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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 2022**

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 2022 (the “**Period**”) together with the comparative figures for the corresponding period in 2021. 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 2022

		<b>Six months ended</b>	
		<b>31 December</b>	
	<i>Notes</i>	<b>2022</b>	2021
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	3	<b>444,665</b>	428,890
Cost of sales and services rendered		<u><b>(368,332)</b></u>	<u>(321,457)</u>
Gross profit		<b>76,333</b>	107,433
Other income		<b>5,357</b>	2,717
Selling expenses		<b>(88,768)</b>	(107,894)
General and administrative expenses		<b>(35,381)</b>	(39,558)
Other gains and losses		<b>(5,917)</b>	7,173
Change in fair value of derivatives embedded in convertible bonds		<b>188</b>	2,982
Loss on early redemption of convertible bonds		–	(9,650)
Impairment loss on trade and other receivables under expected credit loss model		<b>(618)</b>	(213)
Finance costs	4	<u><b>(33,942)</b></u>	<u>(25,576)</u>
Loss before taxation	5	<b>(82,748)</b>	(62,586)
Income tax (expense)/credit	6	<u><b>(1,301)</b></u>	<u>10,501</u>
Loss for the period		<u><b>(84,049)</b></u>	<u>(52,085)</u>
Other comprehensive income/(expense):			
<i>Item that will not be reclassified to profit or loss:</i>			
Exchange difference arising on translation		<u><b>7,718</b></u>	<u>(8,000)</u>
<i>Item that will be reclassified subsequently to profit and loss:</i>			
Exchange difference arising on translation of foreign operations		<u><b>(23,933)</b></u>	<u>16,640</u>
Other comprehensive (expense)/income for the period		<u><b>(16,215)</b></u>	<u>8,640</u>
Total comprehensive expense for the period		<u><b>(100,264)</b></u>	<u>(43,445)</u>

		<b>Six months ended</b>	
		<b>31 December</b>	
	<i>Notes</i>	<b>2022</b>	2021
		<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	(Unaudited)
Loss for the period attributable to:			
Owners of the Company		(48,025)	(38,061)
Non-controlling interests		<u>(36,024)</u>	<u>(14,024)</u>
		<b><u>(84,049)</u></b>	<b><u>(52,085)</u></b>
 Total comprehensive expense for the period attributable to:			
Owners of the Company		(57,525)	(32,519)
Non-controlling interests		<u>(42,739)</u>	<u>(10,926)</u>
		<b><u>(100,264)</u></b>	<b><u>(43,445)</u></b>
 Loss per ordinary share			
Basic	8	<b><u>(HK\$0.178)</u></b>	<b><u>(HK\$0.212)</u></b>
 Diluted	8	<b><u>(HK\$0.178)</u></b>	<b><u>(HK\$0.212)</u></b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	<b>31 December 2022 HK\$'000 (Unaudited)</b>	30 June 2022 HK\$'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		18,007	16,337
Right-of-use assets		14,538	16,254
Deposits paid		1,067	1,826
Intangible assets		168,066	168,066
Equity instruments at fair value through other comprehensive income		–	–
Deferred tax assets		18,684	19,896
		<u>220,362</u>	<u>222,379</u>
<b>Current assets</b>			
Inventories		570,796	602,939
Right to returned goods asset		2,193	2,609
Trade and other receivables and deposits paid	9	67,309	74,182
Derivative component of convertible bonds		64	1,791
Pledged bank deposits		816,965	797,759
Bank balances and cash		57,209	84,599
		<u>1,514,536</u>	<u>1,563,879</u>
<b>Current liabilities</b>			
Trade and other payables, accruals and deposits received	10	140,536	134,793
Bank and other borrowings		1,604,244	1,563,500
Contract liabilities		14,584	15,571
Refund liabilities		10,243	9,130
Lease liabilities		10,690	11,214
Loan from a shareholder of the Company		2,677	–
Convertible bonds		84,456	–
Derivative component of convertible bonds		70	1,979
Income tax liabilities		72	320
		<u>1,867,572</u>	<u>1,736,507</u>
<b>Net current liabilities</b>		<u>(353,036)</u>	<u>(172,628)</u>
<b>Total assets less current liabilities</b>		<u>(132,674)</u>	<u>49,751</u>

	<i>Notes</i>	<b>31 December 2022 HK\$'000 (Unaudited)</b>	30 June 2022 HK\$'000 (Audited)
<b>Non-current liabilities</b>			
Convertible bonds		–	81,072
Lease liabilities		<b>4,614</b>	5,703
Loan from a non-controlling shareholder of a subsidiary		<b>100,000</b>	100,000
Deferred tax liabilities		<b>42,016</b>	42,016
		<u><b>146,630</b></u>	<u>228,791</u>
<b>NET LIABILITIES</b>		<u><b>(279,304)</b></u>	<u>(179,040)</u>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital		270	270
Reserves		<b>(138,726)</b>	(81,201)
		<u>(138,456)</u>	<u>(80,931)</u>
Deficit attributable to owners of the Company		<b>(138,456)</b>	(80,931)
Non-controlling interests		<b>(140,848)</b>	(98,109)
		<u>(279,304)</u>	<u>(179,040)</u>
<b>TOTAL DEFICIT</b>		<u><b>(279,304)</b></u>	<u>(179,040)</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2022

## 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 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 incurred a net loss of approximately HK\$84,049,000 during the six months ended 31 December 2022 and as at that date, the Group had net current liabilities and net liabilities of approximately HK\$353,036,000 and HK\$279,304,000 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 2022 after taking into consideration of the following:

- i) The Group was granted certain revolving banking facilities by different banks in Hong Kong with aggregate amount of HK\$2,150,000,000 (the “**Banking Facilities**”), of which HK\$1,603,500,000 had been utilised as at 31 December 2022. Luk Fook Holdings (International) Limited, being the ultimate holding company of a non-controlling shareholder of a subsidiary of the Company, provided financial guarantee amounting to HK\$1,075,000,000 on the Banking Facilities. As at 31 December 2022, the unutilised Banking Facilities is HK\$546,500,000;
- ii) The Group is in the negotiation with the holders of the Company’s convertible bonds to extend the repayment dates for the principals of HK\$52,000,000 and HK\$32,500,000 which will be matured in November 2023 and December 2023 respectively. Up to the date of this announcement, such negotiations are in progress;
- iii) In February 2023, the Company received a letter of financial support from Mr. Wang Chaoguang, the co-chairman and an executive director and a substantial shareholder of the Company that Mr. Wang Chaoguang will provide adequate funds to enable the Group to meet in full its financial obligations as they fall due for at least 18 months from 31 December 2022;
- iv) On 23 September 2022, Mr. Li Ning, a chairman and an executive director of the Company, granted a credit facility of HK\$100,000,000 to the Company (the “**Credit Facility**”). The terms of the Credit Facility are unsecured, interest bearing of 5% per annum and repayable at the end of the first anniversary date from the drawn down date;
- v) The Group has been taking stringent cost control; and
- vi) 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.

Notwithstanding the above, significant uncertainties exist as to whether the Group will be able to continue as a going concern, which will depend upon the Group's ability to generate adequate financial and operating cash flows through the following:

- Successfully negotiating with the holders of the Company's convertible bonds to extend the repayment dates for principal in an aggregate amount of HK\$84,500,000; and
- Successfully obtaining additional external financing for fulfilling its other existing financial obligations.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the condensed consolidated financial statements.

## **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"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2022 are the same as those presented in the Group's annual financial statements for the year ended 30 June 2022.

### **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 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

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		New media marketing service business in Mainland China		Others		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Retail sales of goods	215,125	327,277	44,400	35,218	-	-	-	-	259,525	362,495
Sales of E-commerce goods	21,799	4,383	-	-	-	-	-	-	21,799	4,383
Franchising and licensing income	12,034	24,936	-	-	-	-	-	-	12,034	24,936
New media marketing services	-	-	-	-	150,356	37,076	-	-	150,356	37,076
Cloud computer solution services	-	-	-	-	-	-	951	-	951	-
<b>Goods and services</b>	<b>248,958</b>	<b>356,596</b>	<b>44,400</b>	<b>35,218</b>	<b>150,356</b>	<b>37,076</b>	<b>951</b>	<b>-</b>	<b>444,665</b>	<b>428,890</b>

#### Disaggregation of revenue for the six months ended 31 December 2022 (unaudited)

	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	New media marketing service business in Mainland China	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Geographical markets					
– Mainland China	248,958	-	150,356	951	400,265
– Hong Kong	-	44,400	-	-	44,400
	<b>248,958</b>	<b>44,400</b>	<b>150,356</b>	<b>951</b>	<b>444,665</b>
Timing of revenue recognition					
– A point in time	236,924	44,400	150,356	951	432,631
– Over time	12,034	-	-	-	12,034
	<b>248,958</b>	<b>44,400</b>	<b>150,356</b>	<b>951</b>	<b>444,665</b>



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 <i>HK\$'000</i>	New media marketing service 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	–	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	37,076	–	403,954
– Over time	24,936	–	–	–	24,936
	<u>356,596</u>	<u>35,218</u>	<u>37,076</u>	<u>–</u>	<u>428,890</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
- iii) New 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 2022 (unaudited)**

	Reportable segments					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 HK\$'000	New media marketing service business in Mainland China HK\$'000	Total HK\$'000	Others (Note) HK\$'000	
<b>REVENUE</b>						
External sales	<u>248,958</u>	<u>44,400</u>	<u>150,356</u>	<u>443,714</u>	<u>951</u>	<u>444,665</u>
<b>RESULT</b>						
Segment (loss)/profit	<u>(20,530)</u>	<u>57</u>	<u>3,500</u>	<u>(16,973)</u>	<u>-</u>	<u>(16,973)</u>
Unallocated other income						4,966
Unallocated corporate staff and directors' salaries						(12,299)
Other unallocated corporate expenses						(9,425)
Change in fair value of derivatives embedded in convertible bonds						188
Advertising, promotion and business development expenses						(11,693)
Exchange loss, net						(5,869)
Unallocated finance costs						<u>(31,643)</u>
Loss before taxation						(82,748)
Income tax expense						<u>(1,301)</u>
Loss for the period						<u><u>(84,049)</u></u>

For the six months ended 31 December 2021 (unaudited)

	Reportable segments					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 HK\$'000	New media marketing service business in Mainland China HK\$'000	Total HK\$'000	Others HK\$'000	
<b>REVENUE</b>						
External sales	<u>356,596</u>	<u>35,218</u>	<u>37,076</u>	<u>428,890</u>	<u>–</u>	<u>428,890</u>
<b>RESULT</b>						
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>

Note: Others represent other operating segment that is not reportable, which includes cloud computer solution services.

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 (loss)/gain, other unallocated corporate expenses, unallocated finance costs and income tax (expense)/credit. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

#### 4. FINANCE COSTS

	<b>Six months ended 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Interests on:		
Bank and other borrowings	<b>31,512</b>	18,394
Loan from a non-controlling shareholder of a subsidiary	–	1,163
Loan from a shareholder of the Company	<b>14</b>	–
Lease liabilities	<b>695</b>	736
Effective interest on convertible bonds	<b>1,721</b>	5,283
	<hr/>	<hr/>
Total interest expense on financial liabilities not at fair value through profit or loss	<b>33,942</b>	25,576
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#### 5. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	<b>Six months ended 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Cost of inventories recognised as an expense	<b>223,776</b>	285,521
Cost of services recognised as an expense	<b>143,624</b>	35,239
Depreciation of property, plant and equipment	<b>4,995</b>	6,697
Depreciation of right-of-use assets	<b>7,698</b>	7,017
Allowance of inventories, net (included in cost of sales)	<b>932</b>	697
	<hr/>	<hr/>
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## 6. INCOME TAX EXPENSE/(CREDIT)

	Six months ended 31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current tax:		
The People's Republic of China ("PRC") Enterprise Income Tax	89	1,129
PRC Withholding Tax		
– over-provision in prior years	–	(9,128)
	<u>89</u>	<u>(7,999)</u>
Deferred taxation	<u>1,212</u>	<u>(2,502)</u>
	<u><b>1,301</b></u>	<u><b>(10,501)</b></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. 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 2022 and 2021, nor has any dividend been proposed since the end of the reporting period.

## 8. LOSS PER ORDINARY SHARE

	<b>Six months ended 31 December</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Loss:		
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per ordinary share ( <i>Note (i)</i> )	<b>(48,025)</b>	(38,061)
	<b>2022</b>	2021
	<b>'000</b>	'000
	<b>(Unaudited)</b>	(Unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per ordinary share ( <i>Notes (i) &amp; (ii)</i> )	<b>269,672</b>	179,400

Notes:

- i) The calculation of diluted loss per ordinary share for the six months ended 31 December 2022 and 2021 did not assume the conversion of convertible bonds, since the conversion would result in an anti-dilutive effect on loss per share.
- ii) For the six months ended 31 December 2022 and 2021, the computation of diluted loss per ordinary share did not assume the exercise of share options because their exercise price is higher than the average share price.

## 9. TRADE AND OTHER RECEIVABLES AND DEPOSITS PAID

The Group generally allows a credit period up to 90 days (30 June 2022: 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\$32,288,000 (30 June 2022: HK\$45,348,000) and an aged analysis based on invoice date, net of allowance, at the end of the reporting period, is as follows:

	<b>31 December 2022 HK\$'000 (Unaudited)</b>	30 June 2022 HK\$'000 (Audited)
0-30 days	23,431	35,616
31-60 days	4,816	581
61-90 days	959	1,892
Over 90 days	3,082	7,259
	<u>32,288</u>	<u>45,348</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\$10,574,000 (30 June 2022: HK\$14,032,000) and an aged analysis based on the invoice date at the end of the reporting period is as follows:

	<b>31 December 2022 HK\$'000 (Unaudited)</b>	30 June 2022 HK\$'000 (Audited)
0-30 days	10,241	14,011
31-60 days	217	7
61-90 days	52	1
Over 90 days	64	13
	<u>10,574</u>	<u>14,032</u>

## 11. PLEDGE OF ASSETS

As at 31 December 2022, the Group's bank deposits with carrying amounts of HK\$816,965,000 (30 June 2022: HK\$797,759,000) 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 new media marketing service in Mainland China.

In the second half of 2022, as COVID-19 cases spread across Mainland China and local pandemic containment measures were reintroduced, retail business were disrupted and foot traffic fell. The negative sentiment was amplified in December as the pandemic situation heightened and infection cases penetrated across Mainland China. China's economy inevitably slowed down resulting in sluggish retail sales during the Period. On the positive side, the Hong Kong governments implemented consumption voucher schemes which helped to boost local economies, and following the vaccination drives and the lifting of restrictions, we saw Hong Kong's retail business start a post-COVID recovery. Amid the protracted COVID-19, the Group has commenced new business of new media marketing service, which will continue to be one of the revenue growth drivers going forward.

## RESULTS OF THE GROUP

The Group recorded a total turnover of approximately HK\$445 million for the Period, representing an increase of 4% as compared to the turnover of approximately HK\$429 million for the same period last year ("**Last Period**"). The loss for the Period attributable to the owners was approximately HK\$48 million compared to a loss of approximately HK\$38 million Last Period, representing an increase of 26%. The loss of the Group for the Period was primarily attributable to (i) the resurgence of COVID-19 infected cases caused intermittent suspension of shops in various regions of Mainland China and hence resulted in decline in retail sales; (ii) exchange gain for the period ended 31 December 2021 turned to exchange loss; and (iii) increase in finance cost.

The Group has implemented various cost control measures. The selling and distribution expenses decreased to approximately HK\$89 million (2021: HK\$108 million), whereas the percentage to total turnover decreased to 20% (2021: 25%) for the Period. The percentage to turnover remained at a relatively low level. The Group has negotiated with landlords for rental relief or reductions in this difficult economic environment.

General and administrative expenses have decreased by HK\$5 million to HK\$35 million (2021: HK\$40 million) whereas the percentage of the general and administrative expense to total turnover remained stable of 8% (2021: 9%).

The Group's other gains and losses have turned to a negative of approximately HK\$6 million for the Period from a positive of approximately HK\$7 million for the Last Period. Included in other gains and losses are exchange loss of approximately HK\$6 million, compared to a gain of approximately HK\$8 million for the Last Period.



## **Gold and jewellery retail and franchising business**

The retail and franchising revenue was approximately HK\$293 million for the Period, representing a decrease of 25% from approximately HK\$392 million Last Period. Retailing and franchising of gold and jewellery products accounted for 66% (2021: 91%) of total turnover. The retail revenue from Mainland China decreased by 29% to approximately HK\$237 million for the Period from approximately HK\$332 million Last Period. The Group's retail revenue from Hong Kong market was approximately HK\$44 million for the Period, representing an increase of 26% from approximately HK\$35 million Last Period. The Group recorded a decline in overall same-store growth of 29% (2021: decline of 4%), of which same-store growth in Mainland China was a decline of 33% (2021: decline of 3%) and in Hong Kong was a growth of 22% (2021: growth of 22%).

As at 31 December 2022, the Group had 3 points-of-sale in Hong Kong and 291 points-of-sale in Mainland China under the brand name "3D-GOLD." Of the points-of-sale in Mainland China, 59 are self-operated points-of-sale and 232 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 operations is, 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 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 offering 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:

- Classic Gold Collection
- “Golden Allure GA” Collection
- “Peter Rabbit™” Collection
- Gold Wedding Collection
- “Shimmer Beat” Collection
- “Love Glitter” Collection
- “Love Rhythm” Collection
- “Cool Love” Collection
- “Silver Shine” Collection
- Pure Gold Chinese Zodiac Collection
- Gold Gifts Collection
- “Love Lane” Collection
- “ULove” Wedding Collection
- “Starry Shimmer” 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 2022)”
- Organized a “Brand Licensee Business Webinar (4th quarter 2022)”

## **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.

- “Service Awards 2022 – Jewellery” by “CAPITAL Platform” Magazine
- “Q-mark Elite Brand Award 2021” by Hong Kong Q-mark Council
- “Best Label Award 2021/2022 (Best Jewelry)” by Marie Claire
- “ESG Awards 2022” by CAPITAL
- “2022 Quality Service Retailer of the Year of Flagship Stores – Gold Award” by Hong Kong Retail Management Association
- “2022 Quality Service Retailer of the Year – Watch & Jewellery Category Award” by Hong Kong Retail Management Association
- “Brand Award 2022 – Jewellery” by TVB Weekly

## **New 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 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 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 new media marketing services.

The Group’s new 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 analyse the personalities of target audience and develop corresponding distribution strategies so as to identify target audience on the Internet. 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.

The revenue from the new media marketing service business was approximately HK\$150 million for the Period, representing an increase of 305% from approximately HK\$37 million for the Last Period. The encouraging significant increase in turnover was the contribution of the sales team and the low base effect Last Period. New media marketing service accounted for 34% (2021: 9%) of total turnover and will continue to be one of the revenue growth drivers.

## **OUTLOOK**

The COVID-19 pandemic has proved to be a catalyst to accelerate the shift to e-commerce sales. Building on the change in consumption pattern, the Group has co-operated with various renowned e-commerce platforms in Mainland China and Hong Kong and its e-commerce sales has a continuous and remarkable growth in revenue during the Period. The Group will continue to strengthen the collaboration with online marketplaces in order to capture the strong momentum of e-commerce sales. 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 new media business.

Going forward, the Group will continue to swiftly respond to the turbulent retail market by adopting various measure to save costs and minimise expenditures in order to enhance cost effectiveness and business efficiency. The Group is also continuously exploring opportunities in the new 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.

## 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.

## FUNDS RAISING AND USE OF PROCEEDS

On 31 May 2021, the Company and Grace Fountain Holding Limited (the “**First Subscriber**”), a company incorporated in the British Virgin Island wholly owned by Mr. Wang Chaoguang, entered into a subscription agreement (the “**First Subscription Agreement**”). Pursuant to the First Subscription Agreement, the First Subscriber agreed to subscribe for, and the Company agreed to (i) allot and issue 650,000,000 new ordinary shares (the “**First Subscription Shares**”) of the Company at the subscription price of HK\$0.05 per subscription share (the “**First Subscription Price**”); and (ii) issue the convertible bonds in the principal amount of HK\$52,000,000 which may be converted into 800,000,000 new ordinary shares of the Company (the “**First Conversion Shares**”) at the initial conversion price of HK\$0.065 (the “**First Conversion Price**”) per conversion share (collectively, the “**First Subscription**”).

On 31 May 2021, the Company and Excel Horizon Investments Limited (the “**Second Subscriber**”), a company incorporated in the British Virgin Island wholly owned by Mr. Duan Guangzhi, entered into a subscription agreement (the “**Second Subscription Agreement**”, together with the First Subscription Agreement, the “**Subscription Agreements**”). Pursuant to the Second Subscription Agreement, the Second Subscriber agreed to subscribe for, and the Company agreed to (i) allot and issue 500,000,000 new ordinary shares of the Company (the “**Second Subscription Shares**”) at the subscription price of HK\$0.05 per subscription share (the “**Second Subscription Price**”, together with the First Subscription Price, the “**Subscription Price**”); and (ii) issue the convertible bonds in the principal amount of HK\$32,500,000 which may be converted into 500,000,000 new ordinary shares of the Company (the “**Second Conversion Shares**”) at the initial conversion price of HK\$0.065 (the “**Second Conversion Price**”, together with the First Conversion Price, the “**Conversion Price**”) per conversion share (collectively, the “**Second Subscription**”, and together with the First Subscription, the “**Subscriptions**”).

The Subscription Price of HK\$0.05 and the Conversion Price of HK\$0.065, represented a discount of approximately 15.25% and a premium of approximately 10.17% over the closing price of HK\$0.059 per share of the Company on the date of the Subscription Agreements, respectively. The Directors were of the view that the Subscriptions would provide a good opportunity for the Company to raise equity funding to repay its outstanding liabilities, improve its financial position, as well as expanding its capital base and shareholder base.

Upon completion of the Subscriptions, net proceeds of approximately HK\$141 million (the “**Net Proceeds**”) was raised, accordingly, the net Subscription Price and the net Conversion Price (based on the initial conversion price) were approximately HK\$0.050 and HK\$0.065, respectively. For further details of the Subscriptions, please refer to the Company’s announcement dated 31 May 2021, 12 November 2021 and 6 December 2021, and the Company’s circular dated 30 June 2021.

The application of the Net Proceeds is set out below:

	<b>Unutilised amount of Net Proceeds as of 1 July 2022 <i>HK\$ million</i> (approximately)</b>	<b>Revised allocation of amount <i>HK\$ million</i> (approximately)</b>	<b>Utilized amount during the Period <i>HK\$ million</i> (approximately)</b>	<b>Unutilized amount as of 31 December 2022 <i>HK\$ million</i> (approximately)</b>
<b>Repayment of indebtedness</b>				
Repayment of deposits received	3.50	(3.50)	–	–
	3.50	(3.50)	–	–
<b>General working capital</b>	–	3.50	(3.50)	–
	<u>3.50</u>	<u>–</u>	<u>(3.50)</u>	<u>–</u>

*Note:* As the global economy is fraught with uncertainties including continuing COVID-19 challenges, the Board is of the view that the priority of the Group remains to meet the operation needs of its current businesses and operation. Adjusting the allocation enables the Group to have more flexibility in cash flow management.

## 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 2022, the Group had total pledged bank deposits and bank balances and cash amounting to HK\$874 million (30 June 2022: HK\$882 million). The Group's net borrowing as at 31 December 2022 was HK\$915 million (30 June 2022: HK\$862 million), being total borrowing of HK\$1,789 million (30 June 2022: HK\$1,745 million) less pledged bank deposits and bank balances and cash of HK\$874 million (30 June 2022: HK\$882 million). After taking into account the gold inventories of HK\$291 million (30 June 2022: HK\$285 million), the Group's net borrowing as at 31 December 2022 was HK\$624 million (30 June 2022: HK\$577 million), being total borrowing less pledged bank deposits, bank balances and cash and gold inventories. As at 31 December 2022, the Group has available unutilised revolving banking facilities of HK\$547 million (30 June 2022: HK\$587 million).

The current ratio of the Group as at 31 December 2022 was 81% (30 June 2022: 90%), calculated on the basis of current assets of HK\$1,515 million (30 June 2022: HK\$1,564 million) over current liabilities of HK\$1,868 million (30 June 2022: HK\$1,737 million). The gearing ratio was 116% (30 June 2022: 110%), calculated on the basis of the total liabilities of HK\$2,014 million (30 June 2022: HK\$1,965 million) over total assets of HK\$1,735 million (30 June 2022: HK\$1,786 million).

## **Share Capital and Capital Structure**

As at 31 December 2022, the Company had 269,671,601 ordinary shares of HK\$0.001 each in issue (30 June 2022: 269,671,601 ordinary shares of HK\$0.001).

## **Treasury Policies**

The Group generally financed its operations with internally generated resources and funds from equity and/or debt financing activities. All financing methods will be considered so long as such methods are beneficial to the Group. Bank deposits are in Hong Kong dollars (“**HK\$**”), Renminbi (“**RMB**”), United States Dollars (“**US\$**”) and Macau Patacas (“**MOP**”).

## **Pledged Assets**

Pledged assets of the Group as at 31 December 2022 are set out in note 11.

## **Contingent Liabilities and Guarantee**

As at 31 December 2022, the Company had corporate financial guarantee amounting to HK\$1,075,000,000 (30 June 2022: 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 2022, the banking facilities utilised by the subsidiary was HK\$1,603,500,000 (30 June 2022: HK\$1,563,500,000). As at 31 December 2022, a loss allowance of HK\$19,205,000 (30 June 2022: HK\$18,320,000) 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 2022 and 30 June 2022, save as disclosed above, the Group and the Company did not have any material contingent liabilities.

## **Foreign Exchange Exposure**

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

## **Significant Investments, Material Acquisitions and Disposals**

On 11 August 2022, the Company, Ultra Best Global Limited, which is an indirect wholly-owned subsidiary of the Company (the “**Purchaser**”), and two individuals (collectively the “**Vendors**”) entered into a sale and purchase agreement (the “**Sale and Purchase Agreement**”) pursuant to which the Purchaser has conditionally agreed to purchase, and Vendors have conditionally agreed to sell (i) the entire issued share capital of Meta Cosmos Limited and Pioneer Digital Technology Co., Limited (collectively the “**Target Companies**”); and (ii) all obligations, liabilities and debts owing or incurred by the Target Companies to the Vendors, at an aggregate consideration of HK\$15,587,000 (the “**Consideration**”). The Consideration shall be settled by way of allotment and issue of 53,934,320 ordinary shares of the Company at an issue price of approximately HK\$0.289 per share.

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

## **Events after the Reporting Period**

In January 2023, the Board announced that as all the conditions precedent as stipulated in the Sale and Purchase Agreement were not fulfilled (nor waived) by 31 December 2022, the Sale and Purchase Agreement was lapsed, terminated and ceased to be effective, and neither parties shall have obligations and liabilities against the other thereafter.

Saved as above, the Group did not have any material subsequent events after the reporting period.

## **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 2022.

## **Employees and Remuneration Policy**

As at 31 December 2022, the Group had 891 employees (30 June 2022: 947). 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.



## **AMENDMENTS TO THE BYE-LAWS**

In light of the amendments to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) being effective on 1 January 2022, amendments to the Bye-Laws were adopted by the Shareholders at the annual general meeting of the Company held on 30 November 2022. The latest version of which is available on the websites of the Company and The Stock Exchange of Hong Kong Limited.

## **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 is committed to establishing and maintaining a high standard of corporate governance in every aspect of its conduct of business operations. The Company believes that by adopting and embracing a well-balanced set of corporate governance principles will ensure that the best interests of shareholders and other stakeholders, customers, suppliers and other business counter parties are served.

The Company complied with the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Listing Rules throughout the Period, except for the following deviations:

CG Code C.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. 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.

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 2022 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, Dr. 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](http://www.hkex.com.hk)) and the Company ([www.hkrh.hk](http://www.hkrh.hk)). The interim report 2022 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, 27 February 2023

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