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## **HONG KONG RESOURCES HOLDINGS COMPANY LIMITED**

**香港資源控股有限公司**

*(Incorporated in Bermuda with limited liability  
and carrying on business in Hong Kong as HKRH China Limited)*  
**(Stock code: 2882)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2023**

The board of directors (the “**Board**”) of Hong Kong Resources Holdings Company Limited (the “**Company**”) announces the unaudited interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 31 December 2023 (the “**Period**”) together with the comparative figures for the corresponding period in 2022. The interim results had not been reviewed or audited by the Company’s auditor, but had been reviewed by the audit committee of the Company.

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

For the six months ended 31 December 2023

		<b>Six months ended</b>	
		<b>31 December</b>	
	<i>Notes</i>	<b>2023</b>	2022
		<b>HK\$'000</b>	HK\$'000
		<b>(Unaudited)</b>	(Unaudited)
			(Restated)
<b>Continuing operations</b>			
Revenue	3	251,762	293,358
Cost of sales and services rendered		<u>(174,233)</u>	<u>(224,708)</u>
Gross profit		77,529	68,650
Other income		3,752	5,157
Selling expenses		(83,704)	(87,464)
General and administrative expenses		(30,419)	(32,438)
Other gains and losses		2,455	(5,919)
Change in fair value of derivatives embedded in convertible bonds		413	188
Reversal of impairment loss on trade and other receivables recognised under expected credit loss model		–	320
Finance costs	4	<u>(60,445)</u>	<u>(33,841)</u>
Loss before taxation from Continuing operations	5	(90,419)	(85,347)
Income tax expense	6	<u>(351)</u>	<u>(1,328)</u>
Loss from Continuing operations		(90,770)	(86,675)
<b>Discontinued operation</b>			
(Loss)/profit from Discontinued operation	12	<u>(7,693)</u>	<u>2,626</u>
Loss for the period		<u>(98,463)</u>	<u>(84,049)</u>

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
		(Restated)
Other comprehensive income/(expense):		
<i>Item that will not be reclassified to profit or loss:</i>		
Exchange difference arising on translation	(9,116)	7,718
<i>Items that will be reclassified to profit or loss:</i>		
Exchange difference arising on translation of foreign operations of Continuing operations	18,539	(23,970)
Exchange difference arising on translation of foreign operations of Discontinued operation	747	37
	<u>10,170</u>	<u>(16,215)</u>
Other comprehensive income/(expense) for the period		
	<u>10,170</u>	<u>(16,215)</u>
Total comprehensive expense for the period	<u>(88,293)</u>	<u>(100,264)</u>
Loss for the period attributable to:		
Owners of the Company	(54,244)	(48,025)
Non-controlling interests	(44,219)	(36,024)
	<u>(98,463)</u>	<u>(84,049)</u>
Loss for the period attributable to owners of the Company:		
Continuing operations	(48,672)	(47,909)
Discontinued operation	(5,572)	(116)
	<u>(54,244)</u>	<u>(48,025)</u>
(Loss)/profit for the period attributable to non-controlling interests:		
Continuing operations	(42,098)	(38,766)
Discontinued operation	(2,121)	2,742
	<u>(44,219)</u>	<u>(36,024)</u>

		<b>Six months ended</b>	
		<b>31 December</b>	
		<b>2023</b>	2022
		<b>HK\$'000</b>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	(Unaudited)
			(Restated)
Total comprehensive expense for the period attributable to:			
Owners of the Company		<b>(46,650)</b>	(57,525)
Non-controlling interests		<b>(41,643)</b>	(42,739)
		<u><b>(88,293)</b></u>	<u>(100,264)</u>
Total comprehensive expense for the period attributable to owners of the Company arising from:			
Continuing operations		<b>(41,814)</b>	(57,389)
Discontinued operation		<b>(4,836)</b>	(136)
		<u><b>(46,650)</b></u>	<u>(57,525)</u>
Loss per ordinary share for loss arising from Continuing and Discounted operations:			
Basic	8	<u><b>(HK\$0.2011)</b></u>	<u>(HK\$0.1781)</u>
Diluted	8	<u><b>(HK\$0.2011)</b></u>	<u>(HK\$0.1781)</u>
Loss per ordinary share for loss arising from Continuing operations:			
Basic	8	<u><b>(HK\$0.1805)</b></u>	<u>(HK\$0.1777)</u>
Diluted	8	<u><b>(HK\$0.1805)</b></u>	<u>(HK\$0.1777)</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	<b>31 December 2023 HK\$'000 (Unaudited)</b>	30 June 2023 HK\$'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>14,692</b>	15,377
Right-of-use assets		<b>21,200</b>	15,362
Deposits paid		<b>5,125</b>	2,701
Intangible assets		<b>168,066</b>	168,066
Equity instruments at fair value through other comprehensive income (“FVTOCI”)		–	–
Deferred tax assets		<b>22,502</b>	22,795
		<b>231,585</b>	224,301
<b>Current assets</b>			
Inventories		<b>575,838</b>	532,889
Right to returned goods asset		<b>3,353</b>	2,665
Trade and other receivables and deposits paid	<i>9</i>	<b>57,622</b>	75,236
Derivative component of convertible bonds		–	9,577
Pledged bank deposits	<i>11</i>	<b>887,778</b>	864,396
Bank balances and cash		<b>27,998</b>	71,229
		<b>1,552,589</b>	1,555,992
Assets classified as held for sale	<i>12</i>	<b>31,806</b>	–
		<b>1,584,395</b>	1,555,992

	<i>Notes</i>	<b>31 December 2023 HK\$'000 (Unaudited)</b>	30 June 2023 HK\$'000 (Audited)
<b>Current liabilities</b>			
Trade and other payables, accruals and deposits received	<i>10</i>	<b>208,220</b>	152,852
Bank and other borrowings		<b>1,830,500</b>	1,715,211
Loan from a non-controlling shareholder of a subsidiary		<b>10,000</b>	–
Contract liabilities		<b>16,345</b>	14,371
Refund liabilities		<b>12,760</b>	9,668
Lease liabilities		<b>13,456</b>	13,749
Derivative component of convertible bonds		–	10,079
Income tax liabilities		<b>12</b>	122
Amount due to a director		<b>1,819</b>	3,394
Convertible bonds		–	87,452
		<b>2,093,112</b>	2,006,898
Liabilities directly associated with assets classified as held for sale	<i>12</i>	<b>31,754</b>	–
		<b>2,124,866</b>	2,006,898
<b>Net current liabilities</b>		<b>(540,471)</b>	(450,906)
<b>Total assets less current liabilities</b>		<b>(308,886)</b>	(226,605)
<b>Non-current liabilities</b>			
Lease liabilities		<b>8,130</b>	2,118
Loan from a non-controlling shareholder of a subsidiary		<b>100,000</b>	100,000
Deferred tax liabilities		<b>42,016</b>	42,016
		<b>150,146</b>	144,134
<b>NET LIABILITIES</b>		<b>(459,032)</b>	(370,739)
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital		<b>270</b>	270
Reserves		<b>(238,643)</b>	(191,993)
Deficit attributable to owners of the Company		<b>(238,373)</b>	(191,723)
Non-controlling interests		<b>(220,659)</b>	(179,016)
<b>TOTAL DEFICIT</b>		<b>(459,032)</b>	(370,739)

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2023

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as the applicable disclosure requirements of Appendix 16 (which has been renumbered to Appendix D with effect from 31 December 2023) 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\$98,463,000 during the six months ended 31 December 2023 and as at that date, the Group had net current liabilities and net liabilities of approximately HK\$540,471,000 and HK\$459,032,000 respectively, indicating the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. 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 2023 after taking into consideration of the following:

- i) the financial supports from Luk Fook Holdings (International) Limited, which is a controlling shareholder of the Company after the completion of acquisition of the Company’s shares on 12 January 2024 and the completion of unconditional mandatory cash offers on 9 February 2024 (details of the above events are disclosed in the Company’s announcement dated 12 January 2024 and 9 February 2024 respectively), and;
- ii) internal funds shall be generated from the Group’s operations.

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

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2023 are the same as those presented in the Group’s annual financial statements for the year ended 30 June 2023.

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

In the current interim period, the Group has applied the following new and 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 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17 and related amendments	Insurance Contract
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

### 3. REVENUE AND SEGMENT INFORMATION

#### 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.

During the six months ended 31 December 2023, the revenue and results of the new media marketing service business in Mainland China are presented as Discontinued operation in accordance with HKFRS 5 "*Non-current Assets Held for Sale and Discontinued Operations*" ("**HKFRS 5**"). Details are further disclosed in Note 12. Last period's comparative segment information has been restated to conform with the current period's presentation.

The Group's operating and reportable segments under HKFRS 8 "*Operating Segments*" are as follows:

#### Continuing operations

- 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

#### Discontinued operation

- iii) New media marketing service business in Mainland China.

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

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 gain/(loss), 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.

The following is an analysis of the Group's revenue and results by operating segments for the six months ended 31 December 2023 (unaudited) and 2022 (unaudited and restated)



*Segment revenues and results*

For the six months ended 31 December 2023 (unaudited)

	Continuing operations			Discontinued operation		
	Reportable segments		Total HK\$'000	Reportable segment	Others (Note) HK\$'000	Total HK\$'000
	Retails 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		Mainland China HK\$'000		
<b>REVENUE</b>						
Retail sales of goods	173,641	37,879	211,520	-	-	-
Sales of E-commerce goods	30,710	-	30,710	-	-	-
New media marketing services	-	-	-	172	-	172
Goods and services – at a point in time	204,351	37,879	242,230	172	-	172
Franchising and licensing income – overtime	9,532	-	9,532	-	-	-
External sales	213,883	37,879	251,762	172	-	172
<b>RESULT</b>						
Segment loss	(7,205)	(2,492)	(9,697)	(6,804)	-	(6,804)
Unallocated other income			2,772			6
Unallocated corporate staff and directors' salaries			(11,077)			(14)
Other unallocated corporate expenses			(5,227)			(1,101)
Change in fair value of derivative embedded in convertible bonds			413			-
Advertising, promotion and business development expenses			(10,085)			(45)
Exchange gain, net			2,521			218
Unallocated finance costs			(60,039)			-
Loss before taxation			(90,419)			(7,740)
Income tax (expense)/credit			(351)			47
Loss for the period			(90,770)			(7,693)

For the six months ended 31 December 2022 (unaudited and restated)

	Continuing operations			Discontinued operation		
	Reportable segments			Reportable segment		
	Retails sales and franchising operations for selling gold and jewellery products in Mainland China <i>HK\$'000</i>	Retail sales operations for selling gold and jewellery products in Hong Kong <i>HK\$'000</i>	Total <i>HK\$'000</i>	New media marketing service in Mainland China <i>HK\$'000</i>	Others <i>(Note)</i> <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>REVENUE</b>						
Retail sales of goods	215,125	44,400	259,525	–	–	–
Sales of E-commerce goods	21,799	–	21,799	–	–	–
New media marketing services	–	–	–	150,356	–	150,356
Cloud computer solution services	–	–	–	–	951	951
Goods and services – at a point in time	236,924	44,400	281,324	150,356	951	151,307
Franchising and licensing income – overtime	12,034	–	12,034	–	–	–
External sales	<u>248,958</u>	<u>44,400</u>	<u>293,358</u>	<u>150,356</u>	<u>951</u>	<u>151,307</u>
<b>RESULT</b>						
Segment (loss)/profit	<u>(20,530)</u>	<u>57</u>	(20,473)	<u>3,500</u>	<u>–</u>	3,500
Unallocated other income			4,757			209
Unallocated corporate staff and directors' salaries			(12,286)			(13)
Other unallocated corporate expenses			(8,513)			(912)
Change in fair value of derivative embedded in convertible bonds			188			–
Advertising, promotion and business development expenses			(11,508)			(185)
Exchange loss, net			(5,869)			–
Unallocated finance costs			<u>(31,643)</u>			–
(Loss)/profit before taxation			(85,347)			2,599
Income tax (expense)/credit			<u>(1,328)</u>			<u>27</u>
(Loss)/profit for the period			<u>(86,675)</u>			<u>2,626</u>

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

#### 4. FINANCE COSTS

	Six months ended 31 December	
	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited) (Restated)
<b>Continuing operations</b>		
Interests on:		
Bank and other borrowings	57,466	31,510
Loan from a non-controlling shareholder of a subsidiary	748	–
Loan from a director of the Company	33	–
Lease liabilities	835	610
Effective interest on convertible bonds	<u>1,363</u>	<u>1,721</u>
 Total	 <u><u>60,445</u></u>	 <u><u>33,841</u></u>

#### 5. LOSS BEFORE TAXATION

Loss before taxation has been arrived after charging:

	Continuing operations		Discontinued operation	
	Six months ended 31 December		Six months ended 31 December	
	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited) (Restated)	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited) (Restated)
Cost of inventories recognised as an expense	173,871	223,776	–	–
Depreciation of property, plant and equipment	4,197	4,959	79	36
Depreciation of right-of-use assets	8,638	6,979	789	719
Allowance of inventories, net (included in cost of sales)	<u>362</u>	<u>932</u>	<u>–</u>	<u>–</u>

## 6. INCOME TAX EXPENSE/(CREDIT)

	Six months ended 31 December	
	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited) (Restated)
Current tax:		
The People's Republic of China ("PRC") Enterprise Income Tax	11	89
Deferred taxation	<u>293</u>	<u>1,212</u>
	<u><b>304</b></u>	<u><b>1,301</b></u>
Income tax expense/(credit) is attributable to:		
– Continuing operations	351	1,328
– Discontinued operation	<u>(47)</u>	<u>(27)</u>
	<u><b>304</b></u>	<u><b>1,301</b></u>

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

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

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

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

Pursuant to《關於實施小微企業普惠性稅收減免政策的通知》(Caishui [2019] No. 13) issued in 2019, certain subsidiaries qualifying as Small and Micro Enterprises whose annual taxable income is less than RMB1 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 million but not exceeding RMB3 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 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 2023 and 2022, nor has any dividend been proposed since the end of the reporting period.

## 8. LOSS PER ORDINARY SHARE

	<b>Six months ended 31 December</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
		(Restated)
Loss:		
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per ordinary shares ( <i>Note (i)</i> )		
– Continuing operations	<b>(48,672)</b>	(47,909)
– Discontinued operation	<b>(5,572)</b>	(116)
	<b>(54,244)</b>	(48,025)
	<b>2023</b>	2022
	<b>'000</b>	'000
	<b>(Unaudited)</b>	(Unaudited)
Number of ordinary shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per ordinary share for the Continuing and Discontinued operations ( <i>Notes (i) &amp; (ii)</i> )	<b>269,672</b>	269,672

	<b>Six months ended 31 December</b>	
	<b>2023</b>	2022
	<b>HK\$</b>	<b>HK\$</b>
	<b>(Unaudited)</b>	(Unaudited)
		(Restated)
Basic and diluted loss per ordinary share attributable to owners of the Company		
– Continuing operations	(0.1805)	(0.1777)
– Discontinued operation	(0.0206)	(0.0004)
	<u>(0.2011)</u>	<u>(0.1781)</u>

*Notes:*

- i) The calculation of diluted loss per ordinary share for the six months ended 31 December 2023 and 2022 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 2023 and 2022, the computation of diluted loss per ordinary share did not assume the exercise of share options because their exercise price is higher than the average share price.

## **9. TRADE AND OTHER RECEIVABLES AND DEPOSITS PAID**

The Group generally allows a credit period up to 90 days (30 June 2023: up to 90 days) to its debtors.

Included in trade and other receivables and deposits paid are trade receivables, net of allowance for credit losses, of HK\$35,967,000 (30 June 2023: HK\$47,692,000) and an aged analysis based on invoice date, net of allowance, at the end of the reporting period, is as follows:

	<b>31 December</b>	30 June
	<b>2023</b>	2023
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	(Audited)
0-30 days	30,478	36,844
31-60 days	4,444	5,671
61-90 days	1,031	3,448
Over 90 days	14	1,729
	<u>35,967</u>	<u>47,692</u>

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

Included in trade and other payables, accruals and deposits received are trade payables of HK\$78,608,000 (30 June 2023: HK\$31,106,000) and an aged analysis based on the invoice date at the end of the reporting period is as follows:

	<b>31 December 2023 HK\$'000 (Unaudited)</b>	30 June 2023 HK\$'000 (Audited)
0-30 days	69,250	21,005
31-60 days	8,848	7,571
61-90 days	507	2,304
Over 90 days	3	226
	<u>78,608</u>	<u>31,106</u>

## 11. PLEDGE OF ASSETS

As at 31 December 2023, the Group's bank deposits with carrying amounts of HK\$887,778,000 (30 June 2023: HK\$864,396,000) were pledged to banks as securities to obtain the banking facilities granted to the Group. All of the bank borrowings in the principal sum of HK\$1,746,000,000 were subsequently repaid by the Group in January 2024 and the pledged bank deposits were released accordingly.

As at 30 June 2023, the Group has a loan (the "MF Loan") in the principal sum of HK\$10,000,000 granted by an independent money lender (the "MF Lender") which was secured by the execution by the Company of the first priority debenture creating a fixed and floating charge over the undertaking, property and assets of the Company in favour of the MF Lender and the personal guarantee of Mr. Li Ning ("Mr. Li"), the chairman of the Board, an executive director and a shareholder of the Company, and Mr. Wang Chaoguang, the co-chairman of the Board, an executive director and a shareholder of the Company, at the time the MF Loan was granted (collectively the "MF Debenture"). On 28 July 2023, the MF Loan was fully repaid and the MF Debenture was released on the same date.

Save as disclosed above, there was no charge created over the Group's assets at the end of the reporting periods.

## 12. DISCONTINUED OPERATION

On 28 July 2023, the Company and Mr. Li entered into an agreement, pursuant to which the Company conditionally agreed to sell, and Mr. Li conditionally agreed to purchase, the entire issued share capital of Brand New Management Limited (the "Disposal"), for a total consideration of HK\$9,000,000, which was subject to adjustment on a dollar-for-dollar basis at the net asset value of Brand New Management Limited and its subsidiaries (the "Disposal Group") as at 30 June 2023. The Disposal Group are principally engaged in the new media marketing service business in Mainland China.

As at 31 December 2023, the Disposal was not yet completed. The Group expected the Disposal to be completed in coming twelve months. Consequently, the associated assets and liabilities of the Disposal Group were presented as held for sale in the condensed consolidated financial statements as at 31 December 2023 in accordance with HKFRS 5. On 12 January 2024, the Disposal was completed and the final consideration of the Disposal was HK\$8,896,000, which is the net asset value of the Disposal Group as at 30 June 2023.

Financial information relating to the Discontinued operation for the six months ended 31 December 2023 and comparative information is set out below.

(i) **Financial performance of Discontinued operation:**

	<b>Six months ended 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	<b>172</b>	151,307
Cost of services rendered	<b>–</b>	(143,624)
Gross profit	<b>172</b>	7,683
Other income	<b>89</b>	200
Selling expenses	<b>(1,709)</b>	(1,304)
General and administrative expenses	<b>(6,464)</b>	(2,943)
Other gains and losses	<b>218</b>	2
Impairment loss on trade and other receivables recognised under expected credit loss model	<b>–</b>	(938)
Finance costs	<b>(46)</b>	(101)
(Loss)/profit before taxation	<b>(7,740)</b>	2,599
Income tax credit	<b>47</b>	27
(Loss)/profit for the period from Discontinued operation	<b>(7,693)</b>	2,626
Exchange difference arising on translation of foreign operations from Discontinued operation	<b>747</b>	37
Total comprehensive (expense)/income from Discontinued operation	<b>(6,946)</b>	2,663
(Loss)/profit for the period from Discontinued operation attributable to:		
Owners of the Company	<b>(5,572)</b>	(116)
Non-controlling interests	<b>(2,121)</b>	2,742
	<b>(7,693)</b>	2,626
Total comprehensive (expenses)/income from Discontinued operation attributable to:		
Owners of the Company	<b>(4,836)</b>	(136)
Non-controlling interests	<b>(2,110)</b>	2,799
	<b>(6,946)</b>	2,663



(ii) **Assets and liabilities of the Disposal Group classified as held for sale as at 31 December 2023:**

	<b>As at 31 December 2023 HK\$'000 (Unaudited)</b>
<i>Assets classified as held for sale</i>	
Property, plant and equipment	133
Right-of-use assets	1,046
Trade and other receivables and deposits paid	27,178
Bank balances and cash	3,449
	<hr/>
Total assets of the Disposal Group classified as held for sale	<b>31,806</b>
	<hr/> <hr/>
<i>Liabilities directly associated with assets classified as held for sale</i>	
Trade and other payables, accruals and deposits received	23,352
Other borrowings	713
Contract liabilities	1,573
Lease liabilities	1,152
Income tax liabilities	1,328
Amount due to a director	3,636
	<hr/>
Total liabilities of the Disposal Group directly associated with assets classified as held for sale	<b>31,754</b>
	<hr/> <hr/>

**13. EVENT AFTER THE REPORTING PERIOD**

Save as disclosed elsewhere in this announcement, the Group had the following event after the reporting period:

The Company issued convertible bonds in the principal amounts of HK\$52,000,000 (“**CB 2023A**”) and HK\$32,500,000 (“**CB 2023B**”) on 12 November 2021 and 6 December 2021 respectively. CB 2023A and CB 2023B were matured on 12 November 2023 and 6 December 2023 respectively. Neither conversion of convertible bonds by convertible bonds holders nor early redemption of convertible bonds by the Company was taken place prior to the respective maturity dates. The principal amounts of CB 2023A and CB 2023B in an aggregate amount of HK\$84,500,000 was fully repaid by the Group in January 2024.

## OVERVIEW

During the Period, the Group was 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.

## RESULTS OF THE GROUP

The Continuing operation of the Group recorded a total turnover of approximately HK\$252 million for the Period, representing a decrease of 14% as compared to the restated turnover of approximately HK\$293 million for the same period last year (“**Last Period**”). The loss for the Period attributable to the owners was approximately HK\$54 million compared to a loss of approximately HK\$48 million Last Period, representing an increase of 13%, primarily attributable to the increase in finance cost. Excluding such factor, the loss from Continuing operations improved 43% to approximately HK\$30 million from approximately HK\$53 million Last Period.

The selling and distribution expenses of Continuing operation decreased to approximately HK\$84 million (2022: HK\$87 million), whereas general and administrative expenses of Continuing operation dropped to approximately HK\$30 million (2022: HK\$32 million). Finance cost of Continuing operation increased drastically 79% to approximately HK\$60 million (2022: HK\$34 million) mainly owing to the interest rate hike.

### Gold and jewellery retail and franchising business

The retail and franchising revenue, which was about the same as the Group’s total turnover, was approximately HK\$252 million for the Period, representing a decrease of 14% from approximately HK\$293 million Last Period, mainly owing to the closure of non-performing stores. Retailing and franchising of gold and jewellery products accounted for 100% of total turnover. The retail revenue from Mainland China decreased by 14% to approximately HK\$204 million for the Period from approximately HK\$237 million Last Period. The Group’s retail revenue from Hong Kong market was approximately HK\$38 million for the Period, representing a decrease of 15% from approximately HK\$44 million Last Period. The Group recorded a decline in overall same-store growth of 7% (2022: decline of 22%), of which same-store growth in Mainland China was a decline of 9% (2022: decline of 28%), while Hong Kong recorded a growth of 4% (2022: growth of 10%).

As at 31 December 2023, the Group had 2 points-of-sale in Hong Kong and 220 points-of-sale in Mainland China under the brand name “3D-GOLD.” Of the points-of-sale in Mainland China, 63 are self-operated points-of-sale and 157 are licensee points-of-sale.

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

With an aim to improve the profitability, the management has been focusing on the following areas through implementing various measures: (i) adjusted the sales network by focusing on profit-making stores and closing down non-performing stores; (ii) revisited regional franchisee system to strengthen the operations; (iii) continued to develop and promote new product series; (iv) implemented costs control measures including requesting landlords for rental reduction or relief; and (v) minimise unnecessary cash outflow.

## **Products and Design**

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

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

- “Love Glitter” Collection
- “ULove” Wedding Collection
- “Golden Allure GA” Collection
- “Shimmer Beat” Collection
- “Starry Shimmer” Collection
- “Love Lane” Collection
- “Cool Love” Collection
- “Love Letter” Jewellery Collection
- Gold Gifts Collection
- “Peter Rabbit™” Collection
- “Golden Love Glitter” Collection
- Pure Gold Chinese Zodiac Collection
- “Mini Love Lane” Collection
- Classic Gold Collection

## **Marketing and Promotion**

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

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

- Organized a “New Product Launch (3rd quarter 2023)”
- Organized a “Brand Licensee Business Seminar (3rd quarter 2023)”
- Organized a “3DG Jewellery 20th Anniversary Celebration Dinner”
- Organized a “Brand Licensee Business Webinar (4th quarter 2023)”

## **Awards and Achievements**

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

- “CAPITAL – Services Awards 2023 – Jewellery”
- “Best Label Award 2023 (Best Jewelry)” by Marie Claire
- “BOCHK Corporate Environmental Leadership Awards Programme 2022 – Eco Partner”
- “CAPITAL – ESG Awards 2023”
- “2023 Quality Service Retailer of the Year of Flagship Stores – Silver Award” by Hong Kong Retail Management Association

## **New Media Marketing Service Business**

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.

After having actively participated in the management of the new media marketing service business since December 2021, the Company noted that the new media marketing service business might heavily strain the Group's resources to cater for the lengthy time and substantial investment required to build up a sizeable and sustainable business network. The growth of the Group's new media marketing service business has reached plateau as the Group did not provide credit term to its clients. For the new media marketing business in the Mainland China, media platform suppliers required the new media marketing service providers to make prepayment, while most of the new media marketing service providers will give one to three months credit term for its clients. In order to accelerate the growth and increase its competitiveness, the Group is required to give credit term to its clients. However, the mismatch in the credit term strains the Group's resources.

Given that Luk Fook 3D Investment Holding Company Limited (the "**Offeror**"), a subsidiary of Luk Fook Holdings is not interested in the new media marketing service business and the Group did not intend to put additional resources in the new media marketing service business, the Group was unable to secure new clients. This hindered the development of the Group's new media marketing service business. On 28 July 2023, the Company, as vendor, and Mr. Li Ning, the then executive director of the Company as purchaser, entered into a conditional agreement (which was amended and supplemented by a supplemental agreement dated 18 December 2023) in relation to the sale and purchase of the entire issued share capital of Brand New Management Limited (the "**Disposal**"), a company incorporated in the British Virgin Islands, a direct wholly-owned subsidiary of the Company and the holding company of the new media marketing service business. The completion of the Disposal took place on 12 January 2024 and the consideration was HK\$8,896,000 which was equal to the consolidated audited net asset value of the Brand New Management Limited and its subsidiaries as at 30 June 2023.

Thereafter, the Company ceased in engaging in the new media marketing service business. The Disposal enabled the Group to focus more resources on its retail sales and franchising operations, and the wholesaling and contracting operations of gold and jewellery products businesses.

## **OUTLOOK**

The Group is proactively conducting reviews of the existing principal businesses and its financial position for the purpose of formulating business plans and strategies for the future business development. The Group is dedicated to increasing productivity for existing shops and pursuing a progressive expansion strategy in Mainland China, Hong Kong, and Macau. The Group will focus on enhancing shop productivity by implementing various measures such as streamlining operations, optimising workflows, and investing in technology solutions. These efforts are aimed at maximising efficiency, enhancing resources utilisation, and ultimately increasing overall productivity.

Despite the challenges posed by the current economic climate, the Group remains determined to turn around the business. The Group believes that the introduction of the Luk Fook Holdings (International) Limited (“**Luk Fook Holdings**”) as the new controlling shareholder of the Group would benefit its future strategic executions in the jewellery market, leveraging Luk Fook Holdings’s financial strength and their expertise. Further, the Group would collaborate with Luk Fook Holdings to achieve synergy and enhance value of existing business as well as explore opportunities of future potential projects.

## **INTERIM DIVIDENDS**

The Board has resolved not to recommend an interim dividend in respect of the Period to the holders of ordinary shares (the “**Shares**”) of the Company.

## **EXPIRY OF THE CONVERTIBLE BONDS**

On 12 November 2021, the Company issued the convertible bonds in the principal amount of HK\$52,000,000 (the “**CB 2023A**”) to Grace Fountain Holdings Limited due on 12 November 2023. Immediately prior to the maturity date, the CB 2023A entitled the holder thereof to convert it into 80,000,000 new Shares at the conversion price of HK\$0.65 per conversion share and none of the CB 2023A was converted before the maturity date. The CB 2023A was expired on 12 November 2023. As at the date of this announcement, the Company has repaid all amount due under the CB 2023A to the holder thereof.

On 6 December 2021, the Company issued the convertible bonds in the principal amount of HK\$32,500,000 (the “**CB 2023B**”) to Excel Horizon Investments Limited due on 6 December 2023. Immediately prior to the maturity date, the CB 2023B entitled the holder thereof to convert it into 50,000,000 new Shares at conversion price of HK\$0.65 per conversion share and none of the CB 2023B was converted before the maturity date. The CB 2023B was expired on 6 December 2023. As at the date of this announcement, the Company has repaid all amount due under the CB 2023B to the holder thereof.

## **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 2023, the Group had total pledged bank deposits and bank balances and cash amounting to HK\$916 million (30 June 2023: HK\$936 million). The Group’s net borrowing as at 31 December 2023 was HK\$1,025 million (30 June 2023: HK\$967 million), being total borrowing of HK\$1,941 million (30 June 2023: HK\$1,903 million) less pledged bank deposits and bank balances and cash of HK\$916 million (30 June 2023: HK\$936 million). After taking into account the gold inventories of HK\$330 million (30 June 2023: HK\$287 million), the Group’s net borrowing as at 31 December 2023 was HK\$695 million (30 June 2023: HK\$680 million), being total borrowing less pledged bank deposits, bank balances and cash and gold inventories.

The current ratio of the Group as at 31 December 2023 was 75% (30 June 2023: 78%), calculated on the basis of current assets of HK\$1,584 million (30 June 2023: HK\$1,556 million) over current liabilities of HK\$2,125 million (30 June 2023: HK\$2,007 million).

## **Share Capital and Capital Structure**

As at 31 December 2023, the Company had 269,671,601 ordinary shares of HK\$0.001 each in issue (30 June 2023: 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 2023 are set out in note 11.

## **Contingent Liabilities and Guarantee**

As at 31 December 2023, the Company had corporate financial guarantee amounting to HK\$1,075,000,000 (30 June 2023: 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 2023, the banking facilities utilised by the subsidiary was HK\$1,746,000,000 (30 June 2023: HK\$1,704,500,000). As at 31 December 2023, a loss allowance of HK\$24,043,000 (30 June 2023: HK\$19,218,000) 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 2023 and 30 June 2023, 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.



## 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 2023.

## Employees and Remuneration Policy

As at 31 December 2023, the Group had 886 employees (30 June 2023: 874). 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.

## CHANGE IN CONTROLLING SHAREHOLDER OF THE COMPANY AND UNCONDITIONAL MANDATORY CASH OFFERS

On 28 July 2023, Offeror as purchaser entered into three sale and purchase agreements (the “**Sale and Purchase Agreements**”), namely (a) the conditional sale and purchase agreement dated 28 July 2023 (as amended and supplemented by supplemental agreements dated 18 December 2023 and 11 January 2024 respectively) with Eminent Rise Holdings Limited and Mr. Li Ning as vendors, in relation to the sale and purchase of 21,000,000 Shares held by Eminent Rises Holding Limited; (b) the conditional sale and purchase agreement dated 28 July 2023 (as amended and supplemented by supplemental agreements dated 18 December 2023 and 11 January 2024 respectively) with Grace Fountain Holdings Limited as vendor, and Mr. Wang Chaoguang as guarantor, in relation to the sale and purchase of 65,000,000 Shares held by Grace Fountain Holdings Limited; and (c) the conditional sale and purchase agreement dated 28 July 2023 (as amended and supplemented by supplemental agreements dated 18 December 2023 and 11 January 2024 respectively) with Excel Horizon Investments Limited as vendor, and Mr. Duan Guangzhi as guarantor, in relation to the sale and purchase of 50,000,000 Shares held by Excel Horizon Investments Limited, all at the consideration of HK\$0.748 per Share. Completion of the Sale and Purchase Agreements took place on 12 January 2024. Pursuant to the Sale and Purchase Agreements (as amended and supplemented from time to time), the Offeror acquired in aggregate, 136,000,000 Shares (representing approximately 50.43% of the issued share capital of the Company) for a total consideration of HK\$101,728,000. Immediately before Completion, the Offeror and parties acting concert with it held 2,447,918 Shares (representing approximately 0.91% of the issued share capital of the Company). Immediately upon completion, the Offeror and parties acting concert with it held 138,447,918 Shares in total (representing approximately 51.34% of the issued share capital of the Company).

On 19 January 2024, the Company, the Offeror and Luk Fook Holdings jointly announced that Optima Capital Limited, for and on behalf of the Offeror, made unconditional mandatory cash offers (the “**Offers**”) to acquire (a) all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it); and (b) all outstanding share options in the Company for cancellation in accordance with the Hong Kong Code on Takeovers and Mergers. Taking into account the valid acceptances in respect of 78,092,904 Shares and 87,500 share options under the Offers, immediately upon the close of the Offers on 9 February 2024, the Offeror and parties acting in concert with it are interested in an aggregate of 216,540,822 Shares, representing approximately 80.30% of the issued share capital of the Company and 87,500 share options in the



Company were cancelled. Immediately after the close of Offers, i.e. 9 February 2024, the Company has 962,500 share options outstanding. As at the date of this announcement, the Company has 875,000 share options outstanding given that 87,500 share options were lapsed on 10 February, 2024.

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

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

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

## **COMPLIANCE WITH THE CODE PROVISIONS ON CORPORATE GOVERNANCE CODE**

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

The Company complied with the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 (which has been renumbered to Appendix C1 with effect from 31 December 2023) of the Listing Rules throughout the Period, except for the following deviations:

CG Code C.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. On 12 June 2019, Mr. Li Ning is appointed as an executive Director and chairman of the Board to provide strong leadership and ensure the execution of the Group's strategies and policies. On 4 October 2019, Mr. Li Ning has been assuming the role of chief executive officer. During the Period, Mr. Li continued to hold the dual roles of chairman and chief executive of the Company. The Board is of the view that the vesting of aforesaid dual roles in Mr. Li Ning during the Period provided the Group with strong and consistent leadership and allowed for more effective and efficient business planning and decisions.

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 (which has been renumbered to Appendix C3 with effect from 31 December 2023) to the Listing Rules. All directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the Period.

## AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim financial statements for the Period. The Group's unaudited interim financial statements for the period ended 31 December 2023 have been reviewed by the Audit Committee. As at the date of this announcement, the Audit Committee comprises four independent non-executive directors, namely, Mr. SZE Yeung Kuen, Mr. CHAN Raymond, Dr. LAM Ki Wai Lianne, Dr. CHOW Kwoon Ho, Simon.

## PUBLICATION OF INTERIM RESULTS AND DESPATCH OF INTERIM REPORT

This results announcement is published on the websites of The Stock Exchange of Hong Kong Limited ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.hkrh.hk](http://www.hkrh.hk)). The interim report 2023 containing all the information required by the Listing Rules will be published on the above websites and physical copies of the interim reports will be dispatched to the shareholders of the Company upon request in due course.

By order of the Board of  
**Hong Kong Resources Holdings Company Limited**  
**WONG Ho Lung, Danny**  
*Chairman & Chief Executive Officer*

Hong Kong, 27 February 2024

*As at the date of this announcement, the Board comprises Mr. WONG Ho Lung, Danny (Chairman and Chief Executive Officer), Ms. CHEUNG Irene (Chief Operating Officer), Ms. WONG Hau Yeung and Dr. CHAN So Kuen as executive Directors; Ms. YEUNG Po Ling, Pauline as the non-executive Director and Mr. SZE Yeung Kuen, Mr. CHAN Raymond, Dr. LAM Ki Wai, Lianne and Dr. CHOW Kwoon Ho, Simon as the independent non-executive Directors.*