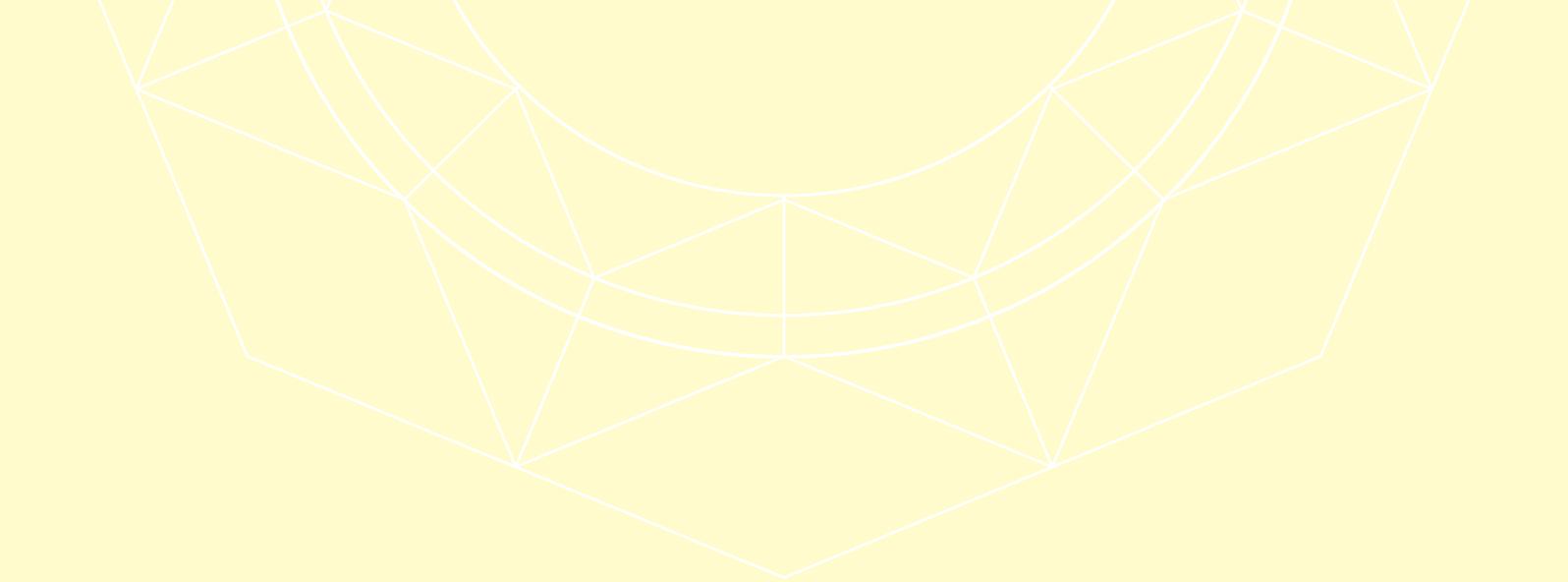




*Explore*  
**OPPORTUNITIES**

interim report **2021-22**



**“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

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

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# 金至尊

3DG Jewellery



# Corporate Information

## DIRECTORS

### Executive Directors

Mr. Li Ning, *Chairman*

Mr. Wang Chaoguang, *Co-chairman*

Ms. Dai Wei

### Non-executive Director

Mr. Hu Hongwei

### Independent Non-executive Directors

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

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

Mr. Chan Kim Sun<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

Crowe (HK) CPA Limited

*Certified Public Accountants and Registered Public Interest Entity Auditor*

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](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 and Mainland China and providing mobile media marketing service in Mainland China.

During the six months ended 31 December 2021 (“Period”), the ever-evolving COVID-19 pandemic continued to challenge the world. Many countries imposed severe entry restrictions and quarantine rules and enacted a large range of social distancing measures, all of which have severely dampened consumer sentiment. Fortunately, life slowly returned to normal in Mainland China and Hong Kong. The zero COVID policy adopted by Mainland China has enabled it to outperform many other countries and has contributed to an economic recovery. Stimulus measures announced by the Hong Kong governments has boosted local consumer sentiment and helped restore some of the sales loss under travel restrictions. Amid this difficult business environment, the Group recorded a decline in overall same-store growth of 4%.

## FINANCIAL REVIEW

The Group recorded a total turnover of approximately HK\$429 million for the Period, representing an increase of 10% as compared to the turnover of approximately HK\$389 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 a gain of approximately HK\$10 million Last Period. The loss of the Group for the Period was primarily attributable to (i) decrease in gross profit margin of the Group as a result of the worsening of the market conditions and business environment; (ii) decrease in exchange gain; (iii) loss on early redemption of convertible bonds; and (iv) no subsidies received under the Employment Support Scheme of Hong Kong Government for the Period.

Retailing of gold and jewellery products accounted for 86% (2020: 88%) of total turnover. The retail revenue was approximately HK\$367 million for the Period, representing an increase of 7% from approximately HK\$343 million Last Period. Mainland China continued to be the Group’s major market, contributing 91% (2020: 85%) of retail sales for the Period. The retail revenue from Mainland China increased by 14% to approximately HK\$332 million for the Period from approximately HK\$290 million Last Period. The Group’s retail revenue from Hong Kong and Macau market was approximately HK\$35 million for the Period, representing a decrease of 34% from approximately HK\$53 million Last Period. The Group recorded a decline in overall same-store growth of 4% (2020: decline of 8%), of which same-store growth in Mainland China was a decline of 3% (2020: decline of 3%) and in Hong Kong and Macau was a growth of 22% (2020: decline of 18%).

The Group has implemented various cost control measures. The percentage of the Group’s selling and distribution expense to total turnover decreased to 25% (2020: 28%) this Period whereas the percentage of the Group’s general and administrative expense to total turnover remained stable of 9% (2020: 9%). The Group’s other gains and losses have decreased to approximately HK\$7 million for the Period from approximately HK\$28 million Last Period. Included in other gains and losses are exchange gain of approximately HK\$8 million, compared to a gain of approximately HK\$30 million Last Period.

over

# 320

shops in China

326 shops in Mainland China

3 shops in Hong Kong

<b>19</b> Anhui	<b>7</b> Henan	<b>7</b> Liaoning	<b>15</b> Tianjin
<b>17</b> Beijing	<b>21</b> Hubei	<b>5</b> Ningxia	<b>3</b> Xinjiang
<b>3</b> Fujian	<b>3</b> Hunan	<b>1</b> Qinghai	<b>1</b> Yunnan
<b>3</b> Gansu	<b>3</b> Hong Kong	<b>2</b> Shaanxi	<b>4</b> Zhejiang
<b>72</b> Guangdong	<b>10</b> Inner Mongolia	<b>55</b> Shandong	
<b>14</b> Guangxi	<b>25</b> Jiangsu	<b>1</b> Shanghai	
<b>19</b> Hebei	<b>1</b> Jiangxi	<b>6</b> Shanxi	
<b>8</b> Heilongjiang	<b>1</b> Jilin	<b>3</b> Sichuan	

# Management Discussion and Analysis

## INTERIM DIVIDENDS

The Board has resolved not to recommend an interim dividend in respect of the Period to the holders of ordinary shares of the Company.

## BUSINESS REVIEW

### Retail business

Overall revenue from the retail business was approximately HK\$35 million (2020: HK\$53 million) for Hong Kong and Macau and approximately HK\$332 million (2020: HK\$290 million) for Mainland China.

As at 31 December 2021, the Group had 3 points-of-sale in Hong Kong and 326 points-of-sale in Mainland China under the brand name “3D-GOLD.” Of the points-of-sale in Mainland China, 61 are self-operated points-of-sale and 265 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) 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.

### 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.

# Management Discussion and Analysis

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

- “Shimmer Beat” Collection
- “Gold Wedding” Collection
- “Love Glitter” Collection
- “Golden Allure GA” Collection
- “Pure Gold Chinese Zodiac” Collection
- “Classic Gold” Collection
- “3DG Jewellery x Luo Yang” Collection
- “Love Lane” Collection
- “Love Rhythm” Collection
- “Cool Love” 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 (3rd quarter 2021)”
- Organized a “Brand Licensee Business Webinar (4th quarter 2021)”

# Management Discussion and Analysis

## 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.

- “Happy Company 2021” by Hong Kong Promoting Happiness Index Foundation
- “CORPHUB Hong Kong’s Most Outstanding Services Awards 2021 – Jewellery”
- “Capital Weekly Services Awards 2021 – Jewellery”
- “BOCHK Corporate Environmental Leadership Awards Programme 2020 – Eco Partner”
- “Marie Claire – Best Label Award 2020/2021 (Best Jewelry)”
- “HKRMA Certificate of Outlet Anti-Epidemic Measures Recognition”
- “Capital ESG Awards 2021”
- “TVB Weekly Brand Award 2021 – Jewellery”
- “HKRMA 2021 Quality Service Retailer of the Year of Flagship Stores” – Bronze Award

## Mobile Media Marketing Service Business

The Internet economy has become one of the key growth drivers of the Chinese economy in recent years. With a growing number of smartphone users in China and driven by the boom in smartphone usage, the number of mobile internet users in China is growing steadily, providing business opportunities for merchants, media platforms and media publishers. Given the distinctive features and functions offered by media platforms, they have grown rapidly and become the main channel for merchants to market and promote their brands and products. Media marketing service providers connect merchants with media publishers. Driven by the growing interest and popularity of leading media platforms, such as WeChat, TouTiao.com and TikTok, for mobile internet users, merchants are spending more resources and marketing budgets on media than traditional websites, providing business opportunities for media marketing service providers. Moreover, catalyzed by the COVID-19 pandemic, users have shifted from traditional consumption patterns to online consumption, increasing consumer reliance on online channels and accelerating the digital marketing process. The construction of channels for all-area traffic has also been upgraded from graphic video promotion to live streaming, and merchants tend to place advertisements on the Internet. Considering the potential growth in the media marketing service industry, the Group has expanded its business into mobile media marketing services.

The Group’s mobile media marketing service provides Internet marketing technology for merchants. Through data collection and analysis, the Group offers solutions to merchants to improve the effectiveness and efficiency of their advertisements.

# Management Discussion and Analysis

The Group builds ties between clients (i.e., merchants) and media publishers through the use of technology and platforms, providing a combination of display and performance-based marketing technology services. Display marketing refers to a marketing method of showing advertising content in the form of images, videos, etc., while performance-based marketing refers to a type of online marketing that charges customers for specific actions (e.g., clicks, downloads or sales) taken by the Internet audience. Based on adequate communication with the client on the characteristics and needs of the product, the Group will make use of its business intelligence technology to analyze the personalities of target audience and develop corresponding distribution strategies so as to identify target audience on the Internet and recommend tailor-made product mix to clients. The Group will also place online advertisements for clients by using an appropriate mix of media and advertising position, for example, displaying advertising content in the form of images (e.g., banners, inserts or graphics) and videos. Together with real-time recording, performance analysis, tracking and evaluation, the Group further optimizes the advertising process to enhance the marketing effect of client's advertisements, acquiring more users for our clients.

## OUTLOOK

The COVID-19 pandemic is unlikely to subside in the near future. However, Mainland China was one of the first to start to emerge from the pandemic since the second half of 2020 resulting in a rebound in its economy. The Group believes that China's significant market advantages and potentials for domestic demand, the long-term positive fundamentals of China's economy remain unchanged. The Group will further leverage on the stable economic environment in Mainland China to enhance its strategic coverage rate in the Mainland China market. In addition, shifting towards from traditional business models to new media on the Internet has become a trend. According to the White Paper on the Development of Digital Economy in China published in April 2021, the scale of China's digital economy has reached RMB39.2 trillion in 2020. With the development of the metaverse ecosystem, there is huge scope for the development of mobile media business.

Going forward, the Group will continue to swiftly respond to the turbulent retail market by adopting various measure to save costs and minimize expenditures in order to enhance cost effectiveness and business efficiency. The Group is also continuously exploring opportunities in the mobile media marketing services market. Through a complete service chain consists of enhanced marketing strategy coverage rate, media placement and execution, results monitoring and optimization, precise marketing, traffic integration and other services, the Group is committed to building an integrated marketing platform from a fundamental integration of Internet traffic to a full range of precise digital marketing services.

# Management Discussion and Analysis

## FUNDS RAISING AND USE OF PROCEEDS

The Company has received net proceeds of approximately HK\$83.5 million in connection with the subscription of subscription shares and convertible bonds (“First Subscription”) and HK\$57.5 million in connection with the subscription of subscription shares and convertible bonds (“Second Subscription”). The net proceeds of the First Subscription together with the Second Subscription was approximately HK\$141 million. As disclosed in the Company’s announcement dated 31 May 2021, 12 November 2021 and 6 December 2021 and circular dated 30 June 2021, the net proceeds will be applied as to approximately HK\$126 million for repayment of indebtedness and HK\$15 million for general working capital. As of 31 December 2021, the net proceeds had been applied as follows:

	Amount of net proceeds intended to be allocated (HK\$ million)	Actual utilized amount as of 31 December 2021 (HK\$ million)	Utilized amount as of 31 December 2021 (HK\$ million)	Expected timeline for utilising the remaining net proceeds
<b>Repayment of indebtedness</b>				
Repayment of loan	13.50	(13.50)	–	N/A
Repayment of other borrowing	22.00	(22.00)	–	N/A
Repayment of deposits received	10.50	(5.00)	5.50	On or before 31 December 2022
Repayment of convertible bonds	80.00	(80.00)	–	N/A
	126.00	(120.50)	5.50	
<b>General working capital</b>	15.00	(8.50)	6.50	On or before 31 December 2022
	141.00	(129.00)	12.00	

Note 1 As 31 December 2021, the unutilised net proceeds from the subscriptions were deposited with a licensed bank.

Note 2 The expected timelines for utilizing the remaining net proceeds is based on the best estimation made by the Group. It may be subject to further change based on the future development of the market condition.

# 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 2021, the Group had total cash and cash equivalents amounting to HK\$823 million (30 June 2021: HK\$863 million). The Group's net borrowing as at 31 December 2021 was HK\$848 million (30 June 2021: HK\$840 million), being total borrowing of HK\$1,671 million (30 June 2021: HK\$1,703 million) less pledged bank deposits and bank balances and cash of HK\$823 million (30 June 2021: HK\$863 million). After taking into account the gold inventories of HK\$282 million (30 June 2021: HK\$266 million), the Group's net borrowing as at 31 December 2021 was HK\$566 million (30 June 2021: HK\$574 million), being total borrowing less pledged bank deposits, bank balances and cash and gold inventories. As at 31 December 2021, the Group has available unutilised revolving banking facilities of HK\$664 million (30 June 2021: HK\$664 million).

The current ratio of the Group as at 31 December 2021 was 94% (30 June 2021: 93%), calculated on the basis of current assets of HK\$1,600 million (30 June 2021: HK\$1,619 million) over current liabilities of HK\$1,699 million (30 June 2021: HK\$1,733 million). The gearing ratio was 106% (30 June 2021: 107%), calculated on the basis of the total liabilities of HK\$1,936 million (30 June 2021: HK\$1,950 million) over total assets of HK\$1,828 million (30 June 2021: HK\$1,828 million).

### Share Capital and Capital Structure

As at 31 December 2021, the Company had 269,671,601 ordinary shares of HK\$0.001 each in issue (30 June 2021: 154,671,601 (as adjusted for the effect of the share consolidation) ordinary shares of HK\$0.4 (as adjusted for the effect of the share consolidation)).

### 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 Group. Bank deposits are in HK\$, RMB, US\$ and MOP.

### Capital Commitments

Capital commitments of the Group as at 31 December 2021 are set out in note 19.

### Pledged Assets

Pledged assets of the Group as at 31 December 2021 are set out in note 20.

# Management Discussion and Analysis

## Contingent Liabilities and Guarantee

As at 31 December 2021, the Company had corporate financial guarantee amounting to HK\$1,075,000,000 (30 June 2021: HK\$1,075,000,000) to banks in respect of 50% of the aggregated amount of banking facilities granted to its subsidiary. As at 31 December 2021, the banking facilities utilised by the subsidiary was HK\$1,486,000,000 (30 June 2021: HK\$1,486,000,000). As at 31 December 2021, a loss allowance of HK\$10,532,000 (30 June 2021: HK\$12,435,000) estimated under the expected credit loss model in respect of such corporate financial guarantee in the Company's statement of financial position was recognised whereas no financial impact on the consolidated financial statements. As at 31 December 2021 and 30 June 2021, save as disclosed above, the Group and the Company did not have any material contingent liabilities.

## Foreign Exchange Exposure

For the Period, 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.

## Significant Investments, Material Acquisitions and Disposals

The Group did not have any significant investments, material acquisition or disposals of assets, subsidiaries, associates or joint ventures during the Period.

## Events after the Reporting Period

In February 2022, the Company received a letter of financial support from Mr. Wang Chaoguang, the co-chairman and an executive director and a substantial shareholder of the Company that Mr. Wang Chaoguang 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 2021.

## 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 2021.

## Employees and Remuneration Policy

As at 31 December 2021, the Group had 975 employees (30 June 2021: 982). 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 2021, 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			Total	% of issued ordinary shares
	Personal interests	Family interests	Corporate interests		
Mr. Li Ning	157,000	–	21,000,000 <sup>(a)</sup>	21,157,000	7.85%
Mr. Wang Chaoguang	–	–	65,000,000 <sup>(b)</sup>	65,000,000	24.10%
Ms. Dai Wei	–	–	–	–	–
Mr. Hu Hongwei	–	–	–	–	–
Dr. Loke Yu alias Loke Hoi Lam	–	–	–	–	–
Mr. Fan, Anthony Ren Da	–	–	–	–	–
Mr. Chan Kim Sun	–	–	–	–	–

Notes:

- (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) The shares are held by Grace Fountain Holdings Limited ("Grace Fountain"). Grace Fountain is a company wholly-owned by Mr. Wang Chaoguang, an executive Director and co-chairman of the Board.

### (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)	875,000	0.32%
Dr. Loke Yu alias Loke Hoi Lam	Beneficial owner (Note a)	87,500	0.03%
Mr. Fan, Anthony Ren Da	Beneficial owner (Note a)	132,500	0.04%

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 2021.

## SUBSTANTIAL SHAREHOLDERS

At 31 December 2021, 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
Mr. Wang Chaoguang	Corporate interest (Note a)	65,000,000	24.10%
Grace Fountain	Beneficial owner (Note a)	65,000,000	24.10%
Mr. Duan Guangzhi	Corporate interest (Note b)	50,000,000	18.54%
Excel Horizon	Beneficial owner (Note b)	50,000,000	18.54%
Ms. Hao Yuanyuan	Corporate interest (Note c)	28,000,000	10.38%
Well Pop	Beneficial owner (Note c)	28,000,000	10.38%
Mr. Zheng Yue Wen	Corporate interest (Note d)	25,105,561	9.31%
Mr. Wen Jialong	Beneficial owner (Note d)	141,548	0.05%
	Corporate interest (Note d)	25,105,561	9.31%
Hallow King	Corporate interest (Note d)	25,105,561	9.31%
Kerui Jinrong	Corporate interest (Note d)	25,105,561	9.31%
Weltrade	Beneficial owner (Note d)	25,105,561	9.31%
Mr. Li Ning	Beneficial owner (Note e)	157,000	0.06%
	Corporate interest (Note e)	21,000,000	7.79%
Eminent Rise	Beneficial owner (Note e)	21,000,000	7.79%

#### Notes:

- (a) The shares are held by Grace Fountain. Grace Fountain is a company wholly-owned by Mr. Wang Chaoguang. As such, Mr. Wang Chaoguang is deemed to be interested in all the shares held by Grace Fountain.
- (b) The shares are held by Excel Horizon Investments Limited (“Excel Horizon”). Excel Horizon is a company wholly-owned by Mr. Duan Guangzhi. As such, Mr. Duan Guangzhi is deemed to be interested in all the shares held by Excel Horizon.
- (c) 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.
- (d) The shares are held by Weltrade Group Limited (“Weltrade”). Weltrade is a company wholly-owned by Kerui Jinrong Company Limited (“Kerui Jinrong”). Kerui Jinrong is in turn owned by Mr. Zheng Yue Wen, Mr. Xiang Hong and Hallow King Global Investment Limited (“Hallow King”) as to 40%, 20% and 40% respectively. Hallow King 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.
- (e) The shares are held by Eminent Rise. Eminent Rise is a company wholly-owned by Mr. Li Ning, the executive Director and Chairman of the Board.

## Other Information

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

<b>Name of substantial shareholder</b>	<b>Capacity</b>	<b>Number of shares interested</b>	<b>% of issued ordinary shares</b>
Mr. Wang Chaoguang	Corporate interest (Note a)	80,000,000	29.67%
Grace Fountain	Beneficial owner (Note a)	80,000,000	29.67%
Mr. Duan Guangzhi	Corporate interest (Note b)	50,000,000	18.54%
Excel Horizon	Beneficial owner (Note b)	50,000,000	18.54%

Notes:

- (a) These derivatives comprise interests in the form of convertible bonds held by Grace Fountain.
- (b) These derivatives comprise interests in the form of convertible bonds held by Excel Horizon.

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 2021.

## SHARE OPTIONS

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

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## COMPLIANCE WITH THE CODE PROVISIONS ON CORPORATE GOVERNANCE CODE

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

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

CG Code A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. 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.

## Other Information

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) Dr. Loke Yu alias Loke Hoi Lam resigned as an independent non-executive Director of Chiho Environmental Group Limited (stock code: 976) with effect from 6 December 2021.
- (b) Ms. Dai Wei is a director of Weltrade which ceased to be the substantial shareholder (as defined in the Listing Rules) of the Company on 6 December 2021. Ms. Dai Wei was appointed as an executive Director, legal representative and general manager of Hainan Sanya Yuhai Private Equity Management Limited (海南三亞御海私募基金管理有限公 司) on 13 October 2021.

Saved as disclosed, the Company is not aware of any changes in the Directors' information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules subsequent to the date of the Annual Report 2021.

# Other Information

## AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim financial statements for the Period. The Group's unaudited interim financial statements for the Period have neither been audited nor reviewed by the Company's auditor, but 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 2022

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

For the six months ended 31 December 2021

	Notes	Six months ended 31 December	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue			
Goods and services	3(a)	428,890	389,467
Cost of sales and services rendered		(321,457)	(250,712)
Gross profit		107,433	138,755
Other income		2,717	14,508
Selling expenses		(107,894)	(106,633)
General and administrative expenses		(39,558)	(36,103)
Other gains and losses		7,173	28,042
Change in fair value of derivatives embedded in convertible bonds		2,982	8,775
Loss on early redemption of convertible bonds		(9,650)	–
Provision of impairment loss on trade and other receivables under expected credit loss model		(213)	–
Finance costs	4	(25,576)	(23,984)
(Loss)/profit before taxation	5	(62,586)	23,360
Income tax credit/(expense)	6	10,501	(3,036)
(Loss)/profit for the period		(52,085)	20,324
Other comprehensive (expense)/income:			
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange difference arising on translation		(8,000)	(34,721)
Fair value loss of equity instruments at fair value through other comprehensive income (“FVTOCI”)		–	(204)
		(8,000)	(34,925)
<i>Item that will be reclassified subsequently to profit and loss:</i>			
Exchange difference arising on translation of foreign operations		16,640	52,111
Other comprehensive income for the period		8,640	17,186
Total comprehensive (expense)/income for the period		(43,445)	37,510
(Loss)/profit for the period attributable to:			
Owners of the Company		(38,061)	9,862
Non-controlling interests		(14,024)	10,462
		(52,085)	20,324
Total comprehensive (expense)/income for the period attributable to:			
Owners of the Company		(32,519)	16,320
Non-controlling interests		(10,926)	21,190
		(43,445)	37,510
			(Restated)
(Loss)/earnings per ordinary share			
Basic	8	(HK\$0.212)	HK\$0.064
Diluted	8	(HK\$0.212)	HK\$0.030

# Condensed Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	31 December 2021 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	18,805	19,706
Right-of-use assets	9	22,076	7,794
Deposits paid	10	2,820	275
Intangible assets	11	168,066	168,066
Equity instruments at FVTOCI		–	–
Deferred tax assets		16,088	13,585
		<b>227,855</b>	209,426
<b>Current assets</b>			
Inventories		683,494	674,132
Right to returned goods asset		3,378	2,312
Trade and other receivables and deposits paid	10	80,200	79,703
Derivative component of convertible bonds	14(b)	9,807	–
Pledged bank deposits		769,850	766,348
Bank balances and cash		53,369	96,158
		<b>1,600,098</b>	1,618,653
<b>Current liabilities</b>			
Trade and other payables, accruals and deposits received	13	160,006	163,959
Bank and other borrowings	15	1,486,000	1,504,000
Contract liabilities		19,916	20,206
Refund liabilities		9,549	6,906
Lease liabilities		13,441	5,205
Loan from a non-controlling shareholder of a subsidiary	16	–	27,000
Derivative component of convertible bonds	14(b)	9,303	3,239
Income tax liabilities		704	2,155
		<b>1,698,919</b>	1,732,670
<b>Net current liabilities</b>		<b>(98,821)</b>	(114,017)
<b>Total assets less current liabilities</b>		<b>129,034</b>	95,409

# Condensed Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	31 December 2021 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Audited)
<b>Non-current liabilities</b>			
Convertible bonds	14(a)	85,346	71,917
Lease liabilities		9,236	3,095
Loan from a non-controlling shareholder of a subsidiary	16	100,000	100,000
Deferred tax liabilities		42,016	42,016
		<b>236,598</b>	217,028
<b>Net Liabilities</b>		<b>(107,564)</b>	(121,619)
<b>Capital and reserves</b>			
Share capital	17	270	61,868
Reserves		(42,081)	(128,660)
Deficit attributable to owners of the Company		(41,811)	(66,792)
Non-controlling interests		(65,753)	(54,827)
<b>TOTAL DEFICIT</b>		<b>(107,564)</b>	(121,619)

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2021

	Attributable to owners of the Company											Total HK\$'000
	Ordinary share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Other reserve HK\$'000 (Note (a))	Share option reserve HK\$'000	Investment revaluation reserve HK\$'000	Exchange reserve HK\$'000	PRC statutory reserve HK\$'000 (Note (b))	Accu- mulated losses HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	
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 the 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	-	-	-	-	-	(204)	6,662	-	9,862	16,320	21,190	37,510
Lapse of share options	-	-	-	-	(240)	-	-	-	240	-	-	-
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)
At 1 July 2021 (audited)	61,868	787,648	55,327	(252,408)	4,303	(6,008)	1,374	33,155	(752,051)	(66,792)	(54,827)	(121,619)
Loss for period	-	-	-	-	-	-	-	-	(38,061)	(38,061)	(14,024)	(52,085)
Exchange difference arising on translation	-	-	-	-	-	-	5,542	-	-	5,542	3,098	8,640
Total comprehensive income/(expense) for the period	-	-	-	-	-	-	5,542	-	(38,061)	(32,519)	(10,926)	(43,445)
Capital reorganisation (note 17)	(61,713)	-	61,713	-	-	-	-	-	-	-	-	-
Issue of shares, net of transaction costs (note 17)	115	57,385	-	-	-	-	-	-	-	57,500	-	57,500
At 31 December 2021 (unaudited)	270	845,033	117,040	(252,408)	4,303	(6,008)	6,916	33,155	(790,112)	(41,811)	(65,753)	(107,564)

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2021

## 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 as at 30 June 2020 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 (“Rise Rich”), a subsidiary of the Company, being acquired from the non-controlling shareholders on 31 December 2013 and was subsequently released to accumulated losses upon the deregistration of Rise Rich during the year ended 30 June 2021; 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 convertible bonds due in 2019 (“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 2021

	<b>Six months ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Net cash (used in)/generated from operating activities</b>	<b>(22,922)</b>	<b>79,446</b>
<b>Investing activities</b>		
Interest received	1,579	3,082
Purchase of property, plant and equipment	(6,586)	(2,774)
Proceeds from disposal of property, plant and equipment	22	248
Withdrawal of pledged bank deposits	–	12,000
Placement of pledged bank deposits	(1,617)	(1,539)
<b>Net cash (used in)/generated from investing activities</b>	<b>(6,602)</b>	<b>11,017</b>
<b>Financing activities</b>		
Interest paid	(24,119)	(20,305)
Repayment of loan from a non-controlling shareholder of a subsidiary	(27,000)	(27,000)
New loan from a non-controlling shareholder of a subsidiary	–	27,000
Proceeds from issue of convertible bonds	84,500	–
Proceeds from issue of shares, net of transaction costs	57,500	–
Repayments of convertible bond	(79,950)	–
Repayments of bank and other borrowings	(18,000)	(31,400)
Repayments of lease liabilities, including related interests	(7,291)	(11,626)
<b>Net cash used in financing activities</b>	<b>(14,360)</b>	<b>(63,331)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(43,884)</b>	<b>27,132</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>96,158</b>	<b>110,810</b>
<b>Effect of foreign exchange rate changes</b>	<b>1,095</b>	<b>(26,005)</b>
<b>Cash and cash equivalents at end of the period, represented by bank balances and cash</b>	<b>53,369</b>	<b>111,937</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2021

## 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\$98,821,000 and its total liabilities exceeded its total assets by HK\$107,564,000 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 2021 after taking into consideration of the following:

- i) The Group has been taking stringent cost controls.
- ii) In February 2022, the Company received a letter of financial support from Mr. Wang Chaoguang, the co-chairman and an executive director and a substantial shareholder of the Company that Mr. Wang Chaoguang 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 2021.
- 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.

## 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 2021 are the same as those presented in the Group’s annual financial statements for the year ended 30 June 2021.

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

In the current interim period, the Group has applied 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 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The amendments to HKFRSs in the current period have 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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2021

## 3. REVENUE AND SEGMENT INFORMATION

### a) Revenue

An analysis of the Group's revenue for the six months ended 31 December is as follows:

	Retail sales and franchising operations for selling gold and jewellery products in Mainland China		Retail sales operations for selling gold and jewellery products in Hong Kong and Macau		Mobile media marketing service business in Mainland China		Others		Total	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Retail sales of goods	331,660	289,971	35,218	53,173	–	–	–	–	366,878	343,144
Franchising and licensing income	24,936	30,220	–	–	–	–	–	–	24,936	30,220
Mobile media marketing service	–	–	–	–	37,076	–	–	–	37,076	–
Trading of computer products	–	–	–	–	–	–	–	16,103	–	16,103
Goods and services	356,596	320,191	35,218	53,173	37,076	–	–	16,103	428,890	389,467

### Disaggregation of revenue for the six months ended 31 December 2021 (unaudited)

	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	Mobile media marketing service business in Mainland China HK\$'000	Others HK\$'000	Total HK\$'000
Geographical markets					
– Mainland China	356,596	–	37,076	–	393,672
– Hong Kong and Macau	–	35,218	–	–	35,218
	356,596	35,218	37,076	–	428,890
Timing of revenue recognition					
– A point in time	331,660	35,218	–	–	366,878
– Over time	24,936	–	37,076	–	62,012
	356,596	35,218	37,076	–	428,890

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2021

## 3. REVENUE AND SEGMENT INFORMATION (Continued)

### a) Revenue (Continued)

Disaggregation of revenue for the six months ended 31 December 2020 (unaudited)

	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	Mobile media marketing service business in Mainland China HK\$'000	Others HK\$'000	Total HK\$'000
Geographical markets					
– Mainland China	320,191	–	–	16,103	336,294
– Hong Kong and Macau	–	53,173	–	–	53,173
	320,191	53,173	–	16,103	389,467
Timing of revenue recognition					
– A point in time	289,971	53,173	–	16,103	359,247
– Over time	30,220	–	–	–	30,220
	320,191	53,173	–	16,103	389,467

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2021

## 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.

##### *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.

##### *Mobile Media Marketing Service Business*

The Group's mobile media marketing service provides Internet marketing technology for merchants. Through data collection and analysis, the Group offers solutions to merchants to improve the effectiveness and efficiency of their advertisements. Revenue from rendering mobile marketing services is recognised over the period using the output method in which the services are rendered.

### 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 services 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) Mobile media marketing service business 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 2021

## 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 2021 (unaudited)

	Reportable segments			Total HK\$'000	Others (Note) HK\$'000	Consolidated HK\$'000
	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	Mobile media marketing service business in Mainland China HK\$'000			
<b>REVENUE</b>						
External sales	356,596	35,218	37,076	428,890	–	428,890
<b>RESULT</b>						
Segment (loss)/profit	(6,654)	(2,519)	738	(8,435)	–	(8,435)
Unallocated other income						1,574
Unallocated corporate staff and directors' salaries						(14,221)
Other unallocated corporate expenses						(5,912)
Change in fair value of derivatives embedded in convertible bonds						2,982
Loss on early redemption of convertible bonds						(9,650)
Advertising, promotion and business development expenses						(12,158)
Exchange gain, net						8,246
Unallocated finance costs						(25,012)
Loss before taxation						(62,586)
Income tax credit						10,501
Loss for the period						(52,085)

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2021

## 3. REVENUE AND SEGMENT INFORMATION (Continued)

### b) Segment information (Continued)

#### Segment revenues and result (Continued)

For the six months ended 31 December 2020 (unaudited)

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

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

Segment (loss)/profit represents the (loss)/profit 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, loss on early redemption of convertible bonds, net exchange gain, other unallocated corporate expenses, unallocated finance costs and income tax credit/(expense). This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2021

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

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

#### *Segment assets and liabilities*

	Retail sales and franchising operations for selling gold and jewellery products in Mainland China		Retail sales operations for selling gold and jewellery products in Hong Kong and Macau		Mobile media marketing service business in Mainland China		Others		Total	
	At 31	At 30	At 31	At 30	At 31	At 30	At 31	At 30	At 31	At 30
	December	June	December	June	December	June	December	June	December	June
	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Segment assets	660,035	625,422	139,499	156,705	4,089	-	-	-	803,623	782,127
Segment liabilities	177,635	164,275	13,959	9,113	3,075	-	-	-	194,669	173,388

## 4. FINANCE COSTS

	Six months ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interests on:		
Bank and other borrowings	18,394	15,710
Loan from a non-controlling shareholder of a subsidiary	1,163	2,288
Lease liabilities	736	782
Effective interest on convertible bonds (note 14(a))	5,283	5,204
Total interest expense on financial liabilities not at fair value through profit or loss	25,576	23,984

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2021

## 5. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation has been arrived at after charging/(crediting):

	Six months ended 31 December	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Cost of inventories recognised as an expense	285,521	250,336
Depreciation of property, plant and equipment	6,697	7,890
Depreciation of right-of-use assets	7,017	13,414
Exchange gain, net	(8,246)	(30,105)
Loss on disposal of property, plant and equipment	1,073	2,063
Lease payments not included in the measurement of lease liabilities	26,787	24,058
Staff costs, including directors' emoluments:		
– Wages, salaries and other benefits costs	65,346	65,711
– Retirement benefit costs	7,480	3,645
	72,826	69,356
Allowance of inventories, net (included in cost of sales)	697	376

## 6. INCOME TAX (CREDIT)/EXPENSE

	Six months ended 31 December	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Current tax:		
PRC Enterprise Income Tax	1,129	4,247
PRC Withholding Tax		
– current period	–	606
– over-provision in prior year	(9,128)	–
	(7,999)	4,853
Deferred taxation	(2,502)	(1,817)
	(10,501)	3,036

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2021

## 6. INCOME TAX (CREDIT)/EXPENSE (Continued)

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 (the “Relevant Subsidiaries”), 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. Pursuant to《關於延續西部大開發企業所得稅政策的公告》(Announcement No. 23 of the Ministry of Finance in 2020) issued in April 2020, the Relevant Subsidiaries were subject to a preferential tax rate of 15% from 1 January 2021 to 31 December 2030, when the annual revenue from the encouraged business exceeded 60% of each subsidiary’s total revenue in a fiscal year.

Pursuant to《關於實施小微企業普惠性稅收減免政策的通知》(Caishui [2019] No. 13) issued in 2019, certain subsidiaries qualifying as Small and Micro Enterprises whose annual taxable income is less than RMB1.00 million, 25% of the amount will be reduced, and the PRC Enterprise Income Tax will be at the tax rate of 20%; for the portion of annual taxable income exceeding RMB1.00 million but not exceeding RMB3.00 million, 50% of the amount will be reduced, and the PRC Enterprise Income Tax will be at the tax rate of 20%. Pursuant to《關於實施小微企業和個體工商戶所得稅優惠政策的公告》(Caishui [2021] No. 12) issued in 2021, for the portion of annual taxable income less than RMB1.00 million for Small and Micro Enterprises, on the basis of the preferential policies stipulated in Article 2 of《關於實施小微企業普惠性稅收減免政策的通知》(Caishui [2019] No. 13) issued in 2019, the PRC Enterprise Income Tax will be reduced by half.

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 5% 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 2021

## 7. DIVIDENDS

No dividend was paid or proposed for the six months ended 31 December 2021 and 2020, nor has any dividend been proposed since the end of the reporting period.

## 8. (LOSS)/EARNINGS PER ORDINARY SHARE

	Six months ended 31 December	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
(Loss)/profit:		
(Loss)/profit for the period attributable to owners of the Company for the purposes of basic (loss)/earnings per ordinary share	(38,061)	9,862
Effect of dilutive potential ordinary shares		
– Effective interest on convertible bonds due on 16 January 2023 (“CB 2023”)	N/A	5,204
– Change in fair value of derivatives embedded in CB 2023	N/A	(8,775)
(Loss)/profit for the period attributable to owners of the Company for the purposes of diluted (loss)/earnings per ordinary share (Note (ii))	(38,061)	6,291
	2021 '000 (Unaudited)	2020 '000 (Unaudited) (Restated)
Number of shares (Note (i))		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per ordinary share	179,400	154,672
Effect of dilutive potential ordinary shares: CB 2023	N/A	53,300
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per ordinary share (Notes (ii) & (iii))	179,400	207,972

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2021

## 8. (LOSS)/EARNINGS PER ORDINARY SHARE *(Continued)*

Notes:

- i) The weighted average number of ordinary shares for the six months ended 31 December 2020 had been adjusted for the effect of share consolidation completed on 27 July 2021.
- ii) The calculation of diluted loss per ordinary share for the six months ended 31 December 2021 did not assume the conversion of convertible bonds, since the conversion would result in an anti-dilutive effect on loss per share.
- iii) For the six months ended 31 December 2021 and 2020, the computation of diluted (loss)/earnings 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 six months ended 31 December 2021, the Group acquired property, plant and equipment of HK\$6,586,000 (six months ended 31 December 2020: HK\$2,774,000), and the Group disposed of certain plant and equipment with an aggregate carrying amount of HK\$1,095,000 (six months ended 31 December 2020: HK\$2,311,000) for cash proceeds of HK\$22,000 (six months ended 31 December 2020: HK\$248,000), resulting a loss on disposal of HK\$1,073,000 (six months ended 31 December 2020: HK\$2,063,000).

During the six months ended 31 December 2021, the Group entered into several new lease agreements with lease terms ranged from 0.04 to 3 years. The Group is required to make fixed monthly payments. During the six months ended 31 December 2021, the Group recognised right-of-use assets of HK\$21,192,000 (six months ended 31 December 2020: HK\$5,180,000) and lease liabilities of HK\$20,822,000 (six months ended 31 December 2020: HK\$5,112,000).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2021

## 10. TRADE AND OTHER RECEIVABLES AND DEPOSITS PAID

	<b>31 December 2021 HK\$'000 (Unaudited)</b>	30 June 2021 HK\$'000 (Audited)
Deposits paid under non-current assets represent:		
Rental deposits	2,820	275
Trade and other receivables and deposits paid under current assets comprise:		
Trade receivables	53,853	49,637
Less: allowance for credit loss	(213)	–
	<b>53,640</b>	49,637
Rental deposits	1,852	7,601
Value added tax receivables	12,306	9,306
Prepayments	6,564	8,338
Other receivables and deposits paid	5,838	4,821
	<b>80,200</b>	79,703

### Notes:

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 2021: up to 90 days) to its debtors.

As at 31 December 2021, included in trade and other receivables and deposits paid are trade receivables, net of allowance for credit losses, of HK\$53,640,000 (30 June 2021: 49,637,000).

Included in trade receivables as at 31 December 2021 is amount related to a fellow subsidiary of a non-controlling shareholder of a subsidiary amounting to HK\$314,000 (30 June 2021: HK\$ Nil).

Included in rental deposits and other receivables and deposits paid as at 31 December 2021 are amounts related to a fellow subsidiary of a non-controlling shareholder of a subsidiary amounting to HK\$1,400,000 (30 June 2021: HK\$1,489,000).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2021

## 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:

	<b>31 December 2021 HK\$'000 (Unaudited)</b>	30 June 2021 HK\$'000 (Audited)
0-30 days	42,370	43,199
31-60 days	2,311	3,741
61-90 days	4,818	456
Over 90 days	4,141	2,241
	<b>53,640</b>	49,637

## 11. INTANGIBLE ASSETS

	<b>31 December 2021 HK\$'000 (Unaudited)</b>	30 June 2021 HK\$'000 (Audited)
Trademarks	<b>168,066</b>	168,066

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 2021, 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 10.5% (30 June 2021: 10.6%). 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 2021: 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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2021

## 12. LOAN RECEIVABLES

As at 1 July 2020, 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. Loan receivables at principal amount of HK\$12,000,000 are unsecured and guaranteed by respective sole shareholder of the borrowers, while the remaining loan receivables of HK\$52,400,000 are unsecured and unguaranteed. Included in the unsecured loan receivables as at 1 July 2020 are loans advanced to a shareholder at principal amount of HK\$2,900,000. Background and details of the loan receivables are disclosed in the Company's 2021 annual report.

As at 1 July 2020, included in the Group's loan receivables balance were debtors with aggregate carrying amounts of HK\$74,400,000 which were past due as at the reporting date, of which HK\$74,400,000 had been past due 90 days or more. The Group had issued either writs of summons or statutory demand demanding the debtors for repayment of loans and the interests accrued thereon. Based on the abovementioned circumstances, the Group had provided impairment loss on all the loan receivables and related interest receivables.

The directors of the Company are of the view that the chance of recovering the loan receivables and the respective interest receivables would be remote, and such recovering actions would be time consuming and the Group may have to incur additional costs. This would put the Group under greater risk and financial pressure, which is not in the interest of the Group and shareholders as a whole. As a result, the Group disposed of the loan receivables and the respective interest receivables through the disposal of the entire equity interest of relevant subsidiary to Mr. Li Ning, a chairman and an executive director of the Company, at a consideration of HK\$1,458,000 during the year ended 30 June 2021.

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

	31 December 2021 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Audited)
Trade payables	27,540	23,199
Deposits received	7,000	12,000
Franchisee guarantee deposits (Note)	46,607	47,368
Value added tax payables	3,352	–
Salary and bonus payables	50,875	47,664
Other payables, accruals and other deposits	24,632	33,728
	<b>160,006</b>	163,959

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 2021: 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 2021, included in trade and other payables, accruals and deposits received are trade payables of HK\$27,540,000 (30 June 2021: HK\$23,199,000).

Included in trade payables as at 31 December 2021 are trade payables to certain fellow subsidiaries of a non-controlling shareholder of a subsidiary amounting to HK\$297,000 (30 June 2021: HK\$503,000).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2021

## 13. TRADE AND OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED (Continued)

Deposits received at 31 December 2021 amounting to HK\$7,000,000 (30 June 2021: HK\$12,000,000) are unsecured, interest bearing of 8% per annum, and repayable on demand (30 June 2021: unsecured, interest bearing of 8% per annum, and repayable on demand).

Included in other payables, accruals and other deposits as at 31 December 2021 are other payables to certain fellow subsidiaries of a non-controlling shareholder of a subsidiary amounting to HK\$24,000 (30 June 2021: HK\$21,000).

Included in other payables, accruals and other deposits as at 31 December 2021 are accruals for service fee payable to a company in which a director of a subsidiary has beneficial interest amounting to HK\$1,847,000 (30 June 2021: HK\$1,859,000).

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

	<b>31 December 2021 HK\$'000 (Unaudited)</b>	30 June 2021 HK\$'000 (Audited)
0-30 days	26,408	22,850
31-60 days	331	148
61-90 days	–	51
Over 90 days	801	150
	<b>27,540</b>	<b>23,199</b>

## 14. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS

### a) Convertible bonds

#### CB 2023

On 6 December 2021, the Group early redeemed CB 2023 in full with principal amount of HK\$79,950,000, resulting a loss on early redemption of convertible bonds of approximately HK\$9,650,000 recognised in the condensed consolidated profit or loss and other comprehensive income.

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 30 June 2021 (Audited)
Share price	HK\$0.050
Dividend yield	0%
Expected volatility	70.373%
Risk-free rate	0.081%

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2021

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

### a) **Convertible bonds** *(Continued)*

#### ***Convertible bonds due 2023 with principal amount of HK\$52,000,000 (“CB 2023A”) and HK\$32,500,000 (“CB 2023B”)***

On 31 May 2021, the Company entered into a subscription agreement with a company incorporated in the BVI which is wholly owned by Mr. Wang Chaoguang, the co-chairman and an executive director of the Company (the “CB 2023A Holder”) for the issuance of convertible bonds with aggregate principal amount of HK\$52,000,000. On the same date, the Company entered into another subscription agreement with a company incorporated in the BVI which is an independent third party to the Group (the “CB 2023B Holder”) for the issuance of convertible bonds with aggregate principal amount of HK\$32,500,000. CB 2023A and CB 2023B are denominated in Hong Kong dollars which entitle CB 2023A Holder and CB 2023B Holder to convert them into ordinary shares of the Company at any time commencing on the issue date of convertible bonds and expiring on the date which is 5 business days prior to the maturity date, at a conversion price of HK\$0.65 per convertible bond as adjusted for the effect of the capital reorganisation completed on 27 July 2021 (subject to anti-dilutive adjustments).

Both CB 2023A and CB 2023B carry interests at 4% per annum and payable semi-annually on 30 June and 31 December each year, which shall mature on the second anniversary of the issue date. The issuances of CB 2023A and CB 2023B were completed on 12 November 2021 and 6 December 2021 respectively.

CB 2023A Holder and CB 2023B Holder have the right to convert the whole or any part (in multiple of HK\$1,000,000) of the outstanding principal amount of convertible bonds into such number of ordinary shares of the Company as will be determined by dividing the principal amount of convertible bonds to be converted by the conversion price in effect on the date of conversion. In addition, the Company has the right to redeem the whole or any part of the outstanding principal amount of CB 2023A and CB 2023B from the issue date until the maturity date of convertible bonds.

Upon issuance of CB 2023A, amounts of approximately HK\$51,977,000, HK\$6,994,000 and HK\$6,971,000 were recognised as liability component, derivative component embedded in CB 2023A (liability) and derivative component embedded in CB 2023A (asset), respectively.

Upon issuance of CB 2023B, amounts of approximately HK\$32,501,000, HK\$3,792,000 and HK\$3,793,000 were recognised as liability component, derivative component embedded in CB 2023B (liability) and derivative component embedded in CB 2023B (asset), respectively.

During the six months ended 31 December 2021, no convertible bonds were converted by CB 2023A Holder and CB 2023B Holder, and the Company did not redeem any part of CB 2023A and CB 2023B.

As at 31 December 2021, the outstanding principals of CB 2023A and CB 2023B were HK\$52,000,000 and HK\$32,500,000 respectively.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2021

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

### a) Convertible bonds (Continued)

#### **Convertible bonds due 2023 with principal amount of HK\$52,000,000 (“CB 2023A”) and HK\$32,500,000 (“CB 2023B”) (Continued)**

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

	CB 2023A		CB 2023B	
	At 31 December 2021 (Unaudited)	At 12 November 2021 (Unaudited)	At 31 December 2021 (Unaudited)	At 6 December 2021 (Unaudited)
Share price	HK\$0.28	HK\$0.31	HK\$0.28	HK\$0.29
Dividend yield	0%	0%	0%	0%
Expected volatility	90.34%	88.09%	89.34%	87.68%
Risk-free rate	0.56%	0.34%	0.59%	0.60%

The movements of the liability components of convertibles bonds are set out below:

	CB 2023 HK\$'000	CB 2023A HK\$'000	CB 2023B HK\$'000	Total HK\$'000
At 1 July 2020 (audited)	59,134	–	–	59,134
Coupon interest accrued at 30 June 2020 and included in other payables	(1,661)	–	–	(1,661)
Interest charged during the period	5,204	–	–	5,204
At 31 December 2020 (unaudited)	62,677	–	–	62,677
At 1 July 2021 (audited)	71,917	–	–	71,917
Early redemption of convertible bonds	(70,300)	–	–	(70,300)
Issue of convertible bonds	–	51,977	32,501	84,478
Coupon interest accrued at 30 June 2020 and included in other payables	(1,334)	(280)	(100)	(1,714)
Interest charged during the period	4,908	277	98	5,283
Exchange realignment	(5,191)	537	336	(4,318)
At 31 December 2021 (unaudited)	–	52,511	32,835	85,346

The effective interest rates of the liability components of CB 2023, CB 2023A and CB 2023B are 17.01%, 4.0296% and 4.0027% respectively.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2021

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

### b) Derivative components of convertible bonds

The movements of the derivative components of convertible bonds are set out below:

	Liabilities CB 2023 HK\$'000	Assets CB 2023A HK\$'000	Liabilities CB 2023A HK\$'000	Assets CB 2023B HK\$'000	Liabilities CB 2023B HK\$'000	Total HK\$'000
At 1 July 2020 (audited)	11,314	–	–	–	–	11,314
Change in fair value	(8,838)	–	–	–	–	(8,838)
Amortisation of deferred day one loss in profit or loss	63	–	–	–	–	63
	(8,775)	–	–	–	–	(8,775)
At 31 December 2020 (unaudited)	2,539	–	–	–	–	2,539
At 1 July 2021 (audited)	3,239	–	–	–	–	3,239
Issue of convertible bonds	–	(6,971)	6,994	(3,793)	3,792	22
Change in fair value	(2,517)	1,424	(1,335)	(366)	(243)	(3,037)
Amortisation of deferred day one loss in profit or loss	55	–	–	–	–	55
Exchange realignment	(2,462)	1,424	(1,335)	(366)	(243)	(2,982)
	(777)	(58)	58	(43)	37	(783)
At 31 December 2021 (unaudited)	–	(5,605)	5,717	(4,202)	3,586	(504)

The following is an analysis of the derivative components of convertible bonds for financial reporting purpose:

	31 December 2021 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Audited)
<i>Current assets</i>		
– CB 2023A	(5,605)	–
– CB 2023B	(4,202)	–
	(9,807)	–
<i>Current liabilities</i>		
– CB 2023	–	3,239
– CB 2023A	5,717	–
– CB 2023B	3,586	–
	9,303	3,239

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2021

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

### b) Derivative components of convertible bonds (Continued)

The gain on change in fair value of embedded derivative of the convertible bonds for the six months ended 31 December 2021 of HK\$3,037,000 (six months ended 31 December 2020: HK\$8,838,000) and amortisation of day one loss of HK\$55,000 (six months ended 31 December 2020: HK\$63,000) attributable to CB 2023 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\$520,000 (six months ended 31 December 2020: HK\$8,775,000) was related to derivative components of convertible bonds at 31 December 2021. The related interest expense of the liability component of the convertible bonds for the six months ended 31 December 2021 amounted to HK\$5,283,000 (six months ended 31 December 2020: HK\$5,204,000), which was calculated using the effective interest method.

## 15. BANK AND OTHER BORROWINGS

	31 December 2021 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Audited)
Secured floating rate bank borrowings	1,486,000	1,486,000
Unsecured fixed rate other borrowings – independent third parties	–	18,000
	<b>1,486,000</b>	<b>1,504,000</b>
Secured	1,486,000	1,486,000
Unsecured	–	18,000
	<b>1,486,000</b>	<b>1,504,000</b>
Carrying amounts repayable: Within one year*	150,000	168,000
Carrying amounts of bank loans that contain a repayment on demand clause (shown under current liabilities) – Repayable within one year*	1,336,000	1,336,000
	<b>1,486,000</b>	<b>1,504,000</b>
Less: Amounts due within one year and shown under current liabilities	<b>(1,486,000)</b>	<b>(1,504,000)</b>
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 2021, the secured floating rate bank borrowings bear interest ranging from 1-month Hong Kong Interbank Offered Rate (“HIBOR”) plus 1.08% to 1.92% (30 June 2021: HIBOR plus 1.08% to 1.92%) per annum, and the unsecured fixed rate other borrowing bears interest at 15% per annum as at 30 June 2021.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2021

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

As at 31 December 2021, the loan from a non-controlling shareholder of a subsidiary of HK\$100,000,000 (30 June 2021: 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.

As at 30 June 2021, another loan from a non-controlling shareholder of a subsidiary of HK\$27,000,000 which is unsecured, interest bearing at 18% per annum and repayable on 22 July 2021. During the six months ended 31 December 2021, the Group has fully repaid the outstanding loan principal of HK\$27,000,000 and the associated loan interests.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2021

## 17. SHARE CAPITAL

	Notes	Number of shares '000	Amount HK\$'000
<b>Authorised:</b>			
Ordinary shares of HK\$0.04 each at 1 July 2020 (audited) and 31 December 2020 (unaudited)		5,000,000	200,000
Ordinary shares of HK\$0.04 each at 1 July 2021 (audited)		5,000,000	200,000
Share consolidation	a(i)	(4,500,000)	–
Share sub-division	a(iii)	199,500,000	–
Ordinary shares of HK\$0.001 each at 31 December 2021 (unaudited)		200,000,000	200,000
Preference shares of HK\$0.04 each at 1 July 2020 (audited) and 31 December 2020 (unaudited)		750,000	30,000
Preference shares of HK\$0.04 each at 1 July 2021 (audited)		750,000	30,000
Share consolidation	a(i)	(675,000)	–
Share sub-division	a(iii)	29,925,000	–
Preference shares of HK\$0.001 each at 31 December 2021 (unaudited)		30,000,000	30,000
Total:			
At 1 July 2020 (audited) and 31 December 2020 (unaudited)		5,750,000	230,000
At 1 July 2021 (audited)		5,750,000	230,000
Share consolidation	a(i)	(5,175,000)	–
Share sub-division	a(iii)	229,425,000	–
At 31 December 2021 (unaudited)		230,000,000	230,000
<b>Ordinary shares issued and fully paid:</b>			
Ordinary shares of HK\$0.04 each at 1 July 2020 (audited) and 31 December 2020 (unaudited)		1,546,716	61,868
Ordinary shares of HK\$0.04 each at 1 July 2021 (audited)		1,546,716	61,868
Share consolidation	a(i)	(1,392,044)	–
Share sub-division	a(iii)	61,713,968	–
Share cancellation	a(ii)	(61,713,968)	(61,713)
Issue of shares	b(i), b(ii)	115,000	115
Ordinary shares of HK\$0.001 each at 31 December 2021 (unaudited)		269,672	270

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2021

## 17. SHARE CAPITAL (Continued)

Notes:

- a) On 23 July 2021, special resolutions were passed at a special general meeting as follows:
- i) To consolidate every 10 issued and unissued existing ordinary shares of par value of HK\$0.04 each (the “Existing Share”) in the share capital of the Company into 1 consolidated share of par value of HK\$0.4 each (the “Consolidated Share”); and every 10 issued and unissued preference shares of par value of HK\$0.04 each in the share capital of the Company into 1 consolidated preference share of par value of HK\$0.4 each (the “Consolidated Preference Share” and collectively the “Share Consolidation”).
  - ii) To reduce the share capital of the Company through a cancellation of (a) any fractional Consolidated Share in the share capital of the Company that may arise as a result of the Share Consolidation; and (b) the paid-up capital of the Company to the extent of HK\$0.399 on each of the issued Consolidated Share such that the par value of each issued Consolidated Share shall be reduced from HK\$0.4 each to HK\$0.001 each, resulting a new share of par value of HK\$0.001 each (the “New Share” and collectively the “Capital Reduction”).
  - iii) To sub-divide (a) each of the authorised but unissued Consolidated Share into 400 New Share, so that the par value of each unissued Consolidated Share shall be reduced from HK\$0.4 each to HK\$0.001 each; and (b) each of the authorised but unissued Consolidated Preference Share into 400 new preference shares, so that the par value of each unissued Consolidated Preference Share shall be reduced from HK\$0.4 each to HK\$0.001 each (collectively the “Share Sub-division”).

The Share Consolidation, the Capital Reduction and the Share Sub-division (collectively the “Capital Reorganisation”) were completed and effective on 27 July 2021.

- b)
- i) On 31 May 2021, the Company entered into a subscription agreement with Mr. Wang Chaoguang, the co-chairman and an executive director of the Company, pursuant to which Mr. Wang Chaoguang agreed to subscribe 65,000,000 ordinary shares at the subscription price of HK\$0.5 per share. The subscription was completed on 12 November 2021.
  - ii) On 31 May 2021, the Company entered into a subscription agreement with an independent third party, pursuant to which the independent third party agreed to subscribe 50,000,000 ordinary shares at the subscription price of HK\$0.5 per share. The subscription was completed on 6 December 2021.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2021

## 18. SHARE BASED PAYMENT TRANSACTIONS

The Company adopted a share option scheme at the special general meeting held on 23 January 2009 by way of an ordinary resolution (the “2009 Share Option Scheme”) for the purpose of providing incentives or rewards to eligible persons for their contribution or potential contribution to the Group. Eligible persons including but not limited to the Group’s shareholders, directors, employees, business partners, customers and suppliers. Particulars of the 2009 Share Option Scheme are set out in the 2021 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):

Eligible person	Date of grant	Exercisable period	Exercise price HK\$ (Note a)	Adjusted exercise price after Share Consolidation (Note a)	Number of opinions		
					Outstanding As at 1.7.2021 (audited)	Adjusted after share consolidation (Note a)	Outstanding as at 31.12.2021 (unaudited)
Directors	25.1.2013	28.2.2013 to 24.1.2023	0.9152	9.1520	150,000	(135,000)	15,000
	25.1.2013	28.2.2014 to 24.1.2023	0.9152	9.1520	150,000	(135,000)	15,000
	25.1.2013	28.2.2015 to 24.1.2023	0.9152	9.1520	150,000	(135,000)	15,000
	12.1.2018	12.1.2018 to 11.1.2028	0.3232	3.2320	10,500,000	(9,450,000)	1,050,000
					10,950,000	(9,855,000)	1,095,000
Employees	25.1.2013	28.2.2013 to 24.1.2023	0.9152	9.1520	250,000	(225,000)	25,000
	25.1.2013	28.2.2014 to 24.1.2023	0.9152	9.1520	250,000	(225,000)	25,000
	25.1.2013	28.2.2015 to 24.1.2023	0.9152	9.1520	250,000	(225,000)	25,000
					750,000	(675,000)	75,000
Consultants	27.2.2013	28.2.2014 to 24.1.2023	0.9152	9.1520	2,500,000	(2,250,000)	250,000
	27.2.2013	28.2.2015 to 24.1.2023	0.9152	9.1520	2,500,000	(2,250,000)	250,000
	12.1.2018	12.1.2018 to 11.1.2028	0.3232	3.2320	8,750,000	(7,875,000)	875,000
					13,750,000	(12,375,000)	1,375,000
					25,450,000	(22,905,000)	2,545,000
Exercisable at the end of the period					25,450,000		2,545,000
Weighted average exercise price					0.4674		4.6742

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2021

## 18. SHARE BASED PAYMENT TRANSACTIONS (Continued)

Notes:

- a) Upon the completion of the share consolidation on 23 July 2021, the number of share options was adjusted from 25,450,000 to 2,545,000 and the corresponding exercise price were adjusted from a range of HK\$0.3232 to HK\$0.9152 per option to HK\$3.2320 to HK\$9.1520 per share option.
- b) No share options under 2009 Share Option Scheme have been granted, exercised or cancelled during the six months ended 31 December 2021 and 2020. No share option is lapsed during the six months ended 31 December 2021 (six months ended 31 December 2020: 1,250,000 of share options, before the adjustment of Share Consolidation, were lapsed due to the resignation of a director and employee).

### 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 2021 annual report of the Company.

No share options were granted during the six months ended 31 December 2021 and 2020 under the 2020 Share Option Scheme.

## 19. CAPITAL COMMITMENTS

	31 December 2021 HK\$’000 (Unaudited)	30 June 2021 HK\$’000 (Audited)
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	421	1,133

## 20. PLEDGE OF ASSETS

As at 31 December 2021, the Group’s bank deposits with carrying amounts of HK\$769,850,000 (30 June 2021: HK\$766,348,000) 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 2021

## 21. 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	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
A non-controlling shareholder of a subsidiary	Interest expense	1,163	2,288
A director of the Company	Waiver of interest expense	–	(372)
Fellow subsidiaries of a non-controlling shareholder of a subsidiary	Purchase of gold and jewellery products	2,046	1,708
	Purchase return of jewellery	276	–
	Purchase of consumables	5	–
	Repayment of lease liabilities	4,583	2,960
	Sales of jewellery	382	8,091
	Specialty fee	8	9
	Subcontracting fee	31	15
A company in which a director of a subsidiary has beneficial Interest	License and service fee	127	1,240

As at 31 December 2021, the ultimate holding company of a non-controlling shareholder of a subsidiary issued financial guarantee amounting to HK\$1,075,000,000 (30 June 2021: 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, 12, 13, 14 and 16.

### c) Compensation of key management personnel

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

	Six months ended 31 December	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Fees	870	792
Salaries	5,612	4,794
Retirement benefit costs	54	54
	6,536	5,640

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2021

## 22. 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
1) Equity instruments at FVTOCI – Unquoted equity investment	–	–	Level 3 The fair value is measured based on the underlying assets, taking into consideration of discount of lack of marketability and minority discount	Discount for lack of marketability and minority discount (Note a)
2) Call option derivatives embedded in convertible bond	9,807	–	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	Volatility of the share price by reference to the historical share price of the Company (Note b)
3) Conversion option derivatives embedded in convertible bond	9,303	3,239	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	Volatility of the share price by reference to the historical share price of the Company (Note b)

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2021

## 22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

Notes:

- a) The higher the discount for lack of marketability and minority discount, the lower the fair value of the unquoted equity investment.
- b) The higher the volatility of the share price of the Company, the higher the fair value of the call option derivative and the conversion option derivative. Details of the volatility of the share price of the Company used in the fair value measurement are set out in note 14.

There is no transfer between different levels of the fair value hierarchy for the six months ended 31 December 2021 and 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.

## 23. EVENT AFTER THE REPORTING PERIOD

In February 2022, the Company received a letter of financial support from Mr. Wang Chaoguang, the co-chairman and an executive director and a substantial shareholder of the Company that Mr. Wang Chaoguang 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 2021.