Company received a letter of financial support from Mr. Li Ning, the chairman and an executive director and a substantial shareholder of the Company that Mr. Li Ning will provide adequate funds to enable the Group to meet in full its financial obligations as they fall due for at least 18 months from 31 December 2020.