



Explore
OPPORTUNITIES

interim report **2022-23**



**“Mainland China will continue
to be our major market.....”
one of the fastest growing economies in the world
and support the Group’s optimistic business outlook
in the medium to long run.**

- **IMAGE:** reinforcing our trendy image and promotion with glamorous and popular artists & celebrities
- **PRODUCT:** more K-gold jewellery will also be launched as it has a high level of creativity
- **CHANNEL:** developing online sales platform & introducing premium products

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HKRH is poised to take advantage of excellent opportunities ahead.

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金至尊

3DG Jewellery



Corporate Information

DIRECTORS

Executive Directors

Mr. Li Ning, *Chairman*^c

Mr. Wang Chaoguang, *Co-chairman*

Ms. Dai Wei (resigned on 23 September 2022)

Non-executive Director

Mr. Hu Hongwei

Independent Non-executive Directors

Dr. Loke Yu alias Loke Hoi Lam^{a, b, c}

Dr. Fan, Anthony Ren Da,^{a, b, c}

Mr. Chan Kim Sun^{a, b, c}

^a *Member of the Audit Committee*

^b *Member of the Remuneration Committee*

^c *Member of the Nomination Committee*

COMPANY SECRETARY

Ms. Ho Suet Man Stella

AUDITORS

Crowe (HK) CPA Limited

Certified Public Accountants and Registered Public Interest Entity Auditor

9/F, Leighton Centre

77 Leighton Road

Causeway Bay

Hong Kong

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton,

HM11 Bermuda

PRINCIPAL OFFICE IN HONG KONG

Room 2306, 23/F,

Tower One, Lippo Centre,

No. 89 Queensway,

Hong Kong

Corporate Information

PRINCIPAL BANKERS

Hang Seng Bank
DBS Bank
Shanghai Commercial Bank
United Overseas Bank
Bank of China

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th Floor North
Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

STOCK CODE

2882

WEBSITE

www.hkrh.hk

Management Discussion and Analysis

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 six months ended 31 December 2022 (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.

FINANCIAL REVIEW

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 six months 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.

over

290

shops in China

291 shops in Mainland China

3 shops in Hong Kong

16 Anhui	17 Hebei	24 Jiangsu	4 Shanxi
11 Beijing	8 Heilongjiang	1 Jiangxi	12 Tianjin
3 Fujian	5 Henan	1 Jilin	3 Xinjiang
1 Gansu	21 Hubei	7 Liaoning	2 Zhejiang
72 Guangdong	2 Hunan	5 Ningxia	
11 Guangxi	3 Hong Kong	2 Shaanxi	
1 Hainan	9 Inner Mongolia	53 Shandong	

Management Discussion and Analysis

BUSINESS REVIEW

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.

Management Discussion and Analysis

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

Management Discussion and Analysis

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 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

Management Discussion and Analysis

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.

Management Discussion and Analysis

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").

Management Discussion and Analysis

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:

	Unutilised amount of Net Proceeds as of 1 July 2022 HK\$ million (approximately)	Revised allocation of amount HK\$ million (approximately)	Utilised amount during the Period HK\$ million (approximately)	Unutilised amount as of 31 December 2022 HK\$ million (approximately)
Repayment of indebtedness				
Repayment of deposits received	3.50	(3.50)	–	–
	3.50	(3.50)	–	–
General working capital	–	3.50	(3.50)	–
	3.50	–	(3.50)	–

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.

Management Discussion and Analysis

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 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 18.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2022, the interests and short positions of the directors and chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(a) Long positions in shares

Name of director	Number of ordinary shares			Total	% of issued ordinary shares
	Personal interests	Family interests	Corporate interests		
Mr. Li Ning	157,000	–	21,000,000 ^(Note a)	21,157,000	7.85%
Mr. Wang Chaoguang	–	–	65,000,000 ^(Note b)	65,000,000	24.10%
Mr. Hu Hongwei	–	–	–	–	–
Dr. Loke Yu alias Loke Hoi Lam	–	–	–	–	–
Dr. Fan, Anthony Ren Da	–	–	–	–	–
Mr. Chan Kim Sun	–	–	–	–	–

Notes:

- (a) The shares are held by Eminent Rise Holdings Limited ("Eminent Rise"). Eminent Rise is a company wholly-owned by Mr. Li Ning, an executive Director and chairman of the Board.
- (b) The shares are held by Grace Fountain Holdings Limited ("Grace Fountain"). Grace Fountain is a company wholly-owned by Mr. Wang Chaoguang, an executive Director and co-chairman of the Board.

(b) Long positions in underlying shares of equity derivatives of the Company

Name of director	Capacity	Number of shares interested	% of issued ordinary shares
Dr. Loke Yu alias Loke Hoi Lam	Beneficial owner (Note a)	87,500	0.03%
Dr. Fan, Anthony Ren Da	Beneficial owner (Note a)	132,500	0.05%

Note:

- (a) All interests above are in the form of share options of the Company.

Saved as disclosed above, none of the directors, chief executives nor their associates had any interests or short positions in any shares or debentures of the Company or any of its associated corporation at 31 December 2022.

Other Information

SUBSTANTIAL SHAREHOLDERS

At 31 December 2022, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company.

(a) Long positions in shares of the Company

Name of substantial shareholder	Capacity	Number of issued ordinary shares held	% of issued ordinary shares
Mr. Wang Chaoguang	Corporate interest (Note a)	65,000,000	24.10%
Grace Fountain	Beneficial owner (Note a)	65,000,000	24.10%
Mr. Duan Guangzhi	Corporate interest (Note b)	50,000,000	18.54%
Excel Horizon	Beneficial owner (Note b)	50,000,000	18.54%
Ms. Hao Yuanyuan	Corporate interest (Note c)	28,000,000	10.38%
Well Pop	Beneficial owner (Note c)	28,000,000	10.38%
Mr. Zheng Yue Wen	Corporate interest (Note d)	25,105,561	9.31%
Mr. Wen Jialong	Beneficial owner (Note d)	141,548	0.05%
	Corporate interest (Note d)	25,105,561	9.31%
Hallow King	Corporate interest (Note d)	25,105,561	9.31%
Kerui Jinrong	Corporate interest (Note d)	25,105,561	9.31%
Weltrade	Beneficial owner (Note d)	25,105,561	9.31%
Mr. Li Ning	Beneficial owner (Note e)	157,000	0.06%
	Corporate interest (Note e)	21,000,000	7.79%
Eminent Rise	Beneficial owner (Note e)	21,000,000	7.79%

Notes:

- The shares are held by Grace Fountain. Grace Fountain is a company wholly-owned by Mr. Wang Chaoguang. As such, Mr. Wang Chaoguang is deemed to be interested in all the shares held by Grace Fountain.
- The shares are held by Excel Horizon Investments Limited (“Excel Horizon”). Excel Horizon is a company wholly-owned by Mr. Duan Guangzhi. As such, Mr. Duan Guangzhi is deemed to be interested in all the shares held by Excel Horizon.
- The shares are held by Well Pop Group Limited (“Well Pop”). Well Pop is a company wholly-owned by Ms. Hao Yuanyuan. As such, Ms. Hao Yuanyuan is deemed to be interested in all the shares held by Well Pop.
- The shares are held by Weltrade Group Limited (“Weltrade”). Weltrade is a company wholly-owned by Kerui Jinrong Company Limited (“Kerui Jinrong”). Kerui Jinrong is in turn owned by Mr. Zheng Yue Wen, Mr. Xiang Hong and Hallow King Global Investment Limited (“Hallow King”) as to 40%, 20% and 40% respectively. Hallow King is an entity wholly-owned by Mr. Wen Jialong. As such, Mr. Zheng Yue Wen and Mr. Wen Jialong are deemed to be interested in all the shares held by Weltrade.
- The shares are held by Eminent Rise. Eminent Rise is a company wholly-owned by Mr. Li Ning, the executive Director and chairman of the Board.

Other Information

(b) Long positions in underlying shares of equity derivatives of the Company

Name of substantial shareholder	Capacity	Number of shares interested	% of issued ordinary shares
Mr. Wang Chaoguang	Corporate interest (Note a)	80,000,000	29.67%
Grace Fountain	Beneficial owner (Note a)	80,000,000	29.67%
Mr. Duan Guangzhi	Corporate interest (Note b)	50,000,000	18.54%
Excel Horizon	Beneficial owner (Note b)	50,000,000	18.54%

Notes:

- (a) These derivatives comprise interests in the form of convertible bonds held by Grace Fountain.
- (b) These derivatives comprise interests in the form of convertible bonds held by Excel Horizon.

Saved as disclosed above, the Company had not been notified of any other relevant interests or short positions in the issued share capital of the Company at 31 December 2022.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 17 to the condensed consolidated financial statements.

AMENDMENTS TO THE BYE-LAWS

In light of the amendments to 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.

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.

Other Information

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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.

CHANGE OF DIRECTOR’S INFORMATION

The Company is not aware of any changes in the Directors’ information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules subsequent to the date of the Annual Report 2022.

Other Information

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 six months ended 31 December 2022 have been reviewed by the Audit Committee. As at the date of this report, 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.

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

Hong Kong, 27 February 2023

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2022

	Notes	Six months ended 31 December	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	3(a)	444,665	428,890
Cost of sales and services rendered		(368,332)	(321,457)
Gross profit		76,333	107,433
Other income		5,357	2,717
Selling expenses		(88,768)	(107,894)
General and administrative expenses		(35,381)	(39,558)
Other gains and losses		(5,917)	7,173
Change in fair value of derivatives embedded in convertible bonds	13(b)	188	2,982
Loss on early redemption of convertible bonds	13(a)	–	(9,650)
Impairment loss on trade and other receivables under expected credit loss model		(618)	(213)
Finance costs	4	(33,942)	(25,576)
Loss before taxation	5	(82,748)	(62,586)
Income tax (expense)/credit	6	(1,301)	10,501
Loss for the period		(84,049)	(52,085)
Other comprehensive income/(expense):			
<i>Item that will not be reclassified to profit or loss:</i>			
Exchange difference arising on translation		7,718	(8,000)
<i>Item that will be reclassified subsequently to profit and loss:</i>			
Exchange difference arising on translation of foreign operations		(23,933)	16,640
Other comprehensive (expense)/income for the period		(16,215)	8,640
Total comprehensive expense for the period		(100,264)	(43,445)
Loss for the period attributable to:			
Owners of the Company		(48,025)	(38,061)
Non-controlling interests		(36,024)	(14,024)
		(84,049)	(52,085)
Total comprehensive expense for the period attributable to:			
Owners of the Company		(57,525)	(32,519)
Non-controlling interests		(42,739)	(10,926)
		(100,264)	(43,445)
Loss per ordinary share			
Basic	8	(HK\$0.178)	(HK\$0.212)
Diluted	8	(HK\$0.178)	(HK\$0.212)

Condensed Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	31 December 2022 HK\$'000 (Unaudited)	30 June 2022 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	18,007	16,337
Right-of-use assets	9	14,538	16,254
Deposits paid	10	1,067	1,826
Intangible assets	11	168,066	168,066
Equity instruments at fair value through other comprehensive income		–	–
Deferred tax assets		18,684	19,896
		220,362	222,379
Current assets			
Inventories		570,796	602,939
Right to returned goods asset		2,193	2,609
Trade and other receivables and deposits paid	10	67,309	74,182
Derivative component of convertible bonds	13(b)	64	1,791
Pledged bank deposits		816,965	797,759
Bank balances and cash		57,209	84,599
		1,514,536	1,563,879
Current liabilities			
Trade and other payables, accruals and deposits received	12	140,536	134,793
Bank and other borrowings	14	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	15	2,677	–
Convertible bonds	13(a)	84,456	–
Derivative component of convertible bonds	13(b)	70	1,979
Income tax liabilities		72	320
		1,867,572	1,736,507
Net current liabilities		(353,036)	(172,628)
Total assets less current liabilities		(132,674)	49,751

Condensed Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	31 December 2022 HK\$'000 (Unaudited)	30 June 2022 HK\$'000 (Audited)
Non-current liabilities			
Convertible bonds	13(a)	–	81,072
Lease liabilities		4,614	5,703
Loan from a non-controlling shareholder of a subsidiary	15	100,000	100,000
Deferred tax liabilities		42,016	42,016
		146,630	228,791
NET LIABILITIES		(279,304)	(179,040)
EQUITY			
Capital and reserves			
Share capital	16	270	270
Reserves		(138,726)	(81,201)
Deficit attributable to owners of the Company		(138,456)	(80,931)
Non-controlling interests		(140,848)	(98,109)
TOTAL DEFICIT		(279,304)	(179,040)

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2022

	Attributable to owners of the Company											Total HK\$'000
	Ordinary share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Other reserve HK\$'000 (Note (a))	Share option reserve HK\$'000	Investment revaluation reserve HK\$'000	Exchange reserve HK\$'000	PRC statutory reserve HK\$'000 (Note (b))	Accu- mulated losses HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	
At 1 July 2021 (audited)	61,868	787,648	55,327	(252,408)	4,303	(6,008)	1,374	33,155	(752,051)	(66,792)	(54,827)	(121,619)
Loss for the period	-	-	-	-	-	-	-	-	(38,061)	(38,061)	(14,024)	(52,085)
Exchange difference arising on translation	-	-	-	-	-	-	5,542	-	-	5,542	3,098	8,640
Total comprehensive income/(expense) for the period	-	-	-	-	-	-	5,542	-	(38,061)	(32,519)	(10,926)	(43,445)
Capital reorganisation (note 16)	(61,713)	-	61,713	-	-	-	-	-	-	-	-	-
Issue of share, net of transaction costs (note 16)	115	57,385	-	-	-	-	-	-	-	57,500	-	57,500
At 31 December 2021 (unaudited)	270	845,033	117,040	(252,408)	4,303	(6,008)	6,916	33,155	(790,112)	(41,811)	(65,753)	(107,564)
At 1 July 2022 (audited)	270	845,033	117,040	(252,408)	4,089	(6,008)	8,654	33,155	(830,756)	(80,931)	(98,109)	(179,040)
Loss for period	-	-	-	-	-	-	-	-	(48,025)	(48,025)	(36,024)	(84,049)
Exchange difference arising on translation	-	-	-	-	-	-	(9,500)	-	-	(9,500)	(6,715)	(16,215)
Total comprehensive expense for the period	-	-	-	-	-	-	(9,500)	-	(48,025)	(57,525)	(42,739)	(100,264)
At 31 December 2022 (unaudited)	270	845,033	117,040	(252,408)	4,089	(6,008)	(846)	33,155	(878,781)	(138,456)	(140,848)	(279,304)

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2022

Notes:

- (a) Other reserve comprises:
- (i) a debit amount of HK\$213,605,000 represents the difference between the fair value of the consideration paid and the carrying amount of the net assets attributable to the additional interest in China Gold Silver Group Company Limited (“CGS”), a subsidiary of the Company, being acquired from the non-controlling shareholders on 14 May 2010;
 - (ii) a debit amount of HK\$3,643,000 as at 30 June 2020 represents the difference between the fair value of the consideration paid and the carrying amount of the net liabilities attributable to the additional interest in Rise Rich International Limited (“Rise Rich”), a subsidiary of the Company, being acquired from the non-controlling shareholders on 31 December 2013 and was subsequently released to accumulated losses upon the deregistration of Rise Rich during the year ended 30 June 2021; and
 - (iii) a debit amount of HK\$38,803,000 represents the difference between (i) the aggregate of the fair value of the consideration (net of transaction cost) received for disposal of partial interest in CGS on 6 June 2014 and proceeds received from issuance of convertible bonds due in 2019 (“CB 2019”), and (ii) the aggregate amount of the carrying amount of the net assets attributable to the disposed interest in CGS to the purchaser, the fair value of the share option of CGS issued to the purchaser and the fair values of the liability component and the embedded derivatives of CB 2019 issued to the purchaser, on 6 June 2014.
- (b) The People’s Republic of China (the “PRC”) statutory reserve of the Group represents general and development fund reserve applicable to the PRC subsidiaries which were established in accordance with the relevant regulations.

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2022

	Six months ended 31 December	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Net cash used in operating activities	(4,403)	(22,922)
Investing activities		
Interest received	2,281	1,579
Purchase of property, plant and equipment	(7,186)	(6,586)
Proceeds from disposal of property, plant and equipment	1	22
Placement of pledged bank deposits	(21,529)	(1,617)
Net cash used in investing activities	(26,433)	(6,602)
Financing activities		
Interest paid	(28,647)	(24,119)
Repayment of loan from a non-controlling shareholder of a subsidiary	–	(27,000)
Loan from a shareholder of the Company	32,226	–
Repayment of loan from a shareholder of the Company	(29,549)	–
Proceeds from issue of convertible bonds	–	84,500
Proceeds from issue of shares, net of transaction costs	–	57,500
Repayments of convertible bond	–	(79,950)
New bank and other borrowings raised	40,744	–
Repayments of bank and other borrowings	–	(18,000)
Repayments of lease liabilities, including related interests	(8,073)	(7,291)
Net cash generated from/(used in) financing activities	6,701	(14,360)
Net decrease in cash and cash equivalents	(24,135)	(43,884)
Cash and cash equivalents at beginning of the period	84,599	96,158
Effect of foreign exchange rate changes	(3,255)	1,095
Cash and cash equivalents at end of the period, represented by bank balances and cash	57,209	53,369

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 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 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 report, 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

1. BASIS OF PREPARATION (*Continued*)

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

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 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (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 service	-	-	-	-	150,356	37,076	-	-	150,356	37,076
Cloud computer solution services	-	-	-	-	-	-	951	-	951	-
Goods and services	248,958	356,596	44,400	35,218	150,356	37,076	951	-	444,665	428,890

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

3. REVENUE AND SEGMENT INFORMATION (Continued)

a) Revenue (Continued)

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 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	Others HK\$'000	Total HK\$'000
Geographical markets					
– Mainland China	356,596	–	37,076	–	393,672
– Hong Kong	–	35,218	–	–	35,218
	356,596	35,218	37,076	–	428,890
Timing of revenue recognition					
– A point in time	331,660	35,218	37,076	–	403,954
– Over time	24,936	–	–	–	24,936
	356,596	35,218	37,076	–	428,890

Performance obligations for contracts with customers

Retail sales

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

Franchising and licensing operations

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

3. REVENUE AND SEGMENT INFORMATION (Continued)

a) Revenue (Continued)

Performance obligations for contracts with customers (Continued)

Provision of new media marketing services

The Group is engaged in the provision of new media marketing services for various types of products. Performance based new media marketing refers to the form of marketing which is displayed on we-media, which are mainly online accounts registered by their users having the traffic to publish marketing products (including text, pictures, etc.) to the public. The Group normally acquires the advertising traffic of different online platforms from the suppliers and places the marketing products provided by the customers in the appropriate we-media platforms (such as Douying) which can target the interests of their subscribers.

The Group mainly acts as the principal to all contracts with customers and therefore recognises revenue earned and costs incurred related to the transactions on a gross basis where the Group is the primary obligor and are responsible for (i) identifying and contracting with individual customers and negotiating with them the contract price; (ii) identifying and contracting with suppliers (normally the Group made prepayments to suppliers for the advertising traffic to be used for a future period; and (iii) bearing sole responsibility for fulfillment of the services. Such revenue is recognised at a point in time when specific services were provided based on cost per click model to marketing agencies as a result of the placement of marketing products in relevant we-media platforms. Normally, the payment term for the contract is 90 days after the number of the specified actions is agreed with the customers monthly.

Sales of E-commerce goods

The Group engages in sales of E-commerce goods. The Group concluded that the Group acts as the principal for such transactions as it controls the specified good before it is transferred to the customer after taking into consideration indicators such as the Group is primarily responsible for fulfilling the promise to provide the goods. The Group has inventory risk. When the Group satisfies the performance obligation, being at the point the goods are delivered to the customers, the Group recognises trading revenue in the gross amount of consideration to which the Group expects to be entitled as specified in the contracts.

Contracts with customers with unsatisfied performance obligations on the abovementioned revenue have original expected duration of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

3. REVENUE AND SEGMENT INFORMATION (Continued)

b) Segment information (Continued)

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			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 HK\$'000	New media marketing service business in Mainland China HK\$'000			
REVENUE						
External sales	248,958	44,400	150,356	443,714	951	444,665
RESULT						
Segment (loss)/profit	(20,530)	57	3,500	(16,973)	–	(16,973)
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						(31,643)
Loss before taxation						(82,748)
Income tax expense						(1,301)
Loss for the period						(84,049)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

3. REVENUE AND SEGMENT INFORMATION (Continued)

b) Segment information (Continued)

Segment revenues and result (Continued)

For the six months ended 31 December 2021 (unaudited)

	Reportable segments			Total HK\$'000	Others HK\$'000	Consolidated HK\$'000
	Retail sales and franchising operations for selling gold and jewellery products in Mainland HK\$'000	Retail sales operations for selling gold and jewellery products in Hong Kong HK\$'000	New media marketing service business in Mainland HK\$'000			
REVENUE						
External sales	356,596	35,218	37,076	428,890	–	428,890
RESULT						
Segment (loss)/profit	(6,654)	(2,519)	738	(8,435)	–	(8,435)
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						(25,012)
Loss before taxation						(62,586)
Income tax credit						10,501
Loss for the period						(52,085)

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, 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

3. REVENUE AND SEGMENT INFORMATION (Continued)

b) Segment information (Continued)

Segment assets and liabilities

	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	
	At 31	At 30	At 31	At 30	At 31	At 30	At 31	At 30	At 31	At 30
	December	June	December	June	December	June	December	June	December	June
	2022	2022	2022	2022	2022	2022	2022	2022	2022	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Segment assets	538,370	571,862	114,900	121,845	14,091	13,236	-	-	667,361	706,943
Segment liabilities	142,437	136,653	11,652	9,586	6,127	11,097	-	-	160,216	157,336

4. FINANCE COSTS

	Six months ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interests on:		
Bank and other borrowings	31,512	18,394
Loan from a non-controlling shareholder of a subsidiary	-	1,163
Loan from a shareholder of the Company	14	-
Lease liabilities	695	736
Effective interest on convertible bonds (note 13(a))	1,721	5,283
Total interest expense on financial liabilities not at fair value through profit or loss	33,942	25,576

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

5. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after crediting:

	Six months ended 31 December	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Cost of inventories recognised as an expense	223,776	285,521
Cost of services recognised as an expense	143,624	35,239
Depreciation of property, plant and equipment	4,995	6,697
Depreciation of right-of-use assets	7,698	7,017
Exchange loss/(gain), net	5,869	(8,246)
Loss on disposal of property, plant and equipment	33	1,073
Written off of property, plant and equipment	15	–
Lease payments not included in the measurement of lease liabilities	16,460	26,787
Staff costs, including directors' emoluments:		
– Wages, salaries and other benefits costs	57,718	65,346
– Retirement benefit costs	7,187	7,480
	64,905	72,826
Allowance of inventories, net (included in cost of sales)	932	697

6. INCOME TAX EXPENSE/(CREDIT)

	Six months ended 31 December	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Current tax:		
– PRC Enterprise Income Tax	89	1,129
– PRC Withholding Tax		
– over-provision in prior year	–	(9,128)
	89	(7,999)
Deferred taxation	1,212	(2,502)
	1,301	(10,501)

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

6. INCOME TAX EXPENSE/(CREDIT) (Continued)

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

	Six months ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss:		
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per ordinary share (Note (i))	(48,025)	(38,061)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

8. LOSS PER ORDINARY SHARE (Continued)

	2022 '000 (Unaudited)	2021 '000 (Unaudited)
Number of ordinary shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per ordinary share (Notes (i) & (ii))	269,672	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 ordinary 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 prices are higher than the average share price of the Company.

9. PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS

During the six months ended 31 December 2022, the Group acquired property, plant and equipment of HK\$7,186,000 (six months ended 31 December 2021: HK\$6,586,000), and the Group disposed of certain plant and equipment with an aggregate carrying amount of HK\$34,000 (six months ended 31 December 2021: HK\$1,095,000) for cash proceeds of HK\$1,000 (six months ended 31 December 2021: HK\$22,000), resulting a loss on disposal of HK\$33,000 (six months ended 31 December 2021: HK\$1,073,000).

During the six months ended 31 December 2022, the Group entered into several new lease agreements with lease terms ranged from 1 to 3 years. The Group is required to make fixed monthly payments. During the six months ended 31 December 2022, the Group recognised right-of-use assets of HK\$6,321,000 (six months ended 31 December 2021: HK\$21,192,000) and lease liabilities of HK\$6,185,000 (six months ended 31 December 2021: HK\$20,822,000).

10. TRADE AND OTHER RECEIVABLES AND DEPOSITS PAID

	31 December 2022 HK\$'000 (Unaudited)	30 June 2022 HK\$'000 (Audited)
Deposits paid under non-current assets represent:		
Rental deposits	1,067	1,826
Trade and other receivables and deposits paid under current assets comprise:		
Trade receivables	32,729	46,218
Less: allowance for credit loss	(441)	(870)
	32,288	45,348
Rental deposits	3,881	2,213
Value added tax receivables	9,660	11,987
Prepayments	13,396	8,245
Other receivables and deposits paid	8,084	6,389
	67,309	74,182

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

10. TRADE AND OTHER RECEIVABLES AND DEPOSITS PAID (Continued)

Retail sales are usually made in cash, through credit cards or through reputable and dispersed department stores. The Group generally allows a credit period up to 90 days (30 June 2022: up to 90 days) to its debtors.

As at 31 December 2022, 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).

Included in trade receivables as at 31 December 2022 is amount related to a fellow subsidiary of a non-controlling shareholder of a subsidiary amounting to HK\$658,000 (30 June 2022: HK\$Nil).

Included in rental deposits and other receivables and deposits paid as at 31 December 2022 are amounts related to a fellow subsidiary of a non-controlling shareholder of a subsidiary amounting to HK\$1,113,000 (30 June 2022: HK\$1,340,000).

An aged analysis based on invoice date, net of allowance, at the end of the reporting period, is as follows:

	31 December 2022 HK\$'000 (Unaudited)	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
	32,288	45,348

11. INTANGIBLE ASSETS

	31 December 2022 HK\$'000 (Unaudited)	30 June 2022 HK\$'000 (Audited)
Trademarks	168,066	168,066

The trademarks have contractual lives of 10 years commencing in November 2018 and March 2019 of “3D-Gold”, and are renewable at minimal cost. The directors of the Company are of the opinion that the Group has the intention and ability to renew the trademarks continuously. As a result, the trademarks are considered by the directors of the Company as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trademarks will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

On 31 December 2022, management of the Group conducted impairment review on the trademarks. The recoverable amounts of the trademarks have been determined based on a value in use calculation, which is based on the financial budgets approved by management covering a ten-year period and a pre-tax discount rate of 11% (30 June 2022: 11%). Pre-tax discount rate applied reflects the current market assessment of the time value of money and the risk specific to the cash generating unit. The cash flows beyond the ten-year period are extrapolated using a 3% (30 June 2022: 3%) growth rate. The key assumptions for the value in use calculations are discount rate and growth rate. The growth rate does not exceed the long-term average growth rate for the relevant industry. Based on the assessments, management of the Group expects the carrying amount of the trademarks to be recoverable and there is no impairment of the trademarks.

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For the six months ended 31 December 2022

12. TRADE AND OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	31 December 2022 HK\$'000 (Unaudited)	30 June 2022 HK\$'000 (Audited)
Trade payables	10,574	14,032
Deposits received	5,000	5,000
Franchisee guarantee deposits (Note)	39,126	41,174
Value added tax payables	7,275	–
Salary and bonus payables	46,214	44,515
Other payables, accruals and other deposits	32,347	30,072
	140,536	134,793

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

The credit period on purchase of goods ranges up to 90 days (30 June 2022: up to 90 days). The Group has financial risk management policies in place to ensure that all payables are settled with the credit timeframe.

As at 31 December 2022, 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).

Included in trade payables as at 31 December 2022 are trade payables to certain fellow subsidiaries of a non-controlling shareholder of a subsidiary amounting to HK\$919,000 (30 June 2022: HK\$234,000).

Deposits received at 31 December 2022 amounting to HK\$5,000,000 (30 June 2022: HK\$5,000,000) are unsecured, interest bearing of 8% per annum, and repayable on demand (30 June 2022: unsecured, interest bearing of 8% per annum, and repayable on demand).

Included in other payables, accruals and other deposits as at 31 December 2022 are other payables to certain fellow subsidiaries of a non-controlling shareholder of a subsidiary amounting to HK\$1,341,000 (30 June 2022: HK\$2,801,000).

Included in other payables, accruals and other deposits as at 31 December 2022 are accruals for service fee payable to a company in which a director of a subsidiary has beneficial interest amounting to HK\$1,232,000 (30 June 2022: HK\$2,628,000).

An aged analysis based on the invoice date at the end of the reporting period is as follows:

	31 December 2022 HK\$'000 (Unaudited)	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
	10,574	14,032

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

13. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS

a) Convertible bonds

Convertible bonds due on 16 January 2023 (“CB 2023”)

On 29 May 2019, the Company entered into a subscription agreement with an independent third party (“CB 2023 Holder”) for the issuance of CB 2023 with aggregate principal amount of HK\$121,950,000. CB 2023 is denominated in Hong Kong dollars which entitles CB 2023 Holder to convert them into ordinary shares of the Company at any time commencing on the issue date of CB 2023 and expiring on the date which is 7 days preceding the mature date, at a conversion price of HK\$0.15 per convertible bond (subject to anti-dilutive adjustments). The conversion price of CB 2023 was adjusted from HK\$0.15 per convertible bond to HK\$1.5 per convertible bond upon the completion of Share Consolidation on 27 July 2021 (see note 16(a)(i)). CB 2023 carries interests at 4% per annum and payable every anniversary after the issue date of CB 2023, which shall mature on the third anniversary of the issue date of CB 2023. The issuance of CB 2023 was completed on 16 January 2020. Details on the above are set out in the circular of the Company dated 18 July 2019.

As at 1 July 2021, the outstanding principal of CB 2023 was HK\$79,950,000.

On 6 December 2021, the Group early redeemed CB 2023 in full with principal amount of HK\$79,950,000, resulting a loss on early redemption of convertible bonds of approximately HK\$9,650,000 recognised in the condensed consolidated profit or loss and other comprehensive income.

Convertible bonds due 2023 with principal amount of HK\$52,000,000 (“CB 2023A”) and HK\$32,500,000 (“CB 2023B”)

On 31 May 2021, the Company entered into a subscription agreement with a company incorporated in the BVI which is wholly owned by Mr. Wang Chaoguang, the co-chairman and an executive director of the Company (the “CB 2023A Holder”) for the issuance of convertible bonds with aggregate principal amount of HK\$52,000,000. On the same date, the Company entered into another subscription agreement with a company incorporated in the BVI which is an independent third party to the Group (the “CB 2023B Holder”) for the issuance of convertible bonds with aggregate principal amount of HK\$32,500,000. CB 2023A and CB 2023B are denominated in Hong Kong dollars which entitle CB 2023A Holder and CB 2023B Holder to convert them into ordinary shares of the Company at any time commencing on the issue date of convertible bonds and expiring on the date which is 5 business days prior to the maturity date, at a conversion price of HK\$0.65 per convertible bond as adjusted for the effect of the capital reorganisation completed on 27 July 2021 (subject to anti-dilutive adjustments).

Both CB 2023A and CB 2023B carry interests at 4% per annum and payable semi-annually on 30 June and 31 December each year, which shall mature on the second anniversary of the issue date. The issuances of CB 2023A and CB 2023B were completed on 12 November 2021 and 6 December 2021 respectively.

CB 2023A Holder and CB 2023B Holder have the right to convert the whole or any part (in multiple of HK\$1,000,000) of the outstanding principal amount of convertible bonds into such number of ordinary shares of the Company as will be determined by dividing the principal amount of convertible bonds to be converted by the conversion price in effect on the date of conversion. In addition, the Company has the right to redeem the whole or any part of the outstanding principal amount of CB 2023A and CB 2023B from the issue date until the maturity date of convertible bonds.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

13. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

a) Convertible bonds (Continued)

Convertible bonds due 2023 with principal amount of HK\$52,000,000 (“CB 2023A”) and HK\$32,500,000 (“CB 2023B”) (Continued)

Upon issuance of CB 2023A, amounts of approximately HK\$51,977,000, HK\$6,994,000 and HK\$6,971,000 were recognised as liability component, derivative component embedded in CB 2023A (liability) and derivative component embedded in CB 2023A (asset), respectively.

Upon issuance of CB 2023B, amounts of approximately HK\$32,501,000, HK\$3,792,000 and HK\$3,793,000 were recognised as liability component, derivative component embedded in CB 2023B (liability) and derivative component embedded in CB 2023B (asset), respectively.

During the six months ended 31 December 2022 and 2021, no convertible bonds were converted by CB 2023A Holder and CB 2023B Holder, and the Company did not redeem any part of CB 2023A and CB 2023B.

As at 31 December 2022 and 30 June 2022, the outstanding principals of CB 2023A and CB 2023B were HK\$52,000,000 and HK\$32,500,000 respectively.

The inputs used in the binomial option pricing model adopted by the independent professional valuer in determining the derivative component of CB 2023A and CB 2023B as follows:

	CB 2023A		CB 2023B	
	At 31 December 2022 (Unaudited)	At 30 June 2022 (Audited)	At 31 December 2022 (Unaudited)	At 30 June 2022 (Audited)
Share price	HK\$0.2	HK\$0.22	HK\$0.2	HK\$0.22
Dividend yield	0%	0%	0%	0%
Expected volatility	52.94%	73.05%	51.24%	72.71%
Risk-free rate	2.72%	2.31%	2.80%	2.34%

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

13. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

a) Convertible bonds (Continued)

Convertible bonds due 2023 with principal amount of HK\$52,000,000 (“CB 2023A”) and HK\$32,500,000 (“CB 2023B”) (Continued)

The movements of the liability components of convertibles bonds are set out below:

	CB 2023 HK\$'000	CB 2023A HK\$'000	CB 2023B HK\$'000	Total HK\$'000
At 1 July 2021 (audited)	71,917	–	–	71,917
Early redemption of convertible bonds	(70,300)	–	–	(70,300)
Issue of convertible bonds	–	51,977	32,501	84,478
Coupon interest accrued and included in other payables	(1,334)	(280)	(100)	(1,714)
Interest charged during the period	4,908	277	98	5,283
Exchange realignment	(5,191)	537	336	(4,318)
At 31 December 2021 (unaudited)	–	52,511	32,835	85,346
At 1 July 2022 (audited)	–	49,936	31,136	81,072
Coupon interest accrued and included in other payables	–	(1,080)	(650)	(1,730)
Interest charged during the period	–	1,077	644	1,721
Exchange realignment	–	2,035	1,358	3,393
At 31 December 2022 (unaudited)	–	51,968	32,488	84,456

The effective interest rates of the liability components of CB 2023, CB 2023A and CB 2023B are 17.01%, 4.03% and 4.00% respectively.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

13. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

b) Derivative components of convertible bonds

The movements of the derivative components of convertible bonds are set out below:

	Liabilities CB 2023 HK\$'000	Assets CB 2023A HK\$'000	Liabilities CB 2023A HK\$'000	Assets CB 2023B HK\$'000	Liabilities CB 2023B HK\$'000	Total HK\$'000
At 1 July 2021 (audited)	3,239	–	–	–	–	3,239
Issue of convertible bonds	–	(6,971)	6,994	(3,793)	3,792	22
Change in fair value	(2,517)	1,424	(1,335)	(366)	(243)	(3,037)
Amortisation of deferred day one loss in profit or loss	55	–	–	–	–	55
	(2,462)	1,424	(1,335)	(366)	(243)	(2,982)
Exchange realignment	(777)	(58)	58	(43)	37	(783)
At 31 December 2021 (unaudited)	–	(5,605)	5,717	(4,202)	3,586	(504)
At 1 July 2021 (audited)	–	(1,070)	1,179	(721)	800	188
Change in fair value	–	1,126	(1,235)	763	(842)	(188)
Exchange realignment	–	(95)	99	(67)	69	(6)
At 31 December 2022 (unaudited)	–	(39)	43	(25)	27	(6)

The following is an analysis of the derivative components of convertible bonds for financial reporting purpose:

	31 December 2022 HK\$'000 (Unaudited)	30 June 2022 HK\$'000 (Audited)
<i>Current assets</i>		
– CB 2023A	(39)	(1,070)
– CB 2023B	(25)	(721)
	(64)	(1,791)
<i>Current liabilities</i>		
– CB 2023A	43	1,179
– CB 2023B	27	800
	70	1,979

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

13. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

b) Derivative components of convertible bonds (Continued)

The gain on change in fair value of embedded derivative of the convertible bonds for the six months ended 31 December 2022 of HK\$188,000 (six months ended 31 December 2021: HK\$3,037,000) and amortisation of day one loss of HK\$Nil (six months ended 31 December 2021: HK\$55,000) attributable to CB 2023 were recognised as “Change in fair value of derivative embedded in convertible bonds” in the condensed consolidated statement of profit or loss and other comprehensive income, of which HK\$188,000 (six months ended 31 December 2021: HK\$520,000) was related to derivative components of convertible bonds at 31 December 2022. The related interest expense of the liability component of the convertible bonds for the six months ended 31 December 2022 amounted to HK\$1,721,000 (six months ended 31 December 2021: HK\$5,283,000), which was calculated using the effective interest method.

14. BANK AND OTHER BORROWINGS

	31 December 2022 HK\$'000 (Unaudited)	30 June 2022 HK\$'000 (Audited)
Secured floating rate bank borrowings	1,603,500	1,563,500
Unsecured fixed rate other borrowing – independent third party	744	–
	1,604,244	1,563,500
Secured	1,603,500	1,563,500
Unsecured	744	–
	1,604,244	1,563,500
Carrying amounts repayable: Within one year*	109,244	108,500
Carrying amounts of bank loans that contain a repayment on demand clause (shown under current liabilities) – Repayable within one year*	1,495,000	1,455,000
	1,604,244	1,563,500
Less: Amounts due within one year and shown under current liabilities	(1,604,244)	(1,563,500)
Amounts shown under non-current liabilities	–	–

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

As at 31 December 2022, the secured floating rate bank borrowings bear interest ranging from 1-month Hong Kong Interbank Offered Rate (“HIBOR”) plus 1.08% to 1.92% (30 June 2022: HIBOR plus 1.08% to 1.92%) per annum, and the unsecured fixed rate other borrowing bears interest at 3.65% per annum as at 31 December 2022 (30 June 2022: N/A).

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15. LOANS FROM A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY AND A SHAREHOLDER OF THE COMPANY

As at 31 December 2022, the loan from a non-controlling shareholder of a subsidiary of HK\$100,000,000 (30 June 2022: HK\$100,000,000) is unsecured, interest-free and mutually agreed by the Group and the lender not to be repaid within one year after the end of the reporting period.

As at 31 December 2022, the loan from a shareholder of the Company of HK\$2,677,000 (30 June 2022: HK\$Nil) is unsecured, interest bearing of 5% per annum (30 June 2022: N/A) and repayable at the end of the first anniversary date from the drawn down date.

16. SHARE CAPITAL

	Notes	Number of shares '000	Amount HK\$'000
Authorised:			
Ordinary shares of HK\$0.04 each at 1 July 2021 (audited)		5,000,000	200,000
Share consolidation	a(i)	(4,500,000)	–
Share sub-division	a(iii)	199,500,000	–
Ordinary shares of HK\$0.001 each at 31 December 2021 (unaudited)		200,000,000	200,000
Ordinary shares of HK\$0.001 each at 1 July 2022 (audited) and 31 December 2022 (unaudited)		200,000,000	200,000
Preference shares of HK\$0.04 each at 1 July 2021 (audited)		750,000	30,000
Share consolidation	a(i)	(675,000)	–
Share sub-division	a(iii)	29,925,000	–
Preference shares of HK\$0.001 each at 31 December 2021 (unaudited)		30,000,000	30,000
Preference shares of HK\$0.001 each at 1 July 2022 (audited) and 31 December 2022 (unaudited)		30,000,000	30,000
Total:			
At 1 July 2021 (audited)		5,750,000	230,000
Share consolidation	a(i)	(5,175,000)	–
Share sub-division	a(iii)	229,425,000	–
At 31 December 2021 (unaudited)		230,000,000	230,000
At 1 July 2022 (audited) and 31 December 2022 (unaudited)		230,000,000	230,000

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

16. SHARE CAPITAL (Continued)

	Notes	Number of shares '000	Amount HK\$'000
Ordinary shares issued and fully paid:			
Ordinary shares of HK\$0.04 each at 1 July 2021 (audited)		1,546,716	61,868
Share consolidation	a(i)	(1,392,044)	–
Share sub-division	a(iii)	61,713,968	–
Share cancellation	a(ii)	(61,713,968)	(61,713)
Issue of shares	b, c	115,000	115
<hr/>			
Ordinary shares of HK\$0.001 each at 31 December 2021 (unaudited)		269,672	270
<hr/>			
Ordinary shares of HK\$0.001 each at 1 July 2022 (audited) and 31 December 2022 (unaudited)		269,672	270

Notes:

- a) On 23 July 2021, special resolutions were passed at a special general meeting as follows:
- i) To consolidate every 10 issued and unissued existing ordinary shares of par value of HK\$0.04 each (the “Existing Share”) in the share capital of the Company into 1 consolidated share of par value of HK\$0.4 each (the “Consolidated Share”); and every 10 issued and unissued preference shares of par value of HK\$0.04 each in the share capital of the Company into 1 consolidated preference share of par value of HK\$0.4 each (the “Consolidated Preference Share” and collectively the “Share Consolidation”).
 - ii) To reduce the share capital of the Company through a cancellation of (a) any fractional Consolidated Share in the share capital of the Company that may arise as a result of the Share Consolidation; and (b) the paid-up capital of the Company to the extent of HK\$0.399 on each of the issued Consolidated Share such that the par value of each issued Consolidated Share shall be reduced from HK\$0.4 each to HK\$0.001 each, resulting a new share of par value of HK\$0.001 each (the “New Share” and collectively the “Capital Reduction”).
 - iii) To sub-divide (a) each of the authorised but unissued Consolidated Share into 400 New Share, so that the par value of each unissued Consolidated Share shall be reduced from HK\$0.4 each to HK\$0.001 each; and (b) each of the authorised but unissued Consolidated Preference Share into 400 new preference shares, so that the par value of each unissued Consolidated Preference Share shall be reduced from HK\$0.4 each to HK\$0.001 each (collectively the “Share Sub-division”).
- The Share Consolidation, the Capital Reduction and the Share Sub-division (collectively the “Capital Reorganisation”) were completed and effective on 27 July 2021.
- b) On 31 May 2021, the Company entered into a subscription agreement with CB 2023A Holder, pursuant to which CB 2023A Holder agreed to subscribe 65,000,000 ordinary shares at the subscription price of HK\$0.5 per share. The subscription was completed on 12 November 2021.
- c) On 31 May 2021, the Company entered into a subscription agreement with CB 2023B Holder, pursuant to which CB 2023B Holder agreed to subscribe 50,000,000 ordinary shares at the subscription price of HK\$0.5 per share. The subscription was completed on 6 December 2021.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

17. SHARE BASED PAYMENT TRANSACTIONS

The Company adopted a share option scheme at the special general meeting held on 23 January 2009 by way of an ordinary resolution (the “2009 Share Option Scheme”) for the purpose of providing incentives or rewards to eligible persons for their contribution or potential contribution to the Group. Eligible persons including but not limited to the Group’s shareholders, directors, employees, business partners, customers and suppliers. Particulars of the 2009 Share Option Scheme are set out in the 2022 annual report of the Company.

The vesting period of the share options is from the date of grant to the commencement of the exercisable period.

2009 Share Option Scheme

The following table sets out the movements of the Company’s share options during the period (unaudited):

Eligible person	Date of grant	Exercisable period	Adjusted exercise price after Share Consolidation HK\$ (Note a)	Number of opinions		
				Outstanding As at 1.7.2022 (audited)	Movement during the period (Note b)	Outstanding as at 31.12.2022 (unaudited)
Directors	25.1.2013	28.2.2013 to 24.1.2023	9.1520	15,000	–	15,000
	25.1.2013	28.2.2014 to 24.1.2023	9.1520	15,000	–	15,000
	25.1.2013	28.2.2015 to 24.1.2023	9.1520	15,000	–	15,000
	12.1.2018	12.1.2018 to 11.1.2028	3.2320	1,050,000	–	1,050,000
				1,095,000	–	1,095,000
Consultants	27.2.2013	28.2.2014 to 24.1.2023	9.1520	250,000	–	250,000
	27.2.2013	28.2.2015 to 24.1.2023	9.1520	250,000	–	250,000
	12.1.2018	12.1.2018 to 11.1.2028	3.2320	875,000	–	875,000
				1,375,000	–	1,375,000
				2,470,000	–	2,470,000
Exercisable at the end of the period				2,470,000		2,470,000
Weighted average exercise price				4.538		4.538

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

17. SHARE BASED PAYMENT TRANSACTIONS *(Continued)*

Notes:

- a) Upon the completion of the share consolidation on 17 July 2018, the number of share options was adjusted from 375,907,529 to 93,976,879 and the corresponding exercise price were adjusted from a range of HK\$0.0808 to HK\$1.2980 per option to HK\$0.3232 to HK\$5.1920 per share option.

Furthermore, upon the completion of the Share Consolidation on 17 July 2021, the number of share options was adjusted from 25,450,000 to 2,545,000 and the corresponding exercise price were adjusted from a range of HK\$0.3232 to HK\$0.9152 per option to HK\$3.2320 to HK\$9.1520 per share option.

- b) No share options under 2009 Share Option Scheme have been granted, exercised or cancelled during the six months ended 31 December 2022 and 2021. No share option is lapsed during the six months ended 31 December 2022 and 2021.

2020 Share Option Scheme

In view of the expiry of 2009 Share Option Scheme on 22 January 2019, the Company adopted a share option scheme at the annual general meeting held on 23 June 2020 by way of an ordinary resolution (the “2020 Share Option Scheme”) for the purpose of providing incentives or rewards to eligible persons for their contribution or potential contribution to the Group. Eligible persons including but not limited to the Group’s shareholders, directors, employees, business partners, customers and suppliers. Particulars of the 2020 Share Option Scheme are set out in the 2022 annual report of the Company.

No share options were granted during the six months ended 31 December 2022 and 2021 under the 2020 Share Option Scheme.

18. 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

19. RELATED PARTY DISCLOSURES

a) Related party transactions

During the period, the Group has the following related party transactions:

Relationship	Nature of transactions	Six months ended 31 December	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
A non-controlling shareholder of a subsidiary	Interest expense	–	1,163
Fellow subsidiaries of a non-controlling shareholder of a subsidiary	Purchase of gold and jewellery products	1,380	2,046
	Purchase return of jewellery	–	276
	Purchase of consumables	–	5
	License and service fee	128	–
	Repayment of lease liabilities, including related interests	4,788	4,583
	Sales of jewellery	582	382
	Specialty fee	56	8
A company in which a director of a subsidiary has beneficial Interest	Subcontracting fee	23	31
	License and service fee	1,232	127

As at 31 December 2022, the ultimate holding company of a non-controlling shareholder of a subsidiary issued financial guarantee amounting to HK\$1,075,000,000 (30 June 2022: HK\$1,075,000,000) to banks in respect of banking facilities granted to the Group. No fee is paid or payable by the Group to the guarantor.

b) Related party balances

Details of the Group's outstanding balances with related parties are set out on the condensed consolidated statement of financial position and in notes 10, 12, 13 and 15.

c) Compensation of key management personnel

Directors are key management personnel of the Company whose remuneration is disclosed as follows:

	Six months ended 31 December	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Fees	870	870
Salaries	5,220	5,612
Retirement benefit costs	59	54
	6,149	6,536

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For the six months ended 31 December 2022

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets/liabilities included in the condensed consolidated statement of financial position

		Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
		31 December 2022 (Unaudited)	30 June 2022 (Audited)			
1)	Equity instruments at FVTOCI – Unquoted equity investment	–	–	Level 3	The fair value is measured based on the underlying assets, taking into consideration of discount of lack of marketability and minority discount	Discount for lack of marketability and minority discount (Note a)
2)	Call option derivatives embedded in convertible bond	64	1,791	Level 3	Binomial option pricing model The fair value is estimated based on the share price, dividend yield, volatility of the share price of the Company and risk-free rate	Volatility of the share price by reference to the historical share price of the Company (Note b)
3)	Conversion option derivatives embedded in convertible bond	70	1,979	Level 3	Binomial option pricing model The fair value is estimated based on the share price, dividend yield, volatility of the share price of the Company and risk-free rate	Volatility of the share price by reference to the historical share price of the Company (Note b)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

Notes:

- a) The higher the discount for lack of marketability and minority discount, the lower the fair value of the unquoted equity investment.
- b) The higher the volatility of the share price of the Company, the higher the fair value of the conversion option derivative. Details of the volatility of the share price of the Company used in the fair value measurement are set out in note 13.

There is no transfer between different levels of the fair value hierarchy for the six months ended 31 December 2022 and 2021.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded as amortised cost in the condensed consolidated financial statements approximate to their fair values.

The fair value of such financial assets and financial liabilities (categories within level 3 hierarchy) are determined in accordance with general accepted pricing models based on discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

21. EVENT 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.

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