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## 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 2020

The board of directors (the “**Board**”) of Hong Kong Resources Holdings Company Limited (the “**Company**”) announces the consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 30 June 2020 (the “**Year**” or “**Year 2020**”).

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

	NOTES	2020 HK\$'000	2019 HK\$'000
Revenue			
Goods and services		804,863	1,447,912
Interest		–	13,041
		<hr/>	<hr/>
Total revenue	3(a)	804,863	1,460,953
Cost of sales		(526,944)	(1,054,507)
		<hr/>	<hr/>
Gross profit		277,919	406,446
Other income		17,568	8,881
Selling expenses		(241,436)	(359,077)
General and administrative expenses		(83,432)	(93,563)
Other gains and losses		(21,951)	(11,392)
Change in fair value of derivatives embedded in convertible bonds		19,681	385
Gain on conversion of convertible bonds		14,239	–
Impairment loss on property, plant and equipment		–	(3,782)

	<i>NOTES</i>	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
Reversal of impairment loss/(impairment loss) on loan receivables and relevant interest receivables recognised under expected credit loss model		<b>291</b>	(85,958)
Reversal of impairment loss/(impairment loss) on trade receivables recognised under expected credit loss model		<b>6,370</b>	(4,690)
Finance costs	4	<b>(81,660)</b>	(79,341)
Loss before taxation	5	<b>(92,411)</b>	(222,091)
Income tax expense	6	<b>(26,655)</b>	(8,788)
Loss for the year		<b>(119,066)</b>	(230,879)
Other comprehensive income/(expense)			
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange difference arising on translation		<b>12,686</b>	(3,935)
Fair value loss of equity instruments at fair value through other comprehensive income (“FVTOCI”)		<b>(1,577)</b>	(3,876)
		<b>11,109</b>	(7,811)
<i>Items that will be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		<b>(23,342)</b>	(15,122)
		<b>(23,342)</b>	(15,122)
Other comprehensive expense for the year		<b>(12,233)</b>	(22,933)
Total comprehensive expense for the year		<b>(131,299)</b>	(253,812)
Loss for the year attributable to:			
Owners of the Company		<b>(62,721)</b>	(181,414)
Non-controlling interests		<b>(56,345)</b>	(49,465)
		<b>(119,066)</b>	(230,879)
Total comprehensive expense for the year attributable to:			
Owners of the Company		<b>(66,660)</b>	(196,060)
Non-controlling		<b>(64,639)</b>	(57,752)
		<b>(131,299)</b>	(253,812)
Loss per ordinary share			
Basic	8	<b>(HK\$0.049)</b>	(HK\$0.171)
Diluted	8	<b>(HK\$0.055)</b>	(HK\$0.171)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	<i>NOTES</i>	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		29,943	51,806
Right-of-use assets		24,561	–
Deposits paid		1,844	8,375
Intangible assets		169,144	169,144
Interest in a joint venture		–	–
Equity instruments at FVTOCI		2,007	3,584
Deferred tax assets		7,379	11,857
		<u>234,878</u>	<u>244,766</u>
<b>Current assets</b>			
Inventories		635,536	857,389
Right to returned goods asset		951	2,950
Trade and other receivables and deposits paid	9	109,298	166,643
Loan receivables		–	–
Income tax recoverable		4,490	2,590
Pledged bank deposits		767,778	941,388
Bank balances and cash		110,810	132,755
		<u>1,628,863</u>	<u>2,103,715</u>
<b>Current liabilities</b>			
Trade and other payables, accruals and deposits received	10	161,206	218,065
Bank and other borrowings		1,535,400	1,891,892
Contract liabilities		14,516	23,249
Refund liabilities		2,834	4,782
Lease liabilities		20,653	–
Loans from a non-controlling shareholder of a subsidiary		27,000	57,080
Derivative component of convertible bonds		11,314	–
Income tax liabilities		1,795	544
		<u>1,774,718</u>	<u>2,195,612</u>
<b>Net current liabilities</b>		<u>(145,855)</u>	<u>(91,897)</u>
<b>Total assets less current liabilities</b>		<u>89,023</u>	<u>152,869</u>

	<b>2020</b>	2019
<i>NOTES</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Non-current liabilities</b>		
Convertible bonds	<b>59,134</b>	–
Bank and other borrowings	–	20,000
Lease liabilities	<b>4,068</b>	–
Loans from a non-controlling shareholder of a subsidiary	<b>100,000</b>	100,000
Deferred tax liabilities	<b>45,267</b>	42,016
	<u><b>208,469</b></u>	<u>162,016</u>
<b>Net liabilities</b>	<u><b>(119,446)</b></u>	<u>(9,147)</u>
<b>Capital and reserves</b>		
Share capital	<b>61,868</b>	50,668
Reserves	<b>(113,663)</b>	(56,803)
	<u>(51,795)</u>	<u>(6,135)</u>
Deficit attributable to owners of the Company	<b>(51,795)</b>	(6,135)
Non-controlling interests	<b>(67,651)</b>	(3,012)
	<u>(119,446)</u>	<u>(9,147)</u>
<b>TOTAL DEFICIT</b>	<u><b>(119,446)</b></u>	<u>(9,147)</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 1. GOING CONCERN BASIS

The Group incurred a net loss of approximately HK\$119,066,000 during the year ended 30 June 2020 and as at that date, the Group had net current liabilities and net liabilities of approximately HK\$145,855,000 and HK\$119,446,000 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 30 June 2020 after taking into consideration of the following:

- i) On 22 July 2020, the Company repaid the loan principal of HK\$27,000,000 and the relevant accrued interest to Luk Fook 3D Management Company Limited ("Luk Fook 3D"), a non-controlling shareholder of a subsidiary. Luk Fook 3D signed a deed of release in favour of the Company, pursuant to which Luk Fook 3D has released and discharged the Company from all of its liabilities and obligations owing to Luk Fook 3D under the convertible bonds due in 2019 ("CB 2019").
- ii) On 22 July 2020, the Company obtained a loan of HK\$27,000,000 from a non-controlling shareholder of a subsidiary, which was unsecured, interest bearing of 18% per annum and repayable on 22 July 2021.
- iii) On 23 September 2020, one of the creditors of the Group had confirmed that the repayment of the amounts due by the Group of approximately HK\$20,000,000 shall be extended from 12 November 2020 to 12 July 2021.
- iv) On 22 September 2020, the holder of convertible bonds due in 2023 ("CB 2023") had confirmed that the first repayment date regarding the interests of CB 2023 shall be extended from 16 January 2021 to 15 July 2021.
- v) 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 consolidated financial statements on a going concern basis.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("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 Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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

In addition, the Group has early applied Amendment to HKFRS 16 “Covid-19-Related Rent Concessions”, which will be mandatorily effective for annual periods beginning on or after 1 June 2020, with earlier application is permitted.

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

### ***HKFRS 16, Leases***

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

#### *Definition of a lease*

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

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

#### *As a lessee*

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 July 2019.

As at 1 July 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

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

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and
- v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group’s leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied by the relevant group entities was approximately 8%.

	<b>At 1 July 2019</b> <i>HK\$'000</i>
Operating lease commitments disclosed as at 30 June 2019	72,240
Less: Practical expedient – Leases with remaining lease term ending on or before 30 June 2020	<u>(14,334)</u>
Operating lease commitments before discounting as at 30 June 2019	57,906
Less: Total future interest expenses	<u>(5,382)</u>
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 July 2019	<u><u>52,524</u></u>
Analysed as:	
Current	29,933
Non-current	<u>22,591</u>
	<u><u>52,524</u></u>

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

	<b>Right-of-use assets</b> <i>HK\$'000</i>
Rights-of-use assets relating to operating leases recognised upon application of HKFRS 16	52,524
Adjustments on rental deposits paid at 1 July 2019 (note (a))	<u>984</u>
	<u><u>53,508</u></u>

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

		<b>Carrying amount previously reported at 30 June 2019 <i>HK\$'000</i></b>	<b>Adjustments <i>HK\$'000</i></b>	<b>Carrying amount under HKFRS 16 at 1 July 2019 <i>HK\$'000</i></b>
Right-of-use assets		–	53,508	53,508
Deposits paid	<i>Note (a)</i>	8,375	(984)	7,391
<b>Total of non-current assets</b>		244,766	52,524	297,290
Lease liabilities		–	29,933	29,933
<b>Total of current liabilities</b>		2,195,612	29,933	2,225,545
<b>Net current liabilities</b>		91,897	29,933	121,830
<b>Total assets less current liabilities</b>		152,869	22,591	175,460
Leases liabilities		–	22,591	22,591
<b>Total of non-current liabilities</b>		162,016	22,591	184,607
<b>Net liabilities</b>		<u>9,147</u>	<u>–</u>	<u>9,147</u>

*Note:*

- (a) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK\$984,000 was adjusted to refundable rental deposits paid and right-of-use assets.
- (b) In view of temporary differences relating to right-of-use assets and lease liabilities are insignificant as at 1 July 2019, no deferred taxation is recognised in the consolidated financial statements upon application of HKFRS 16.
- (c) For the purpose of reporting cash flows from operating activities under indirect method for the year ended 30 June 2020, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 July 2019 as disclosed above.



## ***Amendment to HKFRS 16, Covid-19-Related Rent Concessions***

### *Covid-19-related rent concessions*

Rent concessions relating to lease contracts that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 “Leases” if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

### *Transition and summary of effects*

The Group has early applied the amendment in the current year. The application has no impact to the opening accumulated losses at 1 July 2019. The Group recognised changes in lease payments that resulted from rent concessions of HK\$5,121,000 in the profit or loss for the current year.

## ***Amendments to HKFRSs Annual Improvements to HKFRSs 2015-2017 Cycle***

The annual improvement packages amended the following four standards.

### *HKAS 12 Income Taxes*

The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

### *HKAS 23 Borrowing Costs*

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

### *HKFRS 3 Business Combinations*

The amendments clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest in the joint operation at fair value. The previously held interest to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

## *HKFRS 11 Joint Arrangements*

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its previously held interest in the joint operation. Such adoption does not have any material impact on the consolidated financial position and the financial result of the Group.

### **New and amendments to HKFRSs in issue but not yet effective**

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

HKFRS 17	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 3	Definition of a Business <sup>2</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>5</sup>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>4</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current <sup>6</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended use <sup>5</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>5</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>2</sup> Effective for business combinations and asset acquisition for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2020.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2023.

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.

Expect for the new and amendments to HKFRSs 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.

### ***Amendments to HKAS 1 and HKAS 8 Definition of Material***

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgements. In particular, the amendments:

- include the concept of “obscuring” material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from “could influence” to “could reasonably be expected to influence”; and

- include the use of the phrase “primary users” rather than simply referring to “users” which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group’s annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

***Conceptual framework for financial reporting 2018 (the “New Framework”) and the amendments to references to the conceptual framework in HKFRS Standards***

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual period beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

### 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	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Retail sales of goods	529,228	784,454	213,248	450,364	-	-	-	-	742,476	1,234,818
Wholesales of goods	-	-	-	-	-	138,163	-	-	-	138,163
Franchising and licensing income	53,648	71,477	-	-	-	-	-	-	53,648	71,477
Sub-contracting service fee income	-	-	-	-	-	3,454	-	-	-	3,454
Trading of computer products	-	-	-	-	-	-	8,739	-	8,739	-
Goods and services	582,876	855,931	213,248	450,364	-	141,617	8,739	-	804,863	1,447,912
Interest ( <i>Note</i> )	-	-	-	-	-	-	-	13,041	-	13,041
	<b>582,876</b>	<b>855,931</b>	<b>213,248</b>	<b>450,364</b>	<b>-</b>	<b>141,617</b>	<b>8,739</b>	<b>13,041</b>	<b>804,863</b>	<b>1,460,953</b>

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

Disaggregation of revenue for the year ended 30 June 2020

	<b>Retail sales and franchising operations for selling gold and jewellery products in Mainland China HK\$'000</b>	<b>Retail sales operations for selling gold and jewellery products in Hong Kong and Macau HK\$'000</b>	<b>Wholesales and sub- contracting operations for gold and jewellery products in Mainland China HK\$'000</b>	<b>Others HK\$'000</b>	<b>Total HK\$'000</b>
Geographical markets					
– Mainland China	582,876	–	–	8,739	591,615
– Hong Kong and Macau	–	213,248	–	–	213,248
	<u>582,876</u>	<u>213,248</u>	<u>–</u>	<u>8,739</u>	<u>804,863</u>
Timing of revenue recognition					
– A point in time	529,228	213,248	–	8,739	751,215
– Over time	53,648	–	–	–	53,648
	<u>582,876</u>	<u>213,248</u>	<u>–</u>	<u>8,739</u>	<u>804,863</u>

Disaggregation of revenue for the year ended 30 June 2019

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

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

**(b) Segment information**

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

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

- a. Retail 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.

**Segment revenues and results**

**For the year ended 30 June 2020**

	Reportable segments			Total HK\$'000	Others (Note) HK\$'000	Consolidated HK\$'000
	Retail sales and franchising operations for gold and jewellery products in Mainland China HK\$'000	Retail sales operations for gold and jewellery products in Hong Kong and Macau HK\$'000	Wholesales and sub- contracting operations for gold and jewellery products in Mainland China HK\$'000			
<b>REVENUE</b>						
External sales	<u>582,876</u>	<u>213,248</u>	<u>–</u>	<u>796,124</u>	<u>8,739</u>	<u>804,863</u>
<b>RESULT</b>						
Segment results	<u>60,141</u>	<u>(24,366)</u>	<u>1,736</u>	<u>37,511</u>	<u>(829)</u>	<u>36,682</u>
Unallocated other income						9,874
Unallocated corporate staff and directors' salaries						(29,788)
Other unallocated corporate expenses						(21,047)
Advertising, promotion and business development expenses						(22,926)
Gain on conversion of convertible bonds						14,239
Change in fair value of derivatives embedded in convertible bonds						19,681
Exchange loss, net						(20,223)
Unallocated finance costs						<u>(78,903)</u>
Loss before taxation						(92,411)
Income tax expense						<u>(26,655)</u>
Loss for the year						<u><u>(119,066)</u></u>

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

For the year ended 30 June 2019

	Reportable segments			Total HK\$'000	Others (Note) HK\$'000	Consolidated HK\$'000
	Retail sales and franchising operations for gold and jewellery products in Mainland China HK\$'000	Retail sales operations for gold and jewellery products in Hong Kong and Macau HK\$'000	Wholesales and sub-contracting operations for gold and jewellery products in Mainland China HK\$'000			
<b>REVENUE</b>						
External sales	<u>855,931</u>	<u>450,364</u>	<u>141,617</u>	<u>1,447,912</u>	<u>13,041</u>	<u>1,460,953</u>
<b>RESULT</b>						
Segment results	<u>40,052</u>	<u>(3,158)</u>	<u>(17,881)</u>	<u>19,013</u>	<u>(74,464)</u>	<u>(55,451)</u>
Unallocated 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-back of amount due to a joint venture						11
Unallocated finance costs						<u>(79,341)</u>
Loss before taxation						(222,091)
Income tax expense						<u>(8,788)</u>
Loss for the year						<u><u>(230,879)</u></u>

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



The Group has initially applied HKFRS 16 at 1 July 2019 using modified retrospective approach. Under this approach, comparative information is not restated (see note 2).

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

#### 4. FINANCE COSTS

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Interests on:		
Bank and other borrowings	<b>68,745</b>	69,845
Loans from a non-controlling shareholder of a subsidiary	<b>3,550</b>	544
Lease liabilities	<b>3,027</b>	–
Effective interest on convertible bonds	<b>6,338</b>	8,952
	<hr/>	<hr/>
Total interest expense on financial liabilities not at fair value through profit or loss	<b>81,660</b>	79,341
	<hr/> <hr/>	<hr/> <hr/>

The Group has initially applied HKFRS 16 at 1 July 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. For the details, please refer to note 2.

#### 5. LOSS BEFORE TAXATION

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

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Auditor's remuneration	<b>1,950</b>	2,743
Cost of inventories recognised as an expense	<b>527,427</b>	1,054,221
Depreciation of property, plant and equipment	<b>21,111</b>	24,063
Depreciation of right-of-use assets	<b>30,621</b>	–
(Reversal of allowance)/allowance of inventories (included in cost of sales)	<b>(483)</b>	286
	<hr/> <hr/>	<hr/> <hr/>

## 6. INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax:		
PRC Enterprise Income Tax	2,268	2,986
PRC Withholding Tax	16,658	–
	<u>18,926</u>	<u>2,986</u>
Deferred taxation	<u>7,729</u>	<u>5,802</u>
	<u><u>26,655</u></u>	<u><u>8,788</u></u>

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 years 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 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% (or 5% to certain subsidiaries of the Company) shall be levied on the dividends declared by the companies established in the PRC to their foreign investors out of their profits earned after 1 January 2008.

## 7. DIVIDENDS

No dividend was paid or proposed for both years ended 30 June 2020 and 2019, nor has any dividend been proposed since the end of the reporting period.

## 8. LOSS PER ORDINARY SHARE

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Loss:		
Loss for the year attributable to owners of the Company for the purposes of basic loss per ordinary share	<b>(62,721)</b>	(181,414)
Effect of dilutive potential ordinary shares:		
– Effective interest on CB 2023	<b>6,338</b>	-
– Change in fair value of derivatives embedded in CB 2023	<b>(19,681)</b>	-
– Gain on conversion of CB 2023	<b>(14,239)</b>	-
	<u>                    </u>	<u>                    </u>
Loss for the year attributable to owners of the Company for the purposes of diluted loss per ordinary share	<b><u>(90,303)</u></b>	<b><u>(181,414)</u></b>
	<b>2020</b>	2019
	<b>'000</b>	<b>'000</b>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic loss per ordinary share (Note)	<b>1,278,956</b>	1,057,937
Effect of dilutive potential ordinary shares:		
CB 2023	<b>358,719</b>	-
	<u>                    </u>	<u>                    </u>
Weighted average number of ordinary shares for the purpose of diluted loss per ordinary share	<b><u>1,637,675</u></b>	<b><u>1,057,937</u></b>

### Note:

For the year ended 30 June 2020, the computation of diluted loss per ordinary share did not assume the exercise of share options because their exercise price is higher than the average share price.

For the year ended 30 June 2019, the computation of diluted loss per ordinary share did not assume the exercise of share options because their exercise price is higher than the average share price, and the conversion of CB 2019 since their conversion would result in a decrease in loss per ordinary share.

## 9. TRADE AND OTHER RECEIVABLES AND DEPOSITS PAID

The Group generally allows a credit period up to 90 days (2019: up to 90 days) to its debtors.

Included in trade and other receivables and deposits paid are trade receivables, net of allowance for credit losses, of HK\$36,354,000 (2019: HK\$83,110,000) and an aged analysis based on invoice date at the end of the reporting period, is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0-30 days	34,891	50,366
31-60 days	1,244	5,082
61-90 days	15	28
Over 90 days	204	27,634
	<u>36,354</u>	<u>83,110</u>

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

Included in trade and other payables, accruals and deposits received are trade payables of HK\$14,211,000 (2019: HK\$37,839,000) and an aged analysis based on the invoice date at the end of the reporting period is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0-30 days	13,981	33,428
31-60 days	107	2,808
61-90 days	–	472
Over 90 days	123	1,131
	<u>14,211</u>	<u>37,839</u>

## 11. CAPITAL COMMITMENTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements	–	367
	<u>–</u>	<u>367</u>

## 12. PLEDGE OF ASSETS

As at 30 June 2020, the Group's bank deposits with carrying amounts of HK\$767,778,000 (2019: HK\$941,388,000) 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 2020.

### **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 2020, 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**

The predecessor auditor, who was engaged to audit the consolidated financial statements of the Group for the year ended 30 June 2019, had issued its report dated 11 March 2020 which expressed a qualified opinion due to various limitations in evidence available to it regarding the loan receivables amounting to HK\$74,400,000 and the respective interest receivables amounting to HK\$11,558,000 as at 30 June 2019. Details of the limitations and development up to the date of this report are described in note 22 to the consolidated financial statements.

Since opening balances of assets and liabilities of the Group entered into the determination of the financial performance and cash flows of the Group for the year ended 30 June 2020, we were unable to determine whether adjustments might have been necessary in respect of the financial performance of the Group for the year ended 30 June 2020 reported in the consolidated statement of profit or loss and other comprehensive income and the net cash flows from or used in operating activities for the year ended 30 June 2020 reported in the consolidated statement of cash flows. Any adjustments found to be necessary would have a consequential impact on the Group’s net liabilities as at 30 June 2020 and the Group’s loss for the year then ended.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) 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.

## 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.

The Year under review has been tough for the Group. The COVID-19 spreading worldwide since the turn of the year 2020 hit the global economy hard, the likes of which the world has never seen. Consumer confidence and spending took a dive to the lowest depths seen in the retail industry. Coupled with trade frictions between China and the United States and social unrest in Hong Kong since June of 2019, Hong Kong's retail market experienced unprecedented challenges. Amid this difficult business environment, the Group recorded a decline in overall same-store growth of 32%.

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

### FINANCIAL REVIEW

The Group recorded a total turnover of approximately HK\$805 million for the Year, representing a decrease of 45% as compared to the turnover of approximately HK\$1,461 million for the same period last year ("**Last Year**"). The loss for the Year attributable to the owners was approximately HK\$63 million compared to approximately HK\$181 million Last Year, representing a decrease of 65%. Excluding the positive change in fair value of derivatives embedded in convertible bonds of HK\$20 million and gain on conversion of convertible bonds of HK\$14 million this Year and the one-off impairment loss on loan and interests receivable of HK\$86 million Last Year, the loss attributable to the owners increased by 2%, from HK\$95 million Last Year to HK\$97 million this Year.

Retailing of gold and jewellery products accounted for 92% (2019: 85%) of total turnover. The retail revenue was approximately HK\$742 million for the Year, representing a 40% decrease from approximately HK\$1,235 million Last Year. Mainland China continued to be the Group's major market, contributing 71% (2019: 64%) of retail sales for the Year. The retail revenue from Mainland China dropped by 33% to HK\$529 million for the Year from HK\$784 million Last Year. The Group's retail revenue from Hong Kong and Macau market was approximately HK\$213 million for the Year, representing a 53% decrease from HK\$450 million Last Year. The Group recorded a decline in overall same-store growth of 32% (2019: decline of 3%), of which same-store growth in Mainland China was a decline of 28% (2019: decline of 3%) and in Hong Kong and Macau was a decline of 42% (2019: decline of 9%).

The Group's selling and distribution expenses decreased to HK\$241 million (2019: HK\$359 million), whereas the percentage to total turnover increased to 30% (2019: 25%) this Year. Payment of lease liabilities amounted to HK\$72 million (2019: HK\$126 million). The percentage to turnover remained at a relatively low level. The Group has negotiated with landlords for rental relief or reductions in this difficult economic environment.

The Group has successfully implemented various cost control measures. General and administrative expenses have decreased by HK\$11 million to HK\$83 million (2019: HK\$94 million).

The Group's other gains and losses increased from a negative of HK\$11 million Last Year to a negative of HK\$22 million for the Year. Included in other gains and losses are exchange loss of HK\$20 million for the Year.

## **FINAL DIVIDENDS**

The Board has resolved not to declare any final dividend in respect of the year ended 30 June 2020 to the holders of ordinary shares of the Company.

## **BUSINESS REVIEW**

### **Retail business**

Overall revenue from the retail business was approximately HK\$213 million (2019: HK\$450 million) for Hong Kong and Macau and HK\$529 million (2019: HK\$784 million) for Mainland China.

As at 30 June 2020, the Group had 6 points-of-sale in Hong Kong, 1 points-of-sale in Macau and 358 points-of-sale in Mainland China under the brand name "3D-GOLD." Of the points-of-sale in Mainland China, 65 are self-operated points-of-sale and 293 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.

### **Wholesale and sub-contracting business**

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

### **Products and Design**

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

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

- “Love Lane” Collection
- “Love Rhythm” Collection
- “Starry Shimmer” Collection
- Pure Gold Chinese Zodiac Collection
- Classic Gold Collection
- “Peter Rabbit™” Collection
- “Cool Love” Collection
- Wedding 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 “Golden Allure GA New Product Launch” in Shenzhen of PRC

## **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.

- “Charter on External Lighting – Gold Award” by the Environment Bureau
- “Q-Mark Service Elite 2019” by Hong Kong Q-Mark Council
- “Elite Jewellery Brand Awards 2019” by Ming Pao Weekly

## **OUTLOOK**

The outbreak of COVID-19 since early this year is undoubtedly a blow for vulnerable businesses, in particular, retail. The trade disputes between China and the United States and social unrest in Hong Kong, which has also undermined the local economy and consumer sentiment. The Group foresees that the social and economic activities would not be able to resume to normal within a short period of time, and the requisite time for the full economy recovery of the world would remain to be seen. In respond to this challenging business environment, the Group will continue to put in place more effective cost saving measures and will also actively adjust its business strategies so as to enhance its operating efficiency.

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

## FUNDS RAISING AND USE OF PROCEEDS

- (a) The Company has received net proceeds of approximately HK\$121.6 million in connection with the subscription of convertible bonds completed on 16 January 2020. A summary of the utilization of the net proceeds as at 30 June 2020 is set forth below.

	Amount of net proceeds intended to be allocated <i>HK\$ million</i> (approximately)	Utilised net proceeds up to 27 April 2020 <i>HK\$ million</i> (approximately)	Unutilised net proceeds up to 27 April 2020 <i>HK\$ million</i> (approximately)	Revised allocation of unutilised net proceeds at 27 April 2020 <i>HK\$ million</i> (approximately)	Utilised net proceeds from 28 April 2020 to 30 June 2020 <i>HK\$ million</i> (approximately)	Unutilized amount as of 30 June 2020 <i>HK\$ million</i> (approximately)
Intended use disclosed in the Company's announcement dated 29 May 2019, 27 April 2020 and circular dated 17 July 2019						
Repayment of convertible bonds	57.0	(30.0)	27.0	27.0	0.0	27.0
Repayment of borrowings	32.0	(2.6)	29.4	0.0	0.0	0.0
Repayment of other indebtedness	25.0	(16.8)	8.2	8.2	(6.0)	2.2
General working capital	7.6	(7.6)	0.0	29.4	(29.4)	0.0
	<u>121.6</u>	<u>(57.0)</u>	<u>64.6</u>	<u>64.6</u>	<u>(35.4)</u>	<u>29.2</u>

## Expected completion timeline for utilizing the remaining net proceeds

For the unutilized net proceeds up to 30 June 2020, the Company intends to use them in the manner as described below. The expected completion timeline for utilizing the remaining unused net proceeds is set out below:

### Expected timeline for utilizing the remaining unused net proceeds

(Note)

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Repayment of convertible bonds	From 1 July 2020 to 30 June 2021
Repayment of indebtedness	From 1 July 2020 to 30 June 2021

*Note:* The net proceeds has been utilized as at the date of this announcement.

- (b) As at 30 June 2020, the Company has fully utilized the remaining balance of the net proceeds amounting to approximately of HK\$23,800,000 raised from subscription of new shares completed on 18 June 2019.

## 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 2020, the Group had total cash and cash equivalents amounting to HK\$879 million (2019: HK\$1,074 million) whilst total deficit were HK\$119 million (2019: total deficit were HK\$9 million). The Group's net borrowing as at 30 June 2020 was HK\$783 million (2019: HK\$995 million), being total borrowing of HK\$1,662 million (2019: HK\$2,069 million) less pledged bank deposits and bank balances and cash of HK\$879 million (2019: HK\$1,074 million). After taking into account the gold inventories of HK\$258 million (2019: HK\$356 million), the Group's net borrowing as at 30 June 2020 was HK\$525 million (2019: HK\$639 million), being total borrowing less pledged bank deposits, bank balances and cash and gold inventories. As at 30 June 2020, the Group has unutilised revolving banking facilities of HK\$640 million (2019: HK\$296 million).

## **Capital Commitments**

Capital commitments of the Group as at 30 June 2020 are set out in note 11.

## **Pledged Assets**

Pledged assets of the Group as at 30 June 2020 are set out in note 12.

## **Contingent Liabilities**

The Group did not have any material contingent liabilities as at 30 June 2020.

## **Litigation**

The Company received a winding-up petition filed by Luk Fook 3D Management Company Limited (“Luk Fook 3D”), a 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”) and a winding-up petition filed by Luk Fook 3D against the Company in the Supreme Court of Bermuda on 28 November 2019 (the “Bermuda Petition”). As at 30 June 2020, the Hong Kong Petition and the Bermuda Petition were not conclusive. In July 2020, the Company repaid the loan principal of HK\$27,000,000 and the relevant accrued interest to Luk Fook 3D. Luk Fook 3D signed a deed of release in favour of the Company, pursuant to which Luk Fook 3D has released and discharged the Company from all its liabilities and obligations owing to Luk Fook 3D under CB 2019. The Bermuda Petition has been withdrawn as at the date of this announcement.

## **Acquisition, Disposal and Significant Investments**

The Group did not have any significant investments, material acquisitions or disposals of assets, subsidiaries, associates or joint ventures during the year ended 30 June 2020.

## **Event after the reporting period**

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

- a) In July 2020, the Company repaid the loan principal of HK\$27,000,000 and the relevant accrued interest to Luk Fook 3D, a non-controlling shareholder of a subsidiary. Luk Fook 3D signed a deed of release in favour of the Company, pursuant to which Luk Fook 3D has released and discharged the Company from all its liabilities and obligations owing to Luk Fook 3D under CB 2019.
- b) On 22 July 2020, the Company obtained a loan of HK\$27,000,000 from a non-controlling shareholder of a subsidiary, which was unsecured, interest bearing of 18% per annum and repayable on 22 July 2021.

- c) On 23 September 2020, one of the creditors of the Group had confirmed that the repayment of the amounts due by the Group of approximately HK\$20,000,000 shall be extended from 12 November 2020 to 12 July 2021.
- d) On 22 September 2020, the holder of CB 2023 had confirmed that the first repayment date regarding the interests of CB 2023 shall be extended from 16 January 2021 to 15 July 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 30 June 2020.

### **Employees and Remuneration Policy**

As at 30 June 2020, the Group had 1,061 employees (2019: 1,321). The Group's remuneration policy is periodically reviewed by the Remuneration Committee and the Board. Remuneration is determined by reference to market conditions, company performance, and individual qualifications and performance.

### **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. 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.

## **APPOINTMENT OF NEW EXTERNAL AUDITOR**

The Group's consolidated financial statements for the years ended 30 June 2017, 30 June 2018 and 30 June 2019 were audited by Deloitte Touche Tohmatsu. Crowe (HK) CPA Limited was appointed as the external auditor of the Company to fill the vacancy following the retirement of Deloitte Touche Tohmatsu as the external auditor of the Company at the annual general meeting of the Company held on 23 June 2020. Save as disclosed, there were no other changes in the Company's external auditor in the past three years. The Group's consolidated financial statements for the year ended 30 June 2020 were audited by Crowe (HK) CPA Limited. A resolution will be proposed at the 2021 annual general meeting to re-appoint Crowe (HK) CPA Limited as the external auditor of the Company.

## **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 2020 have been reviewed by the Audit Committee and audited by the Company's independent auditor Crowe (HK) CPA Limited. 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](http://www.hkex.com.hk)) and the Company ([www.hkrh.hk](http://www.hkrh.hk)). The annual report 2020 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.

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

Hong Kong, 29 September 2020

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