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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

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 2021 (the “**Period**”) together with the comparative figures for the corresponding period in 2020. The interim results had not been reviewed or audited by the Company’s auditor, but had been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2021

| | | Six months ended | |
|---|--------------|-------------------------|--------------------|
| | | 31 December | |
| | <i>Notes</i> | 2021 | 2020 |
| | | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Unaudited) |
| Revenue | | | |
| Goods and services | 3 | 428,890 | 389,467 |
| Cost of sales and services rendered | | <u>(321,457)</u> | <u>(250,712)</u> |
| Gross profit | | 107,433 | 138,755 |
| Other income | | 2,717 | 14,508 |
| Selling expenses | | (107,894) | (106,633) |
| General and administrative expenses | | (39,558) | (36,103) |
| Other gains and losses | | 7,173 | 28,042 |
| Change in fair value of derivatives embedded in convertible bonds | | 2,982 | 8,775 |
| Loss on early redemption of convertible bonds | | (9,650) | – |
| Provision of impairment loss on trade and other receivables under expected credit loss model | | (213) | – |
| Finance costs | 4 | <u>(25,576)</u> | <u>(23,984)</u> |
| (Loss)/profit before taxation | 5 | (62,586) | 23,360 |
| Income tax credit/(expense) | 6 | <u>10,501</u> | <u>(3,036)</u> |
| (Loss)/profit for the period | | <u>(52,085)</u> | <u>20,324</u> |
| Other comprehensive (expense)/income: | | | |
| <i>Items that will not be reclassified to profit or loss:</i> | | | |
| Exchange difference arising on translation | | (8,000) | (34,721) |
| Fair value loss of equity instruments at fair value through other comprehensive income (“FVTOCI”) | | <u>–</u> | <u>(204)</u> |
| | | <u>(8,000)</u> | <u>(34,925)</u> |

| | | Six months ended | |
|---|------------------------|-------------------------|------------------|
| | | 31 December | |
| <i>Notes</i> | 2021 | 2020 | |
| | HK\$'000 | HK\$'000 | |
| | (Unaudited) | (Unaudited) | |
| <i>Item that will be reclassified subsequently to profit and loss:</i> | | | |
| Exchange difference arising on translation of foreign operations | <u>16,640</u> | <u>52,111</u> | |
| Other comprehensive income for the period | <u>8,640</u> | <u>17,186</u> | |
| Total comprehensive (expense)/income for the period | <u>(43,445)</u> | <u>37,510</u> | |
| <i>(Loss)/profit for the period attributable to:</i> | | | |
| Owners of the Company | (38,061) | 9,862 | |
| Non-controlling interests | <u>(14,024)</u> | <u>10,462</u> | |
| | <u>(52,085)</u> | <u>20,324</u> | |
| <i>Total comprehensive (expense)/income for the period attributable to:</i> | | | |
| Owners of the Company | (32,519) | 16,320 | |
| Non-controlling interests | <u>(10,926)</u> | <u>21,190</u> | |
| | <u>(43,445)</u> | <u>37,510</u> | |
| | | (Restated) | |
| <i>(Loss)/earnings per ordinary share</i> | | | |
| Basic | 8 | <u>(HK\$0.212)</u> | <u>HK\$0.064</u> |
| Diluted | 8 | <u>(HK\$0.212)</u> | <u>HK\$0.030</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

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

| | 31 December | 30 June |
|---|--------------------------------|--------------------------------|
| | 2021 | 2021 |
| <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Audited) |
| Total assets less current liabilities | <u>129,034</u> | <u>95,409</u> |
| Non-current liabilities | | |
| Convertible bonds | 85,346 | 71,917 |
| Lease liabilities | 9,236 | 3,095 |
| Loan from a non-controlling shareholder of a subsidiary | 100,000 | 100,000 |
| Deferred tax liabilities | <u>42,016</u> | <u>42,016</u> |
| | <u>236,598</u> | <u>217,028</u> |
| NET LIABILITIES | <u><u>(107,564)</u></u> | <u><u>(121,619)</u></u> |
| Capital and reserves | | |
| Share capital | 270 | 61,868 |
| Reserves | <u>(42,081)</u> | <u>(128,660)</u> |
| Deficit attributable to owners of the Company | (41,811) | (66,792) |
| Non-controlling interests | <u>(65,753)</u> | <u>(54,827)</u> |
| TOTAL DEFICIT | <u><u>(107,564)</u></u> | <u><u>(121,619)</u></u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2021

1. BASIS OF PREPARATION

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

The Group’s current liabilities exceeded its current assets by HK98,821,000 and its total liabilities exceeded its total assets by HK\$107,564,000 respectively, indicating the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. The directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from 31 December 2021 after taking into consideration of the following:

- i) The Group has been taking stringent cost controls.
- ii) In February 2022, the Company received a letter of financial support from Mr. Wang Chaoguang, the co-chairman and an executive director of the Company that Mr. Wang Chaoguang will provide adequate funds to enable the Group to meet in full its financial obligations as they fall due for at least 18 months from 31 December 2021.
- iii) Internal funds shall be generated from the Group’s operations and external financing will be available to the Group.

Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) and application of certain policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2021 are the same as those presented in the Group’s annual financial statements for the year ended 30 June 2021.

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

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 July 2021 for the preparation of the Group's condensed consolidated financial statements:

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

The amendments to HKFRSs in the current period have had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

a) Revenue

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

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

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

| | Retail sales and franchising operations for selling gold and jewellery products in Mainland China <i>HK\$'000</i> | Retail sales operations for selling gold and jewellery products in Hong Kong and Macau <i>HK\$'000</i> | Mobile media marketing service business in Mainland China <i>HK\$'000</i> | Others <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|-------------------------------|---|---|---|---------------------------|--------------------------|
| Geographical markets | | | | | |
| – Mainland China | 356,596 | – | 37,076 | – | 393,672 |
| – Hong Kong and Macau | – | 35,218 | – | – | 35,218 |
| | <u>356,596</u> | <u>35,218</u> | <u>37,076</u> | <u>–</u> | <u>428,890</u> |
| Timing of revenue recognition | | | | | |
| – A point in time | 331,660 | 35,218 | – | – | 366,878 |
| – Over time | 24,936 | – | 37,076 | – | 62,012 |
| | <u>356,596</u> | <u>35,218</u> | <u>37,076</u> | <u>–</u> | <u>428,890</u> |

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

| | Retail sales and franchising operations for selling gold and jewellery products in Mainland China <i>HK\$'000</i> | Retail sales operations for selling gold and jewellery products in Hong Kong and Macau <i>HK\$'000</i> | Mobile media marketing service business in Mainland China <i>HK\$'000</i> | Others <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|-------------------------------|---|---|---|---------------------------|--------------------------|
| Geographical markets | | | | | |
| – Mainland China | 320,191 | – | – | 16,103 | 336,294 |
| – Hong Kong and Macau | – | 53,173 | – | – | 53,173 |
| | <u>320,191</u> | <u>53,173</u> | <u>–</u> | <u>16,103</u> | <u>389,467</u> |
| Timing of revenue recognition | | | | | |
| – A point in time | 289,971 | 53,173 | – | 16,103 | 359,247 |
| – Over time | 30,220 | – | – | – | 30,220 |
| | <u>320,191</u> | <u>53,173</u> | <u>–</u> | <u>16,103</u> | <u>389,467</u> |

b) Segment information

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

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

- i) Retail sales and franchising operations for gold and jewellery products in Mainland China;
- ii) Retail sales operations for gold and jewellery products in Hong Kong and Macau; and
- iii) Mobile media marketing service business in Mainland China.

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

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

Segment revenues and results

For the six months ended 31 December 2021 (unaudited)

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

For the six months ended 31 December 2020 (unaudited)

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

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

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

4. FINANCE COSTS

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

5. (LOSS)/PROFIT BEFORE TAXATION

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

| | Six months ended 31 December | |
|---|------------------------------|-----------------|
| | 2021 | 2020 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Cost of inventories recognised as an expense | 285,521 | 250,336 |
| Depreciation of property, plant and equipment | 6,697 | 7,890 |
| Depreciation of right-of-use assets | 7,017 | 13,414 |
| Allowance of inventories, net (included in cost of sales) | <u>697</u> | <u>376</u> |

6. INCOME TAX (CREDIT)/EXPENSE

| | Six months ended 31 December | |
|--|------------------------------|---------------------|
| | 2021 | 2020 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Current tax: | | |
| The People's Republic of China ("PRC") Enterprise Income Tax | 1,129 | 4,247 |
| PRC Withholding Tax | | |
| – current period | – | 606 |
| – over-provision in prior years | <u>(9,128)</u> | <u>–</u> |
| | (7,999) | 4,853 |
| Deferred taxation | <u>(2,502)</u> | <u>(1,817)</u> |
| | <u><u>(10,501)</u></u> | <u><u>3,036</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 periods as the Group incurred tax losses in Hong Kong.

Pursuant to rules and regulations of Bermuda and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in Bermuda and the BVI.

Pursuant to the Enterprise Income Tax Law and Implementation Rules of the PRC, subsidiaries of the Company established in the PRC are subject to an income tax rate of 25% for both periods. Certain subsidiaries established in Chongqing (the “Relevant Subsidiaries”), a municipality in Western China, were engaged in a specific state-encouraged industry as defined under the new “Catalogue of Encouraged Industries in the Western Region” (effective from 1 October 2014) pursuant to《財政部、海關總署、國家稅務總局關於深入實施西部大開發戰略有關稅收政策問題的通知》(Caishui [2011] No. 58) issued in 2011 and were subject to a preferential tax rate of 15% when the annual revenue from the encouraged business exceeded 70% of each subsidiary’s total revenue in a fiscal year. Pursuant to《關於延續西部大開發企業所得稅政策的公告》(Announcement No. 23 of the Ministry of Finance in 2020) issued in April 2020, the Relevant Subsidiaries were subject to a preferential tax rate of 15% from 1 January 2021 to 31 December 2030, when the annual revenue from the encouraged business exceeded 60% of each subsidiary’s total revenue in a fiscal year.

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

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

PRC withholding income tax of 5% shall be levied on the dividends declared by the companies established in the PRC to their foreign investors out of their profits earned after 1 January 2008.

7. DIVIDENDS

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

8. (LOSS)/EARNINGS PER ORDINARY SHARE

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

Notes:

- i) The weighted average number of ordinary shares for the six months ended 31 December 2020 had been adjusted for the effect of share consolidation completed on 27 July 2021.
- ii) The calculation of diluted loss per ordinary share for the six months ended 31 December 2021 did not assume the conversion of convertible bonds, since the conversion would result in an anti-dilutive effect on loss per share.
- iii) For the six months ended 31 December 2021 and 2020, the computation of diluted (loss)/earning per ordinary share did not assume the exercise of share options because their exercise price is higher than the average share price.

9. TRADE AND OTHER RECEIVABLES AND DEPOSITS PAID

The Group generally allows a credit period up to 90 days (30 June 2021: 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\$53,640,000 (30 June 2021: HK\$49,637,000) and an aged analysis based on invoice date, net of allowance, at the end of the reporting period, is as follows:

| | 31 December 2021 HK\$'000 (Unaudited) | 30 June 2021 HK\$'000 (Audited) |
|--------------|--|--|
| 0-30 days | 42,370 | 43,199 |
| 31-60 days | 2,311 | 3,741 |
| 61-90 days | 4,818 | 456 |
| Over 90 days | 4,141 | 2,241 |
| | <u>53,640</u> | <u>49,637</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\$27,540,000 (30 June 2021: HK\$23,199,000) and an aged analysis based on the invoice date at the end of the reporting period is as follows:

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

11. CAPITAL COMMITMENTS

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

12. PLEDGE OF ASSETS

As at 31 December 2021, the Group's bank deposits with carrying amounts of HK\$769,850,000 (30 June 2021: HK\$766,348,000) were pledged to banks as securities to obtain the banking facilities granted to the Group.

OVERVIEW

The Group is principally engaged in trademark licensing and retailing for gold and jewellery products in Hong Kong and Mainland China and providing mobile media marketing service in Mainland China.

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

FINANCIAL REVIEW

The Group recorded a total turnover of approximately HK\$429 million for the Period, representing an increase of 10% as compared to the turnover of approximately HK\$389 million for the same period last year (“Last Period”). The loss for the Period attributable to the owners was approximately HK\$38 million compared to a gain of approximately HK\$10 million Last Period. The loss of the Group for the Period was primarily attributable to (i) decrease in gross profit margin of the Group as a result of the worsening of the market conditions and business environment; (ii) decrease in exchange gain; (iii) loss on early redemption of convertible bonds; and (iv) no subsidies received under the Employment Support Scheme of Hong Kong Government for the Period.

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

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

INTERIM DIVIDENDS

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

BUSINESS REVIEW

Retail business

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

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

The Group's self-operated points-of-sale are located at department stores or shopping malls within prime shopping districts in Mainland China and most of them are subject to turnover-based rent. The Hong Kong and Macau operations are, on the other hand, subject to fixed rentals. Management is currently engaged in negotiations with individual landlords to maintain the effective rentals at a reasonable level.

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

With an aim to improve the profitability, the management has focused on the following areas through implementing various measures: (i) adjusting the sales network by focusing on profit-making stores and closing down non-performing stores, (ii) introducing a new regional franchisee system to strengthen the retail operations, (iii) continuing to develop and promote new product series, (iv) persistent costs control including requesting landlords to provide rental reduction or relief; and (v) improving cash flow. The opening, renewal and closing of the Group's points-of-sales in Hong Kong, Macau, and Mainland China will be reviewed continually to ensure consistence with its overall business plan and strategies. The Group's growth plans will be continuously adjusted, based on the financial returns, marketing benefits and strategic advantages. Prospectively, the Mainland China market will remain the key growth driver in the future.

Products and Design

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

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

- “Shimmer Beat” Collection
- Gold Wedding Collection
- “Love Glitter” Collection
- “Golden Allure GA” Collection
- Pure Gold Chinese Zodiac Collection
- Classic Gold Collection
- “3DG Jewellery x Luo Yang” Collection
- “Love Lane” Collection
- “Love Rhythm” Collection
- “Cool Love” Collection

Marketing and Promotion

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

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

- Organized a “Brand Licensee Business Webinar (3rd quarter 2021)”
- Organized a “Brand Licensee Business Webinar (4th quarter 2021)”

Awards and Achievements

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

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

Mobile Media Marketing Service Business

The Internet economy has become one of the key growth drivers of the Chinese economy in recent years. With a growing number of smartphone users in China and driven by the boom in smartphone usage, the number of mobile internet users in China is growing steadily, providing business opportunities for merchants, media platforms and media publishers. Given the distinctive features and functions offered by media platforms, they have grown rapidly and become the main channel for merchants to market and promote their brands and products. Media marketing service providers connect merchants with media publishers. Driven by the growing interest and popularity of leading media platforms, such as

WeChat, TouTiao.com and TikTok, for mobile internet users, merchants are spending more resources and marketing budgets on media than traditional websites, providing business opportunities for media marketing service providers. Moreover, catalyzed by the COVID-19 pandemic, users have shifted from traditional consumption patterns to online consumption, increasing consumer reliance on online channels and accelerating the digital marketing process. The construction of channels for all-area traffic has also been upgraded from graphic video promotion to live streaming, and merchants tend to place advertisements on the Internet. Considering the potential growth in the media marketing service industry, the Group has expanded its business into mobile media marketing services.

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

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

OUTLOOK

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

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

FUNDS RAISING AND USE OF PROCEEDS

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

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

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

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

OTHERS

Liquidity and Financial Resources

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

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

Share Capital and Capital Structure

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

Treasury Policies

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

Capital Commitments

Capital commitments of the Group as at 31 December 2021 are set out in note 11.

Pledged Assets

Pledged assets of the Group as at 31 December 2021 are set out in note 12.

Contingent Liabilities and Guarantee

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

Foreign Exchange Exposure

For the period ended 31 December 2021, the Group earned revenue in HK\$, RMB and MOP and incurred costs in HK\$, RMB, US\$ and MOP. Although the Group currently does not have any foreign currency hedging policy, it does not foresee any significant currency exposure in the near future. However, any permanent or significant change in RMB against HK\$, may have possible impact on the Group's results and financial positions.

Significant Investments, Material Acquisitions and Disposals

The Group did not have any significant investments, material acquisition or disposals of assets, subsidiaries, associates or joint ventures during the period ended 31 December 2021.

Events after the Reporting Period

In February 2022, the Company received a letter of financial support from Mr. Wang Chaoguang, the co-chairman and an executive director of the Company that Mr. Wang Chaoguang will provide adequate funds to enable the Group to meet in full its financial obligations as they fall due for at least 18 months from 31 December 2021.

Financial Risk and Exposure

The Group did not have any outstanding material foreign exchange contracts, interest or currency swaps, or other financial derivatives as at 31 December 2021.

Employees and Remuneration Policy

As at 31 December 2021, the Group had 975 employees (30 June 2021: 982). The Group's remuneration policy is periodically reviewed by the Remuneration Committee and the Board. Remuneration is determined by reference to market conditions, company performance, and individual qualifications and performance.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

COMPLIANCE WITH THE CODE PROVISIONS ON CORPORATE GOVERNANCE CODE

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

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

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

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

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 2021 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. Fan, Anthony Ren Da and Mr. Chan Kim Sun.

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 2021 containing all the information required by the Listing Rules will be dispatched 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, 25 February 2022

As at the date of this announcement, the Board comprises Mr. Li Ning (Chairman), Mr. Wang Chaoguang (Co-chairman) and Ms. Dai Wei as executive Directors; Mr. Hu Hongwei as non-executive Director; and Dr. Loke Yu alias Loke Hoi Lam, Mr. Fan, Anthony Ren Da and Mr. Chan Kim Sun as independent non-executive Directors.