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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

The board of directors (the "**Board**") of Hong Kong Resources Holdings Company Limited (the "**Company**") announces the unaudited interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 31 December 2019 (the "**Period**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2019

		Six months ended 31 December	
	Notes	**2019**	2018
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue			
Goods and services	*3*	**517,164**	775,630
Interest		**–**	5,695
Total revenue		**517,164**	781,325
Cost of sales		**(331,841)**	(586,334)
Gross profit		**185,323**	194,991
Other income		**6,194**	4,200
Selling expenses		**(143,457)**	(180,405)
General and administrative expenses		**(46,280)**	(47,562)
Other gains and losses		**(6,342)**	(10,825)
Change in fair value of derivatives embedded in convertible bonds		**–**	385
Reversal of impairment loss/(impairment loss) on trade and other receivables	*9*	**4,244**	(1,300)
Finance costs	*4*	**(43,147)**	(37,093)

	Notes	Six months ended 31 December **2019** ***HK$'000*** **(Unaudited)**	 2018 *HK$'000* (Unaudited)
Loss before taxation	*5*	**(43,465)**	(77,609)
Taxation	*6*	**(18,724)**	(1,891)
Loss for the period		**(62,189)**	(79,500)
Other comprehensive expense:			
Item that will not be reclassified to profit or loss:			
Exchange difference arising on translation		**575**	(4,431)
Fair value loss of equity instruments at fair value through other comprehensive income ("FVTOCI")		**(1,555)**	–
Items that may be reclassified subsequently to profit and loss:			
Exchange difference arising on translation of foreign operations		**(13,272)**	(15,674)
Fair value loss of equity instruments at fair value through other comprehensive income ("FVTOCI")		**–**	(2,726)
		(13,272)	(18,400)
Other comprehensive expense for the period		**(14,252)**	(22,831)
Total comprehensive expense for the period		**(76,441)**	(102,331)
Loss for the period attributable to:			
Owners of the Company		**(37,972)**	(48,271)
Non-controlling interests		**(24,217)**	(31,229)
		(62,189)	(79,500)
Total comprehensive expense for the period attributable to:			
Owners of the Company		**(46,623)**	(62,236)
Non-controlling interests		**(29,818)**	(40,095)
		(76,441)	(102,331)
Loss per ordinary share			
Basic and diluted	*8*	**(HK$0.030)**	(HK$0.046)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

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

	Notes	31 December 2019 HK$'000 (Unaudited)	30 June 2019 HK$'000 (Audited)
Net Current Liabilities		**(195,719)**	(91,897)
Total Assets Less Current Liabilities		**66,826**	152,869
Non-current Liabilities			
Bank and other borrowings		**–**	20,000
Lease liabilities		**10,398**	–
Loans from a non-controlling shareholder of a subsidiary	*13*	**100,000**	100,000
Deferred tax liabilities		**42,016**	42,016
		152,414	162,016
NET LIABILITIES		**(85,588)**	(9,147)
CAPITAL AND RESERVES			
Share capital	*15*	**50,668**	50,668
Reserves		**(103,426)**	(56,803)
Deficit attributable to owners of the Company		**(52,758)**	(6,135)
Non-controlling interests		**(32,830)**	(3,012)
TOTAL DEFICIT		**(85,588)**	(9,147)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

1. BASIS OF PREPARATION

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2019.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

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

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

2.1 Impacts and changes in accounting policies on application of HKFRS 16 "Leases" ("HKFRS 16")

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

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

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

Definition of a lease

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

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

As a lessee

Allocation of consideration to components of a contract

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

Short-term leases and leases of low-value assets

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

Right-of-use assets

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

The cost of right-of-use asset includes:

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

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

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

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

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

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

Lease modifications

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

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

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

Taxation

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

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

As a lessor

Allocation of consideration to components of a contract

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

Refundable rental deposits

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

Lease modification

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

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

Definition of a lease

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

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

As a lessee

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

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

i. relied on the assessment of whether leases are onerous by applying HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in the People's Republic of China and properties in Hong Kong was determined on a portfolio basis.

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

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

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

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

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

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

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

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

3. REVENUE AND SEGMENT INFORMATION

(a) Revenue

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

	Retail and franchising operations for selling gold and jewellery products in Mainland China		Retail operations for selling gold and jewellery products in Hong Kong and Macau		Wholesales and sub-contracting operations for gold and jewellery products in Mainland China		Others		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Retail sales of goods	**347,005**	382,056	**126,900**	241,789	**–**	–	**–**	–	**473,905**	623,845
Wholesales of goods	**–**	–	**–**	–	**–**	113,056	**–**	–	**–**	113,056
Franchise income	**3,572**	2,064	**–**	–	**–**	–	**–**	–	**3,572**	2,064
Licence income	**39,687**	35,000	**–**	–	**–**	–	**–**	–	**39,687**	35,000
Sub-contracting service fee income	**–**	–	**–**	–	**–**	1,665	**–**	–	**–**	1,665
Goods and services	**390,264**	419,120	**126,900**	241,789	**–**	114,721	**–**	–	**517,164**	775,630
Interest *(Note)*	**–**	–	**–**	–	**–**	–	**–**	5,695	**–**	5,695
	390,264	419,120	**126,900**	241,789	**–**	114,721	**–**	5,695	**517,164**	781,325

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

	Retail and franchising operations for selling gold and jewellery products in Mainland China		Retail operations for selling gold and jewellery products in Hong Kong and Macau		Wholesales and sub-contracting operations for gold and jewellery products in Mainland China		Others		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Geographical markets										
– Mainland China	**390,264**	419,120	**–**	–	**–**	114,721	**–**	–	**390,264**	533,841
– Hong Kong and Macau	**–**	–	**126,900**	241,789	**–**	–	**–**	5,695	**126,900**	247,484
	390,264	419,120	**126,900**	241,789	**–**	114,721	**–**	5,695	**517,164**	781,325
Timing of revenue recognition										
– A point in time	**347,005**	382,056	**126,900**	241,789	**–**	114,721	**–**	–	**473,905**	738,566
– Over time	**43,259**	37,064	**–**	–	**–**	–	**–**	–	**43,259**	37,064
	390,264	419,120	**126,900**	241,789	**–**	114,721	**–**	–	**517,164**	775,630
Interest *(Note)*	**–**	–	**–**	–	**–**	–	**–**	5,695	**–**	5,695
	390,264	419,120	**126,900**	241,789	**–**	114,721	**–**	5,695	**517,164**	781,325

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

(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.

For the six months ended 31 December 2019 (unaudited)

	Reportable segments					
	Retail and franchising operations for selling gold and jewellery products in Mainland China	Retail operations for selling gold and jewellery products in Hong Kong and Macau	Wholesales and sub-contracting operations for gold and jewellery products in Mainland China	Total	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE						
External sales	390,264	126,900	–	517,164	–	517,164
RESULT						
Segment results	42,626	(8,223)	1,848	36,251	(63)	36,188
Other income						6,194
Unallocated staff related expenses						(15,928)
Other unallocated corporate expenses						(6,825)
Advertising, promotion and business development expenses						(13,609)
Exchange loss, net						(6,338)
Finance costs						(43,147)
Loss before taxation						(43,465)
Taxation						(18,724)
Loss for the period						(62,189)

For the six months ended 31 December 2018 (unaudited)

	Reportable segments					
	Retail and franchising operations for selling gold and jewellery products in Mainland China	**Retail operations for selling gold and jewellery products in Hong Kong and Macau**	**Wholesales and sub-contracting operations for gold and jewellery products in Mainland China**	**Total**	**Others**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(Note)*	*HK$'000*
REVENUE						
External sales	419,120	241,789	114,721	775,630	5,695	781,325
RESULT						
Segment results	13,532	(5,893)	(1,491)	6,148	5,390	11,538
Other income						4,200
Unallocated staff related expenses						(16,259)
Other unallocated corporate expenses						(10,364)
Advertising, promotion and business development expenses						(19,607)
Change in fair value of derivatives embedded in convertible bonds						385
Exchange loss, net						(10,409)
Finance costs						(37,093)
Loss before taxation						(77,609)
Taxation						(1,891)
Loss for the period						(79,500)

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

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

4. FINANCE COSTS

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

5. LOSS BEFORE TAXATION

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

6. TAXATION

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

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

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

The two-tiered profits tax rates regime are applicable to subsidiaries subjected to Hong Kong Profit Tax for the period ended 31 December 2019.

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

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

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

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

7. DIVIDENDS

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

8. LOSS PER ORDINARY SHARE

	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per ordinary share	**(37,972)**	(48,271)
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per ordinary share	**1,266,716**	1,044,302

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

9. TRADE AND OTHER RECEIVABLES AND DEPOSITS PAID

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

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

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

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

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

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

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

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

10. EQUITY INSTRUMENTS AT FVTOCI

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

Note:

(a) The quoted equity investment is stated at its fair value, determined by reference to bid prices quoted in an active market. The management considered that the investment at the end of the reporting period is held for strategic purpose and is not to be disposed of in the foreseeable future. Impairment of HK$ nil (2018: HK$2,726,000) was provided under HKFRS 9 during the six months ended 31 December 2019 as the management considered that the decrease in fair value is significant and prolonged.

(b) The unquoted equity investments represented equity investments in private limited companies stated at their fair values, determined with reference to underlying assets and take into consideration of discount for lack of marketability and minority discount. Full impairment had been made in prior year.

11. LOAN RECEIVABLES

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

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

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

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

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

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

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

Included in franchisee guarantee deposits and other payables, accruals and other deposits as at 31 December 2019 are deposits received from and other payables to certain fellow subsidiaries of a non-controlling shareholder of a subsidiary amounting to HK$58,000 (30 June 2019: HK$244,000) and HK$1,368,000 (30 June 2019: HK$1,572,000) respectively.

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

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

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

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

As at 31 December 2019, the loan from a non-controlling shareholder of a subsidiary of HK$100,000,000 (30 June 2019: HK$100,000,000) is unsecured, interest-free and mutually agreed by the Group and the lender not to be repaid within one year after the end of the reporting period. Another loans from a non-controlling shareholder of a subsidiary of HK$57,080,000 (30 June 2019: HK$57,080,000) which is unsecured, interest bearing at 8% per annum and repayable within one year after the end of the reporting period.

14. LOAN FROM A SHAREHOLDER

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

15. SHARE CAPITAL

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

Notes:

(a) Pursuant to the resolution passed on 17 July 2018, the consolidation of every four issued and unissued ordinary shares of par value of HK$0.01 each in the share capital of the Company into one consolidated ordinary share of par value of HK$0.04 each in the share capital of the Company (the "Share Consolidation") became effective on 18 July 2018.

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

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

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

16. CAPITAL COMMITMENTS

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

17. PLEDGE OF ASSETS

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

OVERVIEW

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

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

FINANCIAL REVIEW

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

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

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

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

ENHANCED INTERNAL CONTROL MEASURES

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

INTERIM DIVIDENDS

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

BUSINESS REVIEW

Retail business

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

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

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

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

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

The opening, renewal and closing of the Group's points-of-sales in Hong Kong, Macau, and Mainland China will be reviewed continually to ensure consistence with its overall business plan and strategies. The Group's growth plans will be continuously adjusted, based on the financial returns, marketing benefits and strategic advantages. Prospectively, the Mainland China market will remain the key growth driver in the future.

Wholesale and sub-contracting business

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

Products and Design

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

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

– "Love Lane" Collection

– "Love Rhythm" Collection

– "Starry Shimmer" Collection

– "Pure Gold Chinese Zodiac" Collection

– "Cool Love" Collection

– "Classic Gold" Collection

Marketing and Promotion

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

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

– Organized a "New Product Launch of "Golden Allure GA" 5G Collection" in Shenzhen of PRC;

– Organized a "New Image Shop Opening Celebration" in Wuhan of PRC;

Awards and Achievements

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

– "Q-Mark Elite Brand Award 2019 (Jewellery & Watch)"

– "Charter on External Lighting – Gold Award"

OUTLOOK

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

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

OTHERS

Liquidity and Financial Resources

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

Capital Commitments

Capital commitments of the Group as at 31 December 2019 are set out in note 16.

Pledged Assets

Pledged assets of the Group as at 31 December 2019 are set out in note 17.

Material litigation

(a) Hong Kong Winding-up Petition

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

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

(b) Bermuda Winding-up Petition

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

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.

Event after the reporting period

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

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

Financial Risk and Exposure

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

Employees and Remuneration Policy

As at 31 December 2019, the Group had 1,178 employees (30 June 2019: 1,321). The Group's remuneration policy is periodically reviewed by the Remuneration Committee and the Board. Remuneration is determined by reference to market conditions, company performance, and individual qualifications and performance.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

COMPLIANCE WITH THE CODE PROVISIONS ON CORPORATE GOVERNANCE CODE

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

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

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

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

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim financial statements for the Period. The Group's unaudited interim financial statements for the period ended 31 December 2019 have been reviewed by the Audit Committee. As at the date of this 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 INTERIM RESULTS AND DESPATCH OF INTERIM 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 interim 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, 16 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.