HONG KONG RESOURCES HOLDINGS COMPANY LIMITED
香港資源控股有限公司

(Incorporated in Bermuda with limited liability and carrying on business in Hong Kong as HKRH China Limited)

(Stock Code: 2882)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2019

The board of directors (the "**Board**") of Hong Kong Resources Holdings Company Limited (the "**Company**") announces the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 30 June 2019 (the "**Year**" or "**Year 2019**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Notes	**2019**	2018
		HK$'000	*HK$'000*
Revenue			
Goods and services		**1,447,912**	1,459,272
Interest		**13,041**	194
Total revenue	*3(a)*	**1,460,953**	1,459,466
Cost of sales		**(1,054,507)**	(1,048,012)
Gross profit		**406,446**	411,454
Other income		**8,881**	6,016
Selling expenses		**(359,077)**	(326,665)
General and administrative expenses		**(93,563)**	(98,134)
Other gains and losses		**(11,392)**	19,706
Change in fair value of derivatives embedded in convertible bonds	*12(b)*	**385**	3,914

	Notes	**2019**	2018
		HK$'000	*HK$'000*
Equity-settled share-based payments		**–**	(8,949)
Impairment loss on available-for-sale investments recognised	*10(a)&(b)*	**–**	(6,040)
Impairment loss on property, plant and equipment recognised		**(3,782)**	–
Impairment losses on loan receivables and relevant interest receivables recognised under expected credit loss model	*9&11*	**(85,958)**	–
Impairment loss on trade receivables recognised under expected credit loss model, net of reversal		**(4,690)**	–
Finance costs	*4*	**(79,341)**	(51,174)
Loss before taxation	*5*	**(222,091)**	(49,872)
Taxation	*6*	**(8,788)**	(18,404)
Loss for the year		**(230,879)**	(68,276)
Other comprehensive (expense) income			
Items that will not be reclassified to profit or loss:			
Exchange difference arising on translation		**(3,935)**	8,237
Fair value loss of equity instruments at fair value through other comprehensive income ("FVTOCI")		**(3,876)**	–
		(7,811)	8,237
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(15,122)**	6,750
Fair value loss on available-for-sale investment		**–**	(3,420)
Investment revaluation reserve reclassified to profit or loss in relation to impairment loss on available-for-sale investment		**–**	3,420
		(15,122)	6,750
Other comprehensive (expense) income for the year		**(22,933)**	14,987
Total comprehensive expense for the year		**(253,812)**	(53,289)

	Notes	**2019**	2018
		HK$'000	*HK$'000*
Loss for the year attributable to:			
Owners of the Company		**(181,414)**	(59,654)
Non-controlling interests		**(49,465)**	(8,622)
		(230,879)	(68,276)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(196,060)**	(47,654)
Non-controlling interests		**(57,752)**	(5,635)
		(253,812)	(53,289)
Loss per ordinary share	*8*		
Basic and diluted		**(HK$0.171)**	(HK$0.066)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	**2019**	2018
		HK$'000	*HK$'000*
ASSETS AND LIABILITIES			
Non-current Assets			
Property, plant and equipment		**51,806**	52,922
Deposits paid	*9*	**8,375**	10,306
Intangible assets		**169,144**	169,144
Interest in a joint venture		**–**	–
Equity instruments at FVTOCI	*10*	**3,584**	–
Available-for-sale investments	*10*	**–**	15,118
Deferred tax assets		**11,857**	17,112
		244,766	264,602
Current Assets			
Inventories		**857,389**	979,354
Right to returned goods asset		**2,950**	–
Trade and other receivables and deposits paid	*9*	**166,643**	213,712
Loan receivables	*11*	**–**	14,000
Tax receivable		**2,590**	1,739
Pledged bank deposits		**941,388**	742,299
Bank balances and cash		**132,755**	56,988
		2,103,715	2,008,092
Current Liabilities			
Trade and bills payables, other payables, accruals and deposits received	*13*	**218,065**	333,097
Bank and other borrowings		**1,891,892**	1,480,000
Contract liabilities		**23,249**	–
Refund liabilities		**4,782**	–
Amount due to a joint venture		**–**	11
Loans from a non-controlling shareholder of a subsidiary	*14*	**57,080**	43,190
Convertible bonds	*12(a)*	**–**	49,753
Derivative financial instruments	*12(b)*	**–**	385
Tax liabilities		**544**	4,103
		2,195,612	1,910,539
Net Current (Liabilities) Assets		**(91,897)**	97,553

	Notes	2019 *HK$'000*	2018 *HK$'000*
Total Assets Less Current Liabilities		**152,869**	362,155
Non-current Liabilities			
Other payables	*13*	**–**	3,593
Bank and other borrowings		**20,000**	20,000
Loans from a non-controlling shareholder of a subsidiary	*14*	**100,000**	100,000
Deferred tax liabilities		**42,016**	42,016
		162,016	165,609
NET (LIABILITIES) ASSETS		**(9,147)**	196,546
CAPITAL AND RESERVES			
Share capital	*15*	**50,668**	38,224
Reserves		**(56,803)**	101,527
(Deficit) equity attributable to owners of the Company		**(6,135)**	139,751
Non-controlling interests		**(3,012)**	56,795
TOTAL (DEFICIT) EQUITY		**(9,147)**	196,546

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group incurred a net loss of HK$230,879,000 for the year ended 30 June 2019 and as of that date, the Group's current liabilities exceeded its current assets by HK$91,897,000 and its total liabilities exceeded its total assets by HK$9,147,000.

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

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

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

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

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

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

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

2.1 HKFRS 15 *Revenue from Contracts with Customers*

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

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

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Retail sales;
- Wholesales;
- Franchising and licensing operations; and
- Sub-contracting operations.

Summary of effects arising from initial application of HKFRS 15

The following table summarised the impact of transition to HKFRS 15 on accumulated losses at 1 July 2018:

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

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

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

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

Notes:

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

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

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

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 30 June 2019 and its consolidated statement of profit or loss and other comprehensive income for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position as at 30 June 2019

	As reported	**Adjustments**	**Amounts without application of HKFRS 15***
	HK$'000	*HK$'000*	*HK$'000*
Non-current Asset			
Deferred tax assets	11,857	(168)	11,689
Current Asset			
Right to returned goods asset	2,950	(2,950)	–
Current Liabilities			
Trade and bills payables, other payables, accruals and deposits received			
– Receipts in advance from customers	–	20,383	20,383
– Deferred revenue	–	2,866	2,866
Contract liabilities	23,249	(23,249)	–
Refund liabilities	4,782	(4,782)	–
Capital and Reserves			
Exchange reserve	6,692	(33)	6,659
Accumulated losses	(678,508)	865	(677,643)
Non-controlling interests	(3,012)	832	(2,180)

Impact on the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2019

	As reported	Adjustments	Amounts without application of HKFRS 15*
	HK$'000	*HK$'000*	*HK$'000*
Revenue			
Goods and services	1,447,912	(1,574)	1,446,338
Cost of sales	(1,054,507)	860	(1,053,647)
Loss before taxation	(222,091)	(714)	(222,805)
Taxation	(8,788)	122	(8,666)
Loss for the year	(230,879)	(592)	(231,471)
Item that may be reclassified subsequent to profit or loss:			
Exchange difference arising on translation of foreign operations	(15,122)	(66)	(15,188)
Other comprehensive expense for the year	(22,933)	(66)	(22,999)
Total comprehensive expense for the year	(253,812)	(658)	(254,470)

2.2 HKFRS 9 *Financial Instruments* and the related amendments

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

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

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

Summary of effects arising from initial application of HKFRS 9

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

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

Notes:

(a) Available-for-sale investments

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

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

(b) Impairment under ECL model

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

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

The allowance for credit loss as at 30 June 2018 reconciled to the opening allowance for credit loss as at 1 July 2018 is as follows:

	Trade receivables-allowance for credit loss *HK$'000*
As at 30 June 2018 – HKAS 39	–
Amounts remeasured through opening accumulated losses	(2,035)
As at 1 July 2018 – HKFRS 9	(2,035)

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

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

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

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

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the *Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

Except for the new HKFRS mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 June 2019, the Group has non-cancellable operating lease commitments of HK$72,240,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$16,311,000 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC) – Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening accumulated losses without restating comparative information.

3. REVENUE AND SEGMENT INFORMATION

(a) Revenue

An analysis of the Group's revenue for the year 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		Wholesales and sub-contracting operations for gold and jewellery products in Mainland China		Others		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Retail sales of goods	**784,454**	812,604	**450,364**	451,645	**–**	–	**–**	–	**1,234,818**	1,264,249
Wholesales of goods	**–**	–	**–**	–	**138,163**	116,822	**–**	–	**138,163**	116,822
Franchising and licensing income	**71,477**	77,420	**–**	–	**–**	–	**–**	–	**71,477**	77,420
Sub-contracting service fee income	**–**	–	**–**	–	**3,454**	781	**–**	–	**3,454**	781
Goods and services	**855,931**	890,024	**450,364**	451,645	**141,617**	117,603	**–**	–	**1,447,912**	1,459,272
Interest *(Note)*	**–**	–	**–**	–	**–**	–	**13,041**	194	**13,041**	194
	855,931	890,024	**450,364**	451,645	**141,617**	117,603	**13,041**	194	**1,460,953**	1,459,466

(i) Disaggregation of revenue for the year ended 30 June 2019

	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	Wholesales and sub-contracting operations for gold and jewellery products in Mainland China	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Geographical markets					
– Mainland China	855,931	–	141,617	–	997,548
– Hong Kong and Macau	–	450,364	–	13,041	463,405
	855,931	450,364	141,617	13,041	1,460,953
Timing of revenue recognition					
– A point in time	784,454	450,364	141,617	–	1,376,435
– Over time	71,477	–	–	–	71,477
	855,931	450,364	141,617	–	1,447,912
Interest *(Note)*	–	–	–	13,041	13,041
	855,931	450,364	141,617	13,041	1,460,953

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

(ii) Performance obligations for contracts with customers

Retail sales

The Group operates a chain of retail shops selling a variety of gold and jewellery products in Hong Kong, Macau and Mainland China. Revenue from the sale of goods is recognised when control of the goods has transferred, being at the point the customer purchases the goods at retail stores. Payment of the transaction price is due immediately at the point the customer purchases the goods. Retail sales are usually made in cash, through credit cards or through reputable and dispersed department stores. The Group generally allows a credit period of 30 to 90 days to those credit card associations and department stores.

Wholesales

The Group wholesales a range of gold and jewellery products to customers in Mainland China. Revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the customer's specific location. Following the delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 30 days upon delivery.

Franchising and licensing operations

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

(b) Segment information

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

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

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

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

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

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

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

Segment revenues and results

For the year ended 30 June 2019

	Reportable segments					
	Retail sales and franchising operations for gold and jewellery products in Mainland China	**Retail sales operations for gold and jewellery products in Hong Kong and Macau**	**Wholesales and sub-contracting operations for gold and jewellery products in Mainland China**	**Total**	**Others** *(Note)*	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE						
External sales	855,931	450,364	141,617	1,447,912	13,041	1,460,953
RESULT						
Segment results	40,052	(3,158)	(17,881)	19,013	(74,464)	(55,451)
Other income						8,881
Unallocated corporate staff and directors' salaries						(32,915)
Other unallocated corporate expenses						(14,500)
Advertising, promotion and business development expenses						(38,611)
Change in fair value of derivatives embedded in convertible bonds						385
Exchange loss, net						(10,550)
Write-off of amount due to a joint venture						11
Finance costs						(79,341)
Loss before taxation						(222,091)
Taxation						(8,788)
Loss for the year						(230,879)

For the year ended 30 June 2018

	Reportable segments					
	Retail sales and franchising operations for gold and jewellery products in Mainland China	**Retail sales operations for gold and jewellery products in Hong Kong and Macau**	**Wholesales and sub-contracting operations for gold and jewellery products in Mainland China**	**Total**	**Others** *(Note)*	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE						
External sales	890,024	451,645	117,603	1,459,272	194	1,459,466
RESULT						
Segment results	45,181	15,168	(2,117)	58,232	(415)	57,817
Other income						6,016
Unallocated corporate staff and directors' salaries						(32,013)
Other unallocated corporate expenses						(16,310)
Advertising, promotion and business development expenses						(24,057)
Change in fair value of derivatives embedded in convertible bonds						3,914
Exchange gain, net						20,924
Equity-settled share-based payments						(8,949)
Impairment loss on available-for-sale investments recognised						(6,040)
Finance costs						(51,174)
Loss before taxation						(49,872)
Taxation						(18,404)
Loss for the year						(68,276)

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

Segment assets and liabilities

As at 30 June 2019

	Reportable segments					
	Retail sales and franchising operations for gold and jewellery products in Mainland China	**Retail sales operations for gold and jewellery products in Hong Kong and Macau**	**Wholesales and sub-contracting operations for gold and jewellery products in Mainland China**	**Total**	**Others** *(Note)*	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS						
Segment assets	742,927	318,532	12,059	1,073,518	603	1,074,121
Intangible assets						169,144
Equity instruments at FVTOCI						3,584
Deferred tax assets						11,857
Pledged bank deposits						941,388
Bank balances and cash						132,755
Other corporate assets						15,632
Consolidated assets						2,348,481
LIABILITIES						
Segment liabilities	185,576	27,866	2,220	215,662	–	215,662
Bank and other borrowings						1,911,892
Loans from a non-controlling shareholder of a subsidiary						157,080
Tax liabilities						544
Deferred tax liabilities						42,016
Other corporate liabilities						30,434
Consolidated liabilities						2,357,628

As at 30 June 2018

	Reportable segments					
	Retail sales and franchising operations for gold and jewellery products in Mainland China	Retail sales operations for gold and jewellery products in Hong Kong and Macau	Wholesales and sub-contracting operations for gold and jewellery products in Mainland China	Total	Others *(Note)*	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS						
Segment assets	837,789	319,337	81,134	1,238,260	14,594	1,252,854
Intangible assets						169,144
Available-for-sale investments						15,118
Deferred tax assets						17,112
Pledged bank deposits						742,299
Bank balances and cash						56,988
Other corporate assets						19,179
Consolidated assets						2,272,694
LIABILITIES						
Segment liabilities	212,742	39,370	76,130	328,242	–	328,242
Bank and other borrowings						1,500,000
Loans from a non-controlling shareholder of a subsidiary						143,190
Tax liabilities						4,103
Convertible bonds						49,753
Derivative financial instruments						385
Deferred tax liabilities						42,016
Other corporate liabilities						8,459
Consolidated liabilities						2,076,148

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

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than intangible assets, equity instruments at FVTOCI (2018: AFS investments), deferred tax assets, pledged bank deposits, bank balances and cash, and other corporate assets; and

- all liabilities are allocated to reportable segments other than bank and other borrowings, loans from a non-controlling shareholder of a subsidiary, tax liabilities, convertible bonds, derivative financial instruments, deferred tax liabilities and other corporate liabilities.

Other entity-wide segment information

For the year ended 30 June 2019

	Retail sales and franchising operations for gold and jewellery products in Mainland China	Retail sales operations for gold and jewellery products in Hong Kong and Macau	Wholesales and sub-contracting operations for gold and jewellery products in Mainland China	Others	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment result or segment assets:						
Additions of property, plant and equipment	20,509	6,790	776	–	1,121	29,196
Depreciation of property, plant and equipment	14,475	6,294	976	–	2,318	24,063
Impairment loss on property, plant and equipment recognised in profit or loss	–	–	3,782	–	–	3,782
Loss on disposal of property, plant and equipment	302	543	–	–	–	845

For the year ended 30 June 2018

	Retail sales and franchising operations for gold and jewellery products in Mainland China	Retail sales operations for gold and jewellery products in Hong Kong and Macau	wholesales and sub-contracting operations for gold and jewellery products in Mainland China	Others	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment result or segment assets:						
Additions of property, plant and equipment	10,883	6,686	10,895	–	2,057	30,521
Depreciation of property, plant and equipment	12,177	5,602	450	–	1,993	20,222
Loss on disposal of property, plant and equipment	1,203	15	–	–	–	1,218

Geographical information

Information about the Group's revenue from external customers is presented based on the location of the operation. Information about the non-current assets of the Group (excluding deposits paid, intangible assets, interest in a joint venture, equity instruments at FVTOCI, available-for-sale investments and deferred tax assets) is presented based on geographical location of the assets.

For the year ended 30 June 2019

	Non-current assets	Revenue from external customers
	HK$'000	*HK$'000*
Mainland China	34,582	997,548
Hong Kong and Macau	17,224	463,405
	51,806	1,460,953

For the year ended 30 June 2018

	Non-current assets *HK$'000*	Revenue from external customers *HK$'000*
Mainland China	33,833	1,007,627
Hong Kong and Macau	19,089	451,839
	52,922	1,459,466

No single customer during both years contributed over 10% of the total revenue of the Group.

4. FINANCE COSTS

	2019 ***HK$'000***	2018 *HK$'000*
Interests on:		
Bank and other borrowings	**69,845**	41,030
Gold loans	**–**	879
Loans from a non-controlling shareholder of a subsidiary	**544**	863
Effective interest on convertible bonds *(note 12(a))*	**8,952**	8,402
	79,341	51,174

5. LOSS BEFORE TAXATION

	2019 ***HK$'000***	2018 *HK$'000*
Loss before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	**2,743**	2,460
Change in fair value of gold loans (included in cost of sales)	**–**	(539)
Cost of inventories recognised as an expense	**1,054,221**	1,050,206
Depreciation of property, plant and equipment	**24,063**	20,222
Exchange loss (gain), net	**10,550**	(20,924)
Loss on disposal of property, plant and equipment	**845**	1,218
Staff costs, including directors' emoluments:		
– Wages, salaries and other benefits costs	**169,922**	164,312
– Equity-settled share-based payments	**–**	8,949
– Retirement benefit costs	**18,842**	17,598
	188,764	190,859
Allowance (reversal of allowance) of inventories (included in cost of sales)	**286**	(1,655)

6. TAXATION

	2019	2018
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax	**2,986**	11,426
PRC Withholding Tax	**–**	6,679
	2,986	18,105
Overprovision in prior years:		
Hong Kong Profits Tax	**–**	(52)
Macau Complementary Tax	**–**	(421)
	–	(473)
	2,986	17,632
Deferred taxation	**5,802**	772
	8,788	18,404

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

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

The two-tiered profits tax rates regime are applicable to subsidiaries subjected to Hong Kong Profit Tax for the year ended 30 June 2019.

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

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

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

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

The taxation for the year can be reconciled from the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019	2018
	HK$'000	*HK$'000*
Loss before taxation	**(222,091)**	(49,872)
Tax credit at domestic rates applicable to profits of taxable entities in the respective jurisdictions *(Note)*	**(39,146)**	(10,868)
Tax effect of income not taxable for tax purpose	**(890)**	(5,669)
Tax effect of expenses not deductible for tax purpose	**6,743**	9,422
Tax effect of tax losses not recognised	**40,718**	16,796
Overprovision in respect of prior years	**–**	(473)
PRC withholding tax	**–**	6,679
Others	**1,363**	2,517
Taxation for the year	**8,788**	18,404

Note: As the Group operates in several different tax jurisdictions, the tax rate applied in the tax reconciliation represents the weighted average domestic tax rates of the individual tax jurisdiction.

7. DIVIDENDS

The Board has resolved not to recommend a final dividend in respect of the years ended 30 June 2019 and 30 June 2018 to the holders of ordinary shares of the Company.

8. LOSS PER ORDINARY SHARE

	2019	2018
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per ordinary share	**(181,414)**	(59,654)

	2019	2018
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per ordinary share	**1,057,937**	908,958

Note: The weighted average number of ordinary shares for the purposes of calculating basis and diluted loss per ordinary share for year ended 30 June 2018 has been adjusted to reflect the Share Consolidation (as defined in note 15(b)) on 18 July 2018.

The computation of diluted loss per ordinary share did not assume the exercise of share options (2018: share options and bonus warrants) because their exercise price is higher than the average share price, and the conversion of CB 2019 (as defined in note 12(b)) since their conversion would result in a decrease in loss per ordinary share.

9. TRADE AND OTHER RECEIVABLES AND DEPOSITS PAID

	2019	2018
	HK$'000	*HK$'000*
Deposits paid under non-current assets represent:		
Rental deposits	**8,375**	10,306
Trade and other receivables and deposits paid under current assets comprise:		
Trade receivables	**89,835**	106,705
Less: allowance for credit loss	**(6,725)**	–
	83,110	106,705
Rental deposits	**7,936**	6,600
Value added tax receivables	**54,263**	84,095
Prepayment	**10,061**	2,543
Loan interest receivables, net of allowance for credit loss *(note 11)*	**–**	194
Other receivables and deposits paid	**11,273**	13,575
	166,643	213,712

As at 30 June 2019 and 1 July 2018, trade receivables from contracts with customers amounted to HK$83,110,000 and HK$106,705,000, respectively.

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

Included in trade receivables as at 30 June 2019 is amount related to a fellow subsidiary of a non-controlling shareholder of a subsidiary amounting to HK$746,000 (2018: nil).

Included in rental deposits and other receivables and deposits paid as at 30 June 2019 are amounts related to a fellow subsidiary of a non-controlling shareholder of a subsidiary amounting to HK$5,167,000 (2018: HK$1,008,000).

The loan interest receivables are arising from money lending business with gross carrying amount of HK$11,558,000 and full impairment loss provided.

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

	2019	2018
	HK$'000	*HK$'000*
0-30 days	**50,366**	76,032
31-60 days	**5,082**	9,902
61-90 days	**28**	12,854
Over 90 days	**27,634**	7,917
	83,110	106,705

As at 30 June 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$32,824,000 which are past due as at the reporting date. Out of the past due balances, HK$13,759,000 has been past due 90 days or more and is not considered as in default because of the good repayment records of those customers and continuous business relationship with the Group. The Group does not hold any collateral over these balances.

As at 30 June 2018, included in the Group's trade receivables balance were debtors with aggregate amount of HK$33,735,000 which were past due as at the end of the reporting period for which the Group had not provided for impairment loss.

Aging of trade receivables which are past due but not impaired was as follows:

	2018
	HK$'000
1-30 days	12,342
31-60 days	10,947
61-90 days	8,360
Over 90 days	2,086
	33,735

Movement in the allowance for doubtful debts on trade receivables was as follows:

	2018
	HK$'000
At beginning of the year	11,533
Amounts written off as uncollectable	(11,533)
At end of the year	–

As at 30 June 2018, in estimating the recoverability of trade receivables, it was the Group's policy to take into consideration the aging analysis, subsequent settlements of the receivables, repayment history and credit worthiness of debtors.

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

	Notes	2019 HK$'000	2018 HK$'000
Quoted equity investments			
– Equity instruments at FVTOCI	*(a)*	**3,584**	–
– Available-for-sale investments	*(a)*	**–**	15,118
Unquoted equity investments			
– Equity instruments at FVTOCI	*(b)*	**–**	–
– Available-for-sale investments, at cost	*(b)*	**–**	–
		3,584	15,118

Notes:

(a) The quoted equity investment is stated at its fair value, determined by reference to bid prices quoted in an active market. The management considered that the investment at the end of the reporting period is held for strategic purpose. Impairment of HK$3,420,000 was provided under HKAS 39 during the year ended 30 June 2018 as the management considered that the decrease in fair value is significant and prolonged.

In the current year, the Group disposed of the quoted equity investment, at a consideration of HK$7,658,000, which was also the fair value as at the date of disposal. A cumulative loss on disposal of HK$8,477,000 has been transferred to accumulated losses.

(b) The unquoted equity investments represented equity investments in private limited companies stated at their fair values, determined with reference to underlying assets and take into consideration of discount for lack of marketability and minority discount. Impairment of HK$2,620,000 was provided under HKAS 39 during the year ended 30 June 2018.

11. LOAN RECEIVABLES

	2019 HK$'000	2018 HK$'000
Fixed-rate loan receivables		
– Secured	**10,000**	–
– Unsecured	**64,400**	14,000
Less: allowance for credit loss	**(74,400)**	–
	–	14,000

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 (2018: nil). 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 are unsecured and unguaranteed. Included in the unsecured loan receivables as at 30 June 2019 are loans advanced to a substantial shareholder at principal amount of HK$2,900,000 (30 June 2018: nil).

Secured loan receivable carries fixed-rate interests ranged from 21% per annum and with maturity of 1 year. Unsecured loan receivables carry fixed-rate interests ranged from 15% to 22% (2018: 22%) per annum and with maturity ranged from 6 months to 1 year (2018: 1 year). All amounts of principal will be receivable on respective maturity dates.

On 2 October 2019, the Company published an announcement that the auditor of the Company raised their concerns on the business rationale and commercial substance of certain loan transactions amounting HK$74,400,000 and the related interest receivables amounting HK$11,558,000. Such loans were advanced by Prosten Finance Limited, a wholly-owned subsidiary of the Company which is principally engaged in money lending business. Given the concerns on loan transaction, the auditor requested the audit committee of the Company to conduct an independent investigation on the authenticity and commercial substance of the relevant transactions.

The directors of the Company have established a special investigation committee to undertake investigation on matters pertaining to the loan transactions (the "Special Investigation Committee"). The Special Investigation Committee has engaged an independent forensic investigation firm (the "Forensic Accountant") to undertake an independent forensic investigation into the concerned matter (the "Forensic Investigation"). The Forensic Accountant has completed the Forensic Investigation and issued a final report of the Forensic Investigation ("Forensic Investigation Report") on 6 January 2020. The key findings and recommendations of Forensic Investigation Report were explained in the announcement of the Company on 7 January 2020.

As mentioned in the Forensic Investigation Report, apart from a former executive director of the Company who resigned in August 2018 and a former director of Prosten Finance Limited who resigned in January 2020 being responsible for preparing the relevant loan documents (the "Involved Former Directors"), the former chief executive officer and executive director of the Company (the "Involved Former CEO") was the only person responsible for contacting client, determining the loan amount and interest rate, reviewing and approving the risk assessment, and signing the agreement for granting of the loan transactions.

The Forensic Accountant has indicated ineffective internal control mechanism for those loan transactions and alleged the Involved Former CEO and Involved Former Directors' negligence and malfeasance in approving and granting those loan transactions, thereby calling into question the commercial reasonableness of the relevant transactions, in light that they did not maintain a professional scepticism to establish a reasonable and reliable credit evaluation mechanism, hire a professional credit team to conduct credit risk assessment, and establish and effective internal control mechanism to monitor the credit review and approval process.

Given the above circumstances, the Group has issued either writ of summons or statutory demand to those borrowers who were default in payment. In view of the uncertainty in recoverability, the directors of the Company have recognised impairment losses on all the loan receivables and related interest receivables to reflect the expected credit losses.

Details of each of loan transactions were as follows:

	Notes	Due date	Loan principals		Loan interest receivables	
			2019	2018	**2019**	2018
			HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Borrower A	*(i),(iii)*	7 June 2019	**14,000**	14,000	**2,503**	194
Borrower B	*(i),(iv)*	10 July 2019	**2,500**	–	**397**	–
		5 August 2019	**4,000**	–	**624**	–
		30 August 2019	**3,500**	–	**613**	–
Borrower C	*(ii),(v)*	18 July 2019	**7,500**	–	**1,447**	–
Borrower D	*(ii),(v)*	18 July 2019	**4,500**	–	**868**	–
Borrower E	*(i),(iii),(vi)*	25 July 2019	**5,000**	–	**674**	–
		31 July 2019	**5,000**	–	**674**	–
Borrower F	*(i),(iii)*	2 March 2019	**600**	–	**267**	–
		30 July 2019	**2,000**	–	**99**	–
Borrower G	*(i),(iii)*	23 August 2019	**10,000**	–	**1,787**	–
Borrower H	*(ii),(iii)*	25 September 2019	**10,000**	–	**1,145**	–
Borrower I	*(i),(iii),(vii)*	26 November 2019	**200**	–	**308**	–
		5 December 2019	**2,700**	–	**23**	–
Borrower J	*(ii),(iii),(viii)*	20 March 2020	**2,900**	–	**129**	–
			74,400	14,000	**11,558**	194

Notes:

(i) The borrower is an individual.
(ii) The borrower is a private corporate.
(iii) The loan receivable is unsecured and unguaranteed.
(iv) The loan receivable is secured by entire equity interest of a private company.
(v) The loan receivable is unsecured and guaranteed by respective sole shareholder of the borrower.
(vi) The borrower is a spouse of the director of non-wholly-owned subsidiaries of the Company.
(vii) The borrower is a substantial shareholder of the Company.
(viii) The director of the borrower serves as a director of non-wholly-owned subsidiaries of the Company.

As at 30 June 2019, included in the Group's loan receivables balance are debtors with aggregate carrying amounts of HK$7,600,000 which are past due as at the reporting date, of which HK$600,000 has been past due 90 days or more. Up to the date of this announcement, over 95% of the loan receivables have been past due, and the Group has issued either writs of summon or statutory demand for demanding repayment. Based on the abovementioned circumstances, the Group has provided impairment loss on all the loan receivables and related interest receivable.

As at 30 June 2018, there were no loan receivables past due at the end of the reporting period. The Group reviewed the recoverable amount of each individual loan receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amount. Accordingly, the directors of the Company believed that there was no impairment required for the year ended 30 June 2018.

12. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS

(a) Convertible bonds

Convertible bonds due 2019 ("CB 2019")

In connection with the disposal of 50% of the Group's interest in CGS on 6 June 2014, the Company entered into a subscription agreement with an independent third party (the "Purchaser") for the issue of CB 2019 with aggregate principal amount of HK$57,080,000. CB 2019 bears interest at the rate of 3% per annum payable annually in arrears on 31 December and the convertible bonds mature on the date falling on the fifth anniversary from the date of issue of such convertible bond.

The conversion can be made at anytime commencing on the date falling the second anniversary of the issue date and expiring on the date which is 3 days preceding the maturity date, at a conversion price of HK$0.178 per ordinary shares (adjusted to HK$0.712 upon completion of the Share Consolidation (as defined in note 15(b)), subject to anti-dilutive adjustments.

Upon issuance of CB 2019, an amount of HK$28,666,000 and HK$56,036,000 were recognised as liability and derivative embedded in CB 2019 at initial recognition, respectively.

Subsequent to the expiry of the original maturity of CB 2019 on 6 June 2019 as set out in the relevant agreement, the Company has entered into a supplementary agreement with the Purchaser and agreed the CB 2019 is required to be redeemed by the Company at a price of HK$57,080,000 not later than 9 September 2019, with interest charging at 8% per annum. the conversion options lapsed as a consequence on 6 June 2019.

As at 30 June 2019, the liability component of CB 2019 amounting to HK$57,080,000 is reclassified to loans from a non-controlling shareholder of a subsidiary.

	Liability component *HK$'000*
At 1 July 2017	43,064
Coupon interest accrued at 1 July 2017 and included in other payables	823
Interest charged during the year	8,402
Payment of coupon interest	(1,712)
Coupon interest accrued at 30 June 2018 and included in other payables	(824)
At 30 June 2018	49,753
Coupon interest accrued at 1 July 2018 and included in other payables	824
Interest charged during the year	8,952
Payment of coupon interest	(2,449)
Reclassified to loans from a non-controlling shareholder of a subsidiary	(57,080)
At 30 June 2019	–

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

(b) Derivative financial instruments

	2019	2018
	HK$'000	*HK$'000*
Derivatives embedded in convertible bonds	**–**	385

	Embedded derivatives
	HK$'000
At 1 July 2017	4,299
Change in fair value	(3,914)
At 30 June 2018	385
Change in fair value	(385)
At 30 June 2019	–

The fair value of the embedded derivatives at 30 June 2018 is based on valuation carried out on those dates by an independent professional valuer.

As set out in note 12(a), CB 2019's conversion options lapsed during the year ended 30 June 2019.

The inputs used in the trinomial option pricing model adopted by the independent professional valuer in determining the fair values at 30 June 2018 as follows:

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

Note: Upon completion of the Share Consolidation (as defined in note 15(b)), the exercise price has adjusted from HK$0.178 to HK$0.712 per ordinary share, and the number of shares to be issued upon conversion has been adjusted from 320,674,157 to 80,168,539.

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

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**37,839**	107,441
Bills payables	**–**	22,964
Deposits received from customers *(note (a))*	**–**	25,783
Deposits received	**25,000**	–
Franchisee guarantee deposits *(note (b))*	**48,986**	50,701
Value added tax payables	**17,374**	36,884
Salary and bonus payables	**52,960**	58,470
Payables in respect of the acquisition of a property	**–**	3,593
Other payables, accruals and other deposits	**35,906**	30,854
	218,065	336,690
Less: Amounts due within one year and shown under current liabilities	**(218,065)**	(333,097)
Amounts shown under non-current liabilities	**–**	3,593

Notes:

(a) Amount represents receipts in advance from franchisees for franchising and licensing operations. Such amounts are reclassified to "contract liabilities" upon application of HKFRS 15 in the current year.

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

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

Included in trade payables as at 30 June 2019 are trade payables to certain fellow subsidiaries of a non-controlling shareholder of a subsidiary amounting to HK$882,000 (2018: HK$3,519,000).

Included in franchisee guarantee deposits and other payables, accruals and other deposits as at 30 June 2019 are deposits received from and other payables to certain fellow subsidiaries of a non-controlling shareholder of a subsidiary amounting to HK$244,000 (2018: HK$1,586,000) and HK$1,572,000 (2018: HK$3,017,000) respectively.

Included in other payables, accruals and other deposits are accruals for service fee payable to a company in which a director of a subsidiary has beneficial interest amounting to HK$2,365,000 (2018: HK$2,680,000).

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

	2019	2018
	HK$'000	*HK$'000*
0-30 days	**33,428**	72,216
31-60 days	**2,808**	49,971
61-90 days	**472**	1,219
Over 90 days	**1,131**	6,999
	37,839	130,405

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

The loan from a non-controlling shareholder of a subsidiary of HK$100,000,000 is unsecured, interest-free and mutually agreed by the Group and the lender not to be repaid within one year after the end of the reporting period. Another loans from a non-controlling shareholder of a subsidiary of HK$20,000,000 and HK$23,190,000 were unsecured, interest bearing at 2% per annum and repayable in August 2018 and September 2018, respectively were repaid in current year.

During the year ended 30 June 2019, the Company has entered into a supplementary agreement with the Purchaser, in connection with the CB 2019 (as defined in note 12(a)), resulting into reclassification of the liability component of CB 2019 amounting HK$57,080,0000 to loan from a non-controlling shareholder of a subsidiary. Such loan is unsecured, interest bearing at 8% per annum and repayable in September 2019. Details are set out in note 12(a).

15. SHARE CAPITAL

	Notes	Number of shares '000	Amount HK$'000
Authorised:			
Ordinary shares of HK$0.01 each at 1 July 2017		6,000,000	60,000
Increase	*(a)*	14,000,000	140,000
Ordinary shares of HK$0.01 each at 30 June 2018		20,000,000	200,000
Adjustments from Share Consolidation	*(b)*	(15,000,000)	–
Ordinary shares of HK$0.04 each at 30 June 2019		5,000,000	200,000
Preference shares of HK$0.01 each at 1 July 2017 and 30 June 2018		3,000,000	30,000
Adjustments from Share Consolidation	*(b)*	(2,250,000)	–
Preference shares of HK$0.04 each at 30 June 2019		750,000	30,000
Total:			
At 1 July 2017		9,000,000	90,000
At 30 June 2018		23,000,000	230,000
At 30 June 2019		5,750,000	230,000
Ordinary shares issued and fully paid:			
Ordinary shares of HK$0.01 each at 1 July 2017		3,522,394	35,224
Exercise of warrants	*(c)*	29	–
Issue of shares	*(d)*	300,000	3,000
Ordinary shares of HK$0.01 each at 30 June 2018		3,822,423	38,224
Adjustments from Share Consolidation	*(b)*	(3,028,817)	–
Issue of shares	*(e)(i),(ii)&(iii)*	473,110	12,444
Ordinary shares of HK$0.04 each at 30 June 2019		1,266,716	50,668

Notes:

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

(b) Pursuant to the resolution passed on 17 July 2018, the consolidation of every four issued and unissued ordinary shares of par value of HK$0.01 each in the share capital of the Company into one consolidated ordinary share of par value of HK$0.04 each in the share capital of the Company (the "Share Consolidation") became effective on 18 July 2018. Upon the completion of the Share Consolidation, the conversion price and the number of share issued upon conversion of the CB 2019 (as disclosed in note 12) and the exercise price and the number of underlying shares comprised in the outstanding options of the Company have been adjusted accordingly.

(c) On 24 July 2017 and 6 February 2018, the Company issued 3,000 and 26,059 ordinary shares of HK$0.01, respectively, at the exercise price of HK$0.245 per ordinary share upon exercise of the bonus warrants granted by the Company.

(d) On 13 February 2018, the Company issued 300,000,000 ordinary shares by way of placing at price of HK$0.08 per share.

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

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

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

16. CAPITAL COMMITMENTS

	2019	2018
	HK$'000	*HK$'000*
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements	**367**	560

17. PLEDGE OF ASSETS

As at 30 June 2019, the Group's bank deposits with carrying amounts of HK$941,388,000 (2018: HK$742,299,000) were pledged to banks as securities to obtain the banking facilities granted to subsidiaries of the Group.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the Independent auditor's report on the consolidated financial statements of the Group for the year ended 30 June 2019.

"Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

As disclosed in notes 21 and 15 to the consolidated financial statements, the Group has recognised impairment losses on the loan receivables amounting HK$74,400,000 and the relevant interest receivables amounting HK$11,558,000 for the year ended 30 June 2019. Such loans were advanced by a wholly-owned subsidiary of the Company which is principally engaged in money lending business.

Management was unable to provide satisfactory explanation about the business rationale and commercial substance of the loan transactions. We were also not able to obtain all the necessary corroborative evidence from certain borrowers to substantiate the nature and authenticity of these transactions and the related outstanding balances, and to assess their recoverability. In addition, the findings from the Forensic Investigation as described in note 21 to the consolidated financial statements indicated ineffective internal control mechanism for those loan transactions.

Because of the above limitations, there were no alternative audit procedures that we could perform to satisfy ourselves as to the business rationale and commercial substance, legitimacy, occurrence, accuracy, completeness and presentation of the loan transactions and the appropriateness of the impairment losses recognised for the year ended 30 June 2019; and whether these loan transactions are properly disclosed as related party transactions.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion."

Details of "notes 21 and 15 to the consolidated financial statements" have been included in "notes 11 and 9 to consolidated financial statements" of this announcement respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

The Year under review has been a challenging year for all businesses and in particular for Hong Kong retailers. In the second half of 2018, the escalation of trade tensions between the United States and Mainland China have hurt general consumption sentiment. In the first quarter of 2019, business grew during the Lunar New Year in both Hong Kong and the Mainland China as there was still hope that the Sino-US talks would bring forth some rapprochement. However in second quarter of 2019, when it was clear that there was not going to be a resolution any time soon, anxieties rebounded. Domestically, the social unrest in Hong Kong since June of 2019 dampened local consumer sentiments. Amid the difficult business environment, the Group recorded a decline in overall same-store growth of 3%.

FINANCIAL REVIEW

The Group recorded a total turnover of approximately HK$1,461 million for the Year, representing an increase of 0.1% as compared to the turnover of approximately HK$1,459 million for the same period last year ("**Last year**"). The loss for the Year attributable to the owners was approximately HK$181 million compared to approximately HK$60 million Last Year, representing an increase of 202%. This was mainly attributable to (i) increase in selling expenses as a result of the launch of more advertising campaign; (ii) turnaround of the exchange gain Last Year to exchange loss for the Year as a result of devaluation of Renminbi; (iii) increase in finance costs since both costs of borrowing and borrowing amount increase for the Year and (iv) impairment loss on loan and interests receivable.

Retailing of gold and jewellery products accounted for 85% (2018: 87%) of total turnover. The retail revenue was approximately HK$1,235 million for the Year, representing a 2% decrease from approximately HK$1,264 million Last Year. Mainland China continued to be the Group's major market, contributing 64% (2018: 64%) of retail sales for the Year. The retail revenue from Mainland China dropped by 4% to HK$784 million for the Year from HK$813 million Last Year. The Group's retail revenue from Hong Kong and Macau market was approximately HK$450 million for the Year, representing a 0.4% decrease from HK$452 million Last Year. The Group recorded a decline in overall same-store growth of 3% (2018: growth 29%), of which same-store growth in Mainland China was a decline of 3% (2018: growth of 26%) and in Hong Kong and Macau was a decline of 9% (2018: growth of 15%). The wholesaling and subcontracting business of gold and jewellery products in Mainland China accounted for 10% (2018: 8%) of total turnover. The wholesaling and subcontracting revenue was approximately HK$142 million for the Year, representing a 21% increase from approximately HK$117 million Last Year.

The Group's selling and distribution expenses increased to HK$359 million (2018: HK$327 million), whereas the percentage to total turnover increased to 25% (2018:22%) this Year as a result of more advertising and promotional campaign. Rental expenses amounted to HK$126 million (2018: HK$127 million), representing 9% (2018: 9%) of total revenue. The percentage to turnover remained at a relatively low level. It is the Group's intention to negotiate with individual landlords on rental level in current economic environment.

The Group has successfully implemented various cost control measures. General and administrative expenses have decreased by HK$4 million to HK$94 million (2018: HK$98 million).

The Group's other gains and losses have turned to a negative HK$11 million for the Year, compared to a positive HK$20 million Last Year. Included in other gains and losses are exchange loss of HK$11 million for the Year.

The Group has recognised impairment losses on all the loan receivables advanced by Prosten Finance Limited, a subsidiary of the Company and the related interest receivables to reflect the expected credit losses of HK$86 million. The auditor of the Company raised their concerns on the business rationale and commercial substance of the loan transactions and the related interests receivables.

The special investigation committee (the "**SIC**") has been formed to undertake investigation on matters pertaining to the loans transactions. The SIC has engaged an independent forensic investigation firm to undertake an independent forensic investigation. As mentioned in the forensic investigation report, apart from a former executive director of the Company who resigned in August 2018 and a former director of Prosten Finance Limited who resigned in January 2020 being responsible for preparing the relevant loan documents (the "**Involved Former Directors**"), the former chief executive officer and executive director of the Company (the "**Involved Former CEO**") was the only person responsible for contacting client, determining the loan amount and interest rate, reviewing and approving the risk assessment, and signing the agreement for granting of the loan transactions.

The forensic investigation report has also indicated ineffective internal control mechanism for those loan transactions and alleged the Involved Former CEO and Involved Former Directors' negligence and malfeasance in approving and granting those loan transactions, thereby calling into question the commercial reasonableness of the relevant transactions, in light that they did not maintain a professional scepticism to establish a reasonable and reliable credit evaluation mechanism, hire a professional credit team to conduct credit risk assessment, and establish and effective internal control mechanism to monitor the credit review and approval process.

The Group has issued either writ of summons or statutory demand to the defaulted borrowers and will take other relevant actions when appropriate.

ENHANCED INTERNAL CONTROL MEASURES

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

FINAL DIVIDENDS

The Board has resolved not to declare any final dividend in respect of the year ended 30 June 2019 to the holders of ordinary shares of the Company.

BUSINESS REVIEW

Retail business

Overall revenue from the retail business reached HK$450 million (2018: HK$452 million) for Hong Kong and Macau and HK$784 million (2018: HK$813 million) for Mainland China. The decrease in retail sales for Mainland China was mainly due to the close of shops and counters and a decline in same-store growth in Mainland China.

As at 30 June 2019, the Group had 9 points-of-sale in Hong Kong, 2 points-of-sale in Macau and 379 points-of-sale in Mainland China under the brand name "3D-GOLD." Of the points-of-sale in Mainland China, 84 are self-operated points-of-sale and 295 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, with some of the lease arrangements committed to paying either minimum guaranteed amounts or monthly payments in the amounts equivalent to a certain prescribed percentage of monthly sales as rental payments, whichever is higher. Management is currently engaged in negotiations with individual landlords to maintain the effective rentals at a reasonable level.

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

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

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

– "Spellbound" Collection

– "Starry Shimmer" Collection

– Pure Gold Chinese Zodiac Collection

– "Love Rhythm" Collection

– "K•LOVE" Collection

– "Love Lane" Collection

– Pure Gold Wedding Collection

– "Precious Dear" Collection

– "Golden Allure" Collection

– "Peter Rabbit™" Collection

– Classic Gold Collection

– Wedding Collection

– "Golden Allure GA" 5G Collection

Marketing and Promotion

The Group strongly believes in the value of a quality brand. The Group continues to promote the "3DG Jewellery" brand through a comprehensive marketing programme. Some of Group's marketing programme include:

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

– Being the scepter and crown sponsor of "Miss Chinese International Pageant 2019" for the 9th consecutive year, with a presentation ceremony has been held in the Tsim Sha Tsui shop of Hong Kong;

– Organized a "2019 Spring Brand Licensee Business Seminar" in Shenzhen of PRC;

– Organized a "3DG Jewellery x Peter Rabbit™ Roadshow" in Tuen Mun of Hong Kong

Awards and Achievements

The Group has also achieved industry awards as recognition for brand excellence and for its efforts in promoting service excellence in the jewellery retail sector.

– "Q-Mark Service Elite 2018" by Hong Kong Q-Mark Council

– "TVB Weekly Brand Award 2018" by TVB Weekly

– "Elite Jewellery Brand Awards 2018" by Ming Pao Weekly

– "OL Favourite Brands Award" by JESSICA

– Voted by the netizens as "Excellent Integrity Brand" and "Excellent After-sales Services Brand" in the 4th "Top 5 Chinese Jewellery Brands" which was launched by www.wto168.net in conjunction with more than 100 social media companies

– "2018 Hong Kong Awards for Environmental Excellence (HKAEE) – Certificate of Merit (Shops and Retailers Sector)" by the Environmental Campaign Committee and the Environmental Protection Department

– "Best Label Award 2018/2019 – Best Jewelry" by Marie Claire

– "2019 Outstanding QTS Merchant – Gold Award (Jewellery & Watches)" by Hong Kong Tourism Board

OUTLOOK

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

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

USE OF PROCEEDS FROM PLACING OF NEW SHARES

The Company has received net proceeds of approximately HK$52 million in connection with the placing of new shares and subscription of new shares completed on 18 July 2018, 30 July 2018 and 18 June 2019. A summary of the utilization of the net proceeds as at 30 June 2019 is set forth below.

	Amount of net proceeds intended to be allocated *HK$* *(approximately)*	**Actual utilized amount as of 30 June 2019** *HK$* *(approximately)*	**Unutilized amount as of 30 June 2019** *HK$* *(approximately)*
Intended use disclosed in the Company's announcement dated 8 June 2018			
General working capital	15,200,000	15,200,000	–
Intended use disclosed in the Company's announcement dated 20 July 2018			
General working capital	11,700,000	11,700,000	–
Intended use disclosed in the Company's announcement dated 29 May 2019			
Repayment of indebtedness/general working capital	25,100,000	1,300,000	23,800,000
	52,000,000	28,200,000	23,800,000

INVESTOR RELATIONS

The Group highly values its relationships with investors. Committed to maintaining close ties to professionals from the asset management community, the Group has heightened the transparency of its operations, and has through open and effective communication, enabled investors and the investment community to better understand its management philosophy and long-term development plans.

The Group welcomes and treasures investors' comments as they can provide a means to strengthen its value to shareholders. The Group resolves to continue its efforts to create value for investors.

OTHERS

Liquidity and Financial Resources

The Group centralises funding for all its operations through the corporate treasury based in Hong Kong. As at 30 June 2019, the Group had total cash and cash equivalents amounting to HK$1,074 million (30 June 2018: HK$799 million) whilst total deficit were HK$9 million (30 June 2018: total equity of HK$197 million). The Group's net borrowing as at 30 June 2019 was HK$995 million (30 June 2018: HK$894 million), being total borrowing of HK$2,069 million (30 June 2018: HK$1,693 million) less pledged bank deposits and bank balances and cash of HK$1,074 million (30 June 2018: HK$799 million). After taking into account the gold inventories of HK$356 million (30 June 2018: HK$386 million), the Group's net borrowing as at 30 June 2019 was HK$639 million (30 June 2018: HK$508 million), being total borrowing less pledged bank deposits, bank balances and cash and gold inventories. As at 30 June 2019, the Group has unutilised revolving banking facilities of HK$296 million (30 June 2018: nil).

Capital Commitments

Capital commitments of the Group as at 30 June 2019 are set out in note 16.

Pledged Assets and Contingent Liabilities

Pledged assets of the Group as at 30 June 2019 are set out in note 17. The Group did not have any material contingent liabilities as at 30 June 2019.

Event after the reporting period

The Group had the following events after the end of the reporting period:

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

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

On 28 November 2019, the Company received a winding-up petition filed by the non-controlling shareholder of a subsidiary against the Company in the Supreme Court of Bermuda (the "Supreme Court") (the "Bermuda Petition"). On 17 January 2020, The Supreme Court made an order whereby the hearing for Bermuda Petition be adjourned to 21 February 2020. Application of further adjournment of the hearing for Bermuda Petition is proceeding as at the date these consolidated financial statements are authorised for issue.

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

(b) On 8 December 2019, the Company entered into a loan agreement with Mr. Li Ning, a substantial shareholder of the Company, pursuant to which Mr. Li Ning has agreed to lend an unsecured term loan in the principal amount of HK$59,000,000 for a term of 3 months at an interest rate of 8% per annum. The unsecured term loan was fully settled by February 2020.

(c) On 16 January 2020, the Group issued convertible bonds with a principal amount of HK$121,950,000 to an independent third party, which will be due in year of 2022 and at an interest rate of 4% per annum.

(d) Due to the outbreak of the Novel Coronavirus ("COVID-19") in early 2020 as well as subsequent quarantine measures and travel restrictions imposed by the government authorities in Hong Kong and Mainland China, various retail shops and counters in Hong Kong and Mainland China have temporarily suspended the operations. Even though certain retail shops and counters have resumed their operations, they are still not yet operating at their normal capacity. The Group will closely monitor the development of COVID-19 and ensure resumption of full operation of its retail operations as soon as possible in light of safety and to the practicable extent. With all the increased uncertainties prompted by the outbreak of COVID-19, the impact on the Group's financial positions and operating results could not be reasonably estimated as at the date these consolidated financial statements are authorised for issue.

Financial Risk and Exposure

The Group did not have any outstanding material foreign exchange contracts, interest or currency swaps, or other financial derivatives as at 30 June 2019.

Employees and Remuneration Policy

As at 30 June 2019, the Group had 1,321 employees (2018: 1,456). The Group's remuneration policy is periodically reviewed by the Remuneration Committee and the Board. Remuneration is determined by reference to market conditions, company performance, and individual qualifications and performance.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

COMPLIANCE WITH THE CODE PROVISIONS ON CORPORATE GOVERNANCE CODE

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

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

CG Code A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Xu Zhigang, a former executive Director and chief executive officer, has assumed the role of chairman of the Board. On 12 June 2019, Mr. Li Ning is appointed as an executive Director and chairman of the Board to provide strong leadership and ensure the execution of the Group's strategies and policies. After the resignation of Mr. Xu Zhigang as chief executive officer on 4 October 2019, Mr. Li Ning has been assuming the role of chief executive officer. The Board is of the view that currently vesting the roles of chairman and chief executive in Mr. Li Ning provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long term business strategies.

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

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

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 Year.

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. The Group's consolidated financial statements for the year ended 30 June 2019 have been reviewed by the Audit Committee and audited by the Company's external auditor Deloitte Touche Tohmatsu. As at the date of this announcement, the Audit Committee comprises three independent non-executive directors, namely, Dr. Loke Yu alias Loke Hoi Lam, Mr. Xu Xiaoping and Mr. Fan, Anthony Ren Da.

PUBLICATION OF ANNUAL RESULTS AND DESPATCH OF ANNUAL REPORT

This results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the Company (www.hkrh.hk). The annual report 2019 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and available on the above websites in due course.

CONTINUED SUSPENSION OF TRADING IN THE SHARES

At the request of the Company, trading in the shares of the Company on the Stock Exchange had been suspended since 9:00 a.m. on 30 September 2019 and will remain suspended until further notice.

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

Hong Kong, 11 March 2020

As at the date of this announcement, the Board comprises Mr. Li Ning (Chairman), Ms. Dai Wei and Mr. Hu Hongwei as executive directors, and Dr. Loke Yu alias Loke Hoi Lam, Mr. Xu Xiaoping and Mr. Fan, Anthony Ren Da as independent non-executive directors.