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CONTINENTAL

HOLDINGS LIMITED

恒和珠寶集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00513)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2019

The board of directors (the “Board”) of Continental Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 30 June 2019 together with comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

	<i>Notes</i>	2019 HK\$'000	2018 HK\$'000
Revenue	3	440,967	391,882
Cost of sales		(331,922)	(314,227)
Gross profit		109,045	77,655
Selling and distribution costs		(18,465)	(14,662)
Administrative expenses		(101,252)	(80,930)
Other operating income		2,308	5,876
Change in fair value of investment properties		37,432	67,017
Impairment loss on available-for-sale financial assets		—	(984)
Impairment loss on mining right		—	(41,972)
Impairment loss on property, plant and equipment		—	(7,941)
Income arising from amortising the financial guarantee liabilities		—	6,013
Loss on disposal of available-for-sale financial assets		—	(198)
Gain on disposal of subsidiaries		1,684	—
Gain on disposal of a joint venture		—	363,206
Finance costs	4	(5,817)	(12,308)
Share of results of joint ventures		1,627	69,061
Share of results of an associate		(138)	—

	<i>Notes</i>	2019 HK\$'000	2018 HK\$'000
Profit before income tax	5	26,424	429,833
Income tax credit/(expense)	6	22,188	(75,078)
Profit for the year		48,612	354,755
Other comprehensive income, net of tax			
Items that may be subsequently reclassified to profit or loss:			
Change in fair value of available-for-sale financial assets		–	462
Reclassification from equity to profit or loss on impairment of available-for-sale financial assets		–	984
Reclassification from equity to profit or loss on disposal of available-for-sale financial assets		–	198
Exchange reserve released upon disposal of a joint venture		–	(44,682)
Exchange differences on translation of foreign operations and joint ventures		(20,801)	88,101
		(20,801)	45,063
Items that will not be subsequently reclassified to profit or loss:			
Change in fair value of financial assets at fair value through other comprehensive income		2,425	–
		2,425	–
Other comprehensive income for the year, net of tax		(18,376)	45,063
Total comprehensive income for the year		30,236	399,818
Profit for the year attributable to:			
Owners of the Company		43,679	354,759
Non-controlling interests		4,933	(4)
		48,612	354,755
Total comprehensive income for the year attributable to:			
Owners of the Company		25,303	399,822
Non-controlling interests		4,933	(4)
		30,236	399,818
		HK cent	HK cent
Earnings per share for profit attributable to the owners of the Company	8		
Basic		0.64	5.19
Diluted		0.64	5.19

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	<i>Notes</i>	2019 HK\$'000	2018 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		52,995	56,446
Land use rights		29,871	32,398
Investment properties		1,511,200	1,308,400
Mining right		598,387	623,749
Interests in an associate		17,862	—
Interests in joint ventures		1,999	14,743
Financial assets at fair value through other comprehensive income		20,023	—
Available-for-sale financial assets		—	14,385
Long-term receivables		—	—
Deferred tax assets		5,762	5,762
		2,238,099	2,055,883
Current assets			
Property under development		301,662	—
Inventories		165,415	161,758
Trade receivables	9	114,881	111,737
Prepayments, deposits and other receivables		20,372	10,434
Financial assets at fair value through profit or loss		13,424	6,066
Due from joint ventures		54	183
Cash and cash equivalents		621,380	1,128,664
		1,237,188	1,418,842

	<i>Notes</i>	2019 HK\$'000	2018 <i>HK\$'000</i>
Current liabilities			
Trade payables	10	(64,059)	(54,922)
Other payables and accruals		(50,682)	(34,650)
Contract liabilities		(1,227)	–
Bank loans	11	(743,575)	(611,000)
Obligation under finance leases		(35)	(127)
Due to a non-controlling interest		(21,671)	–
Provision for tax		(2,281)	(2,349)
		<u>(883,530)</u>	<u>(703,048)</u>
Net current assets		<u>353,658</u>	<u>715,794</u>
Total assets less current liabilities		<u>2,591,757</u>	<u>2,771,677</u>
Non-current liabilities			
Obligation under finance leases		–	(35)
Due to related companies		(31,669)	(33,793)
Loan from a controlling shareholder		(4,549)	(4,742)
Loan from ultimate holding company		–	(350,000)
Deferred tax liabilities		(133,108)	(138,824)
		<u>(169,326)</u>	<u>(527,394)</u>
Net assets		<u>2,422,431</u>	<u>2,244,283</u>
EQUITY			
Share capital		560,673	560,673
Reserves		<u>1,678,120</u>	<u>1,690,012</u>
Equity attributable to the owners of the Company		2,238,793	2,250,685
Non-controlling interests		<u>183,638</u>	<u>(6,402)</u>
Total equity		<u>2,422,431</u>	<u>2,244,283</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The consolidated financial statements of Continental Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective terms include all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the Hong Kong Companies Ordinance. The consolidated financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The financial information relating to the year ended 30 June 2019 included in this preliminary announcement of annual results does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance, Cap. 622 (the “Companies Ordinance”) is as follows:

The Company had delivered the financial statements for the year ended 30 June 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 30 June 2019 in due course.

The Company’s auditor has reported on those financial statements of the Group for both years. The auditor’s reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

2. ADOPTION OF HKFRSs

(a) Adoption of new or revised HKFRSs – effective 1 July 2018

The Group has adopted the following new or revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for annual periods beginning on or after 1 July 2018.

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarification to HKFRS 15)
Amendments to HKAS 40	Investment Property – Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

2. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new or revised HKFRSs – effective 1 July 2018 (Continued)

Annual Improvements to HKFRSs 2014-2016 Cycle - Amendments to HKAS 28, Investments in Associates and Joint Ventures

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 28, Investments in Associates and Joint Ventures, clarifying that a Venture Capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

The adoption of these amendments has no impact on these financial statements as the Group is not a venture capital organisation.

Amendments to HKFRS 2 – Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The adoption of these amendments has no impact on these financial statements as the Group does not have any cash-settled share-based payment transaction and has no share-based payment transaction with net settlement features for withholding tax.

2. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new or revised HKFRSs – effective 1 July 2018 (Continued)

HKFRS 9 - Financial Instruments

(i) *Classification and measurement of financial instruments*

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 July 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

The following tables summarised the impact, net of tax, of transition to HKFRS 9 on the opening balance of reserves and retained profits as of 1 July 2018 as follows:

	<i>HK\$'000</i>
<i>Retained profits</i>	
Retained profits as at 30 June 2018	1,336,247
Increase in expected credit losses (“ECLs”) in trade receivables (note 2(a)(ii)(I) below)	(936)
Restated retained profits balance as at 1 July 2018	1,335,311
<i>Investment revaluation reserve</i>	
Investment revaluation reserve as at 30 June 2018	9,492
Reclassify investments from available-for-sale financial assets at fair value to financial assets at fair value through other comprehensive income (note 2(a)(i) below)	(9,492)
Restated investment revaluation reserve balance as at 1 July 2018	–
<i>Fair value through other comprehensive income reserve</i>	
Fair value through other comprehensive income reserve at 30 June 2018	–
Reclassify investments from available-for-sale at fair value to fair value through other comprehensive income (note 2(a)(i) below)	9,492
Restated fair value through other comprehensive income reserve balance as at 1 July 2018	9,492

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group’s accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group’s classification and measurement of financial assets is set out below.

2. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new or revised HKFRSs – effective 1 July 2018 (Continued)

HKFRS 9 - Financial Instruments (Continued)

(i) *Classification and measurement of financial instruments (Continued)*

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost (“amortised costs”); (ii) financial assets at fair value through other comprehensive income; or (iii) financial assets at fair value through profit or loss. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the “solely payments of principal and interest” criterion, also known as “SPPI criterion”). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at fair value through profit or loss:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at fair value through other comprehensive income if it meets both of the following conditions and it has not been designated as at fair value through profit or loss:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

2. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new or revised HKFRSs – effective 1 July 2018 (Continued)

HKFRS 9 - Financial Instruments (Continued)

(i) *Classification and measurement of financial instruments (Continued)*

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or fair value through other comprehensive income as described above are classified as fair value through profit or loss. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or fair value through other comprehensive income at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The accounting policies applied to the Group's financial assets are as follows:

Fair value through profit or loss	Fair value through profit or loss is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
Fair value through other comprehensive income (equity instruments)	Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income is recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

2. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new or revised HKFRSs – effective 1 July 2018 (Continued)

HKFRS 9 - Financial Instruments (Continued)

(i) *Classification and measurement of financial instruments (Continued)*

- (I) As at 1 July 2018, certain investments in listed equity investments were reclassified from available-for-sale financial assets to financial assets at fair value through other comprehensive income. The Group intends to hold these listed equity investments for long-term strategic purposes. Under HKFRS 9, the Group has designated these listed equity investments at the date of initial application as measured at fair value through other comprehensive income. As a result, these financial assets with a fair value of HK\$10,154,000 were reclassified from available-for-sale financial assets at fair value to fair value through other comprehensive income and the accumulated fair value gains of HK\$9,492,000 were reclassified from investment revaluation reserve to the fair value through other comprehensive income reserve on 1 July 2018.
- (II) As at 1 July 2018, certain unquoted equity investments were reclassified from available-for-sale financial assets at cost less impairment to fair value through other comprehensive income. These unquoted equity instrument has no quoted price in an active market. The Group intends to hold these unquoted equity investment for long-term strategic purposes. In addition, the Group has designated such unquoted equity instrument at the date of initial application as measured at fair value through other comprehensive income. As at 1 July 2018, the carrying amounts of these unquoted equity investments approximate to fair values. As a result, the carrying amounts of HK\$4,231,000 was reclassified from available-for-sale financial assets at cost less impairment to fair value through other comprehensive income.

2. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new or revised HKFRSs – effective 1 July 2018 (Continued)

HKFRS 9 - Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 July 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 July 2018 under HKAS 39 HK\$'000	Carrying amount as at 1 July 2018 under HKFRS 9 HK\$'000
Listed equity investments	Held-for-trading	Fair value through profit or loss	6,066	6,066
Listed equity investments	Available-for-sale (at fair value) (note 2(a)(i)(I))	Fair value through other comprehensive income	10,154	10,154
Unlisted equity investments	Available-for-sale (at cost less impairment) (note 2(a)(i)(II))	Fair value through other comprehensive income	4,231	4,231
Long-term receivables	Loans and receivables	Amortised cost	–	–
Loans to a joint venture	Loans and receivables	Amortised cost	14,500	14,500
Trade receivables	Loans and receivables	Amortised cost	111,737	110,801
Deposits and other receivables	Loans and receivables	Amortised cost	5,530	5,530
Due from a joint venture	Loans and receivables	Amortised cost	183	183
Cash and cash equivalents	Loans and receivables	Amortised cost	1,128,664	1,128,664

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the ECLs model. HKFRS 9 requires the Group to recognised ECLs for trade receivables and financial assets at amortised costs earlier than HKAS 39. Cash and cash equivalents are subject to ECLs model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs; these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

2. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new or revised HKFRSs – effective 1 July 2018 (Continued)

HKFRS 9 - Financial Instruments (Continued)

(ii) *Impairment of financial assets (Continued)*

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The Group's debt investment at fair value through other comprehensive income are considered to have low credit risk since the issuers' credit rating are high.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

2. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new or revised HKFRSs – effective 1 July 2018 (Continued)

HKFRS 9 - Financial Instruments (Continued)

(ii) *Impairment of financial assets (Continued)*

Impact of the ECLs model

(I) Impairment of trade receivables

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which recognises lifetime ECLs for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance as at 1 July 2018 was determined as follows for trade receivables as follows:

As at 1 July 2018	Neither past due nor impaired	0 – 30 days past due	31-60 days past due	61-90 days past due	91-180 days past due	181-365 days past due	Over 365 days past due
Expected credit loss rate (%)	0.00%	0.57%	4.53%	11.16%	40.14%	97.33%	100%
Gross carrying amount (HK\$'000)	63,109	15,666	17,941	4,849	17,575	5,963	16,486
Loss allowance (HK\$'000)	–	90	812	541	7,055	5,804	16,486

The increase in loss allowance for trade receivables upon the transition to HKFRS 9 as at 1 July 2018 were HK\$936,000. The loss allowances further increased by HK\$1,537,000 for trade receivables during the year ended 30 June 2019.

(II) Impairment of other financial assets at amortised costs

Other financial assets at amortised costs of the Group include long-term receivables, loans to a joint venture, deposits and other receivables, due from a joint venture and cash and cash equivalents. Applying the ECLs model result in the recognition of ECLs of long-term receivables of HK\$12,149,000 on 1 July 2018 and 30 June 2019. For other financial assets at amortised costs, since there is no increase in credit risk, the loss allowance recognised during the year was therefore limited to 12-months ECLs. Management considers the probability of default is low on these financial assets at amortised costs since the counterparties are in good credit quality and no historical default is noted. Besides, management considers the probability of default is low on bank balances since they are placed at the financial institutions with good credit rating. The Group's management has assessed and concluded the impact of ECLs of these financial assets at amortised cost is insignificant as at 1 July 2018 and 30 June 2019.

2. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new or revised HKFRSs – effective 1 July 2018 (Continued)

HKFRS 9 - Financial Instruments (Continued)

(iii) *Hedge accounting*

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) *Transition*

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at 30 June 2018, but are recognised in the consolidated statement of financial position on 1 July 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained profits and reserves as at 1 July 2018. Accordingly, the information presented for 2018 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the “DIA”):

- The determination of the business model within which a financial asset is held; and
- The designation of certain investments in equity investments not held for trading as at fair value through other comprehensive income.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

2. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new or revised HKFRSs – effective 1 July 2018 (Continued)

HKFRS 15 Revenue from Contracts with Customers (“HKFRS 15”)

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained profits at the date of initial application (that is, 1 July 2018). As a result, the financial information presented for 2018 has not been restated. The impact on adoption of HKFRS 15 does not have a significant impact on the opening balances of retained profits.

The following table illustrated the adjustment made to the amounts presented in the consolidated statement of financial position at the date of initial application of HKFRS 15:

		Carrying amount as at 30 June 2018 under HKAS 18 HK\$'000	Reclassification HK\$'000	Carrying amount as at 1 July 2018 under HKFRS 15 HK\$'000
	Notes			
Other payables and accruals	(III) (IV)	34,650	– (626)	34,024
Contract liabilities	(IV)	–	626	626
		<u>34,650</u>		<u>34,650</u>

The following table summarised the impact of adopting HKFRS 15 on the Group's consolidated statement of financial position as at 30 June 2019 and its consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2019.

2. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new or revised HKFRSs – effective 1 July 2018 (Continued)

HKFRS 15 Revenue from Contracts with Customers (“HKFRS 15”) (Continued)

The amounts by each financial statements line items affected in the current period and period to date by the adoption of HKFRS 15 as compared to HKAS 18 that was previously in the effect is as follows:

	<i>Notes</i>	Without adoption of HKFRS 15 <i>HK\$'000</i>	Reclassification under HKFRS 15 <i>HK\$'000</i>	Effects of adoption of HKFRS 15 <i>HK\$'000</i>	As reported <i>HK\$'000</i>
As at 30 June 2019					
Consolidated statement of financial position (extract)					
Trade receivables	(I)	112,746	–	1,109	114,881
	(II)			1,026	
Prepayments, deposits and other receivables	(II)	15,376	–	4,996	20,372
Total current assets		1,230,057	–	7,131	1,237,188
Other payables and accruals	(III)	(44,946)	–	(6,963)	(50,682)
	(IV)		1,227		
Contract liabilities	(IV)	–	(1,227)	–	(1,227)
Total current liabilities		(876,567)	–	(6,963)	(883,530)
Total assets less current liabilities		2,591,589	–	168	2,591,757
Net assets		2,422,263	–	168	2,422,431
Reserves		1,677,952	–	168	1,678,120
Equity attributable to the owners of the Company		2,238,625	–	168	2,238,793
Total equity		2,422,263	–	168	2,422,431

2. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new or revised HKFRSs – effective 1 July 2018 (Continued)

HKFRS 15 Revenue from Contracts with Customers (“HKFRS 15”) (Continued)

	Notes	Without adoption of HKFRS 15 HK\$'000	Reclassification under HKFRS 15 HK\$'000	Effects of adoption of HKFRS 15 HK\$'000	As reported HK\$'000
For the year ended 30 June 2019					
Consolidated statement of profit or loss and other comprehensive income (extract)					
Revenue	(I)	439,724	–	8,206	440,967
	(II)			(6,963)	
Cost of sales	(I)	(330,847)	–	(7,097)	(331,922)
	(II)			6,022	
Gross profit		108,877	–	168	109,045
Profit before income tax		26,256	–	168	26,424
Profit for the year		48,444	–	168	48,612
Profit attributable to owners of the Company		43,511	–	168	43,679
Earnings per share for profit attributable to the owners of the Company					
– Basic	(I), (II)	0.64	–	–	0.64
– Diluted	(I), (II)	0.64	–	–	0.64

2. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new or revised HKFRSs – effective 1 July 2018 (Continued)

HKFRS 15 Revenue from Contracts with Customers (“HKFRS 15”) (Continued)

The nature of the adjustments as at 1 July 2018 and the reasons for the significant changes in the consolidated statement of financial position as at 30 June 2019 and the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2019 are described below:

(I) *Sale of goods – revenue recognition*

Before adopting HKFRS 15, the Group recognised revenue from the sale of certain goods measured at the fair value of the consideration received or receivable, net of returns and volume rebates. If revenue on these sale of goods could not be reliably measured, the Group deferred the recognition of revenue until the uncertainty was resolved. The corresponding inventories were recognised as trade receivables given that title of the inventories no longer belonged to the Group while it created a contractual right to receive the future cash settlement. Under HKFRS 15, the sale of goods are recognised at a point in time when there is evidence that the control of the goods has been transferred to the customer, the customer has adequate control over the products and the Group has no unfulfilled obligations that affect customer accepting the goods.

The adoption of HKFRS 15 resulted in an increase in revenue of HK\$8,206,000, costs of sales of HK\$7,097,000 and trade receivables of HK\$1,109,000 during the year ended 30 June 2019.

(II) *Sale of goods – Right of return*

For a contract that provides a customer with a right to return the goods within a specified period, the Group previously estimated expected returns based on the average historical return rate. Before the adoption of HKFRS 15, the amount of trade receivables related to the expected returned goods less any expected cost to recover the goods was deferred and recognised as trade receivables in the consolidated statement of financial position with a corresponding adjustment to revenue and cost of sales.

Upon adoption of HKFRS 15, the Group recognised a right-of-return assets which is included in prepayments, deposits and other receivables and is measured at the former carrying amount of the goods to be returned less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. In addition, a refund liability was recognised based on the amount that the Group expects to return to the customers using the expected value method.

Accordingly, as at 30 June 2019, the adoption of HKFRS 15 resulted in an increase in right of return of assets of HK\$4,996,000 under prepayments, deposits and other receivables and an increase in trade receivables by HK\$1,026,000. Besides, refund liabilities were increased by HK\$6,963,000 under other payables and accruals. Revenue and cost of sales were decreased by HK\$6,963,000, and HK\$6,022,000 respectively for the year ended 30 June 2019.

2. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new or revised HKFRSs – effective 1 July 2018 (Continued)

HKFRS 15 Revenue from Contracts with Customers (“HKFRS 15”) (Continued)

(III) *Sale of goods – Volume rebates*

Before the adoption of HKFRS 15, the Group estimated the expected volume rebates using the probability-weighted average amount of rebates approach and included an allowance for rebates in other payables and accruals and recognised as a reduction of revenue as the sales were recognised. As at 30 June 2018, the provision for sales rebate of HK\$275,000 was recognised as accruals under “Other payables and accruals”.

Upon the adoption of HKFRS 15, the Group has applied the expected value method for the estimation of the variable consideration for expected volume rebates. Accordingly, as at 1 July 2018, the said amount was reclassified from accruals to refund liabilities which continued to be presented under “Other payables and accruals”.

As at 30 June 2019, the adoption of HKFRS 15 resulted in a decrease in accruals of HK\$1,047,000 and an increase in refund liabilities of HK\$1,047,000 which continued to be presented under “Other payables and accruals”.

(IV) *Consideration received in advance from customers*

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as other payables. Under HKFRS 15, the amount is classified as contract liabilities.

Therefore, upon adoption of HKFRS 15, the Group reclassified HK\$626,000 from other payables to contract liabilities as at 1 July 2018 in relation to the consideration received from customers in advance as at 1 July 2018.

As at 30 June 2019, under HKFRS 15, HK\$1,227,000 was reclassified from other payables to contract liabilities in relation to the consideration received from customers in advance for the sale of goods.

(V) *Sale of properties*

The Group’s property development activities are carried out in Hong Kong only. Taking into account the contract terms, the Group’s business practice and the legal and regulatory environment of Hong Kong, the property sales contracts do not meet the criteria for recognising revenue over time and therefore revenue from property sales continues to be recognised at a point in time. Previously, the Group recognised revenue from property sales upon the later of the signing of the sale and purchase agreement and the completion of the property development, which was taken to be the point in time when the risks and rewards of ownership of the property were transferred to the customer. Under the transfer-of-control approach in HKFRS 15, revenue from property sales is generally recognised when the legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property.

2. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new or revised HKFRSs – effective 1 July 2018 (Continued)

HKFRS 15 Revenue from Contracts with Customers (“HKFRS 15”) (Continued)

(V) Sale of properties (Continued)

This change in accounting policy had no material impact on opening balances as at 1 July 2018 and closing balances as at 30 June 2019. However, in future periods it may have a material impact, depending on the timing of completion of the Group’s property development projects.

Amendments HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first, year.

Amendments to HKAS 40, Investment Property – Transfers of Investment Property

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

The adoption of these amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously assessed transfers.

HK(IFRIC)–Int 22 – Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of these amendments has no impact on these financial statements as the Group has not paid or received advance consideration in a foreign currency.

2. ADOPTION OF HKFRSs (Continued)

(b) New or revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's financial statements, that have been issued, but are not yet effective in the financial year of which the consolidated financial statements were prepared, have not been early adopted by the Group.

HKFRS 16	Leases ¹
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ¹
Amendments to HKFRS 3	Definition of Business ²
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKAS 1 and HKAS 8	Definition of Material ²
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations ¹
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 11, Joint Arrangements ¹
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes ¹
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after 1 January 2020

³ The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

2. ADOPTION OF HKFRSs (Continued)

(b) New or revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases” and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the consolidated statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17. In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in note to the consolidated financial statements, total operating lease commitment of the Group in respect of land and buildings as at 30 June 2019 amounted to HK\$3,577,000. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in a significant impact on the Group’s results but it is expected that certain portion of these lease commitments will be required to be recognised in the form of an asset (for the right-of-use) and a financial liability (for the payment obligation) in the consolidated statement of financial position.

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the “most likely amount” or the “expected value” approach, whichever better predicts the resolution of the uncertainty.

2. ADOPTION OF HKFRSs (Continued)

(b) New or revised HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKFRS 3 – Definition of a Business

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKFRS 9 - Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

Amendments to HKAS 1 and HKAS 8 – Definition of Material

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

Amendments to HKAS 28 – Long-term Interests in Associates and Joint Ventures

The amendment clarifies that HKFRS 9 applies to long-term interests (“LTI”) in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

2. ADOPTION OF HKFRSs (Continued)

(b) New or revised HKFRSs that have been issued but are not yet effective (Continued)

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

Amendments to HKFRS 10 and HKAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

Save as disclosed in the foregoing paragraphs about the impact of HKFRS 16 to the Group's consolidated financial statements, the directors of the Company have also performed an assessment on other new standards, amendments and interpretations, and have concluded on a preliminary basis that other new standards and amendments would not have a significant impact on the Group's consolidated financial statements in subsequent years.

3. REVENUE AND SEGMENT INFORMATION

Revenue recognised during the year is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue from contracts with customers		
Sale of goods	419,195	386,262
Revenue from other sources		
Rental income	3,623	912
Interest income	17,689	4,326
Dividend income from investments	460	382
	<u>440,967</u>	<u>391,882</u>

The following table provides information about trade receivables and contract liabilities from contracts with customers.

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables	114,881	111,737
Contract liabilities	<u>1,227</u>	<u>–</u>

The contract liabilities mainly relate to the advance consideration received from customers of HK\$626,000 as at 1 July 2018 has been recognised as revenue for the year ended 30 June 2019.

As at 30 June 2019, the advance consideration received from customers of HK\$1,227,000 represents unfulfilled performance obligation under the Group's exiting contracts. This amount represents revenue expected to be recognised in the future. The Group will recognise the expected revenue in future when performance obligation is completed, which is expected to occur within one year.

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to assess performance and allocate resources.

The chief operating decision-maker has been identified as the Company's executive directors. The executive directors have identified the Group's four business lines as operating segments. Certain comparative figures on the measurement of the segment results and segment assets have been represented to conform the current year's presentation.

3. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Business segment

	Design, manufacturing, marketing and trading of fine jewellery and diamonds		Property investment and development		Mining operation		Investment		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Represented)						(Represented)			
Segment revenue:										
Sales to/revenue from external parties	<u>419,195</u>	<u>386,262</u>	<u>3,623</u>	<u>912</u>	<u>-</u>	<u>-</u>	<u>18,149</u>	<u>4,708</u>	<u>440,967</u>	<u>391,882</u>
Segment results	<u>5,216</u>	<u>7,724</u>	<u>24,306</u>	<u>490,930</u>	<u>(7,609)</u>	<u>(60,747)</u>	<u>13,121</u>	<u>(581)</u>	<u>35,034</u>	<u>437,326</u>
Unallocated expenses									(4,180)	(3,112)
Income arising from amortising the financial guarantee liabilities									-	6,013
Finance costs									(4,430)	(10,394)
Profit before income tax									<u>26,424</u>	<u>429,833</u>
	Design, manufacturing, marketing and trading of fine jewellery and diamonds		Property investment and development		Mining operation		Investment		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Represented)						(Represented)			
Segment assets	341,399	328,306	1,813,192	1,308,432	652,664	682,267	35,405	20,343	2,842,660	2,339,348
Cash and cash equivalents									621,380	1,128,664
Deferred tax assets									5,762	5,762
Unallocated corporate assets									5,485	951
Total assets									<u>3,475,287</u>	<u>3,474,725</u>
Segment liabilities	89,920	76,129	31,539	350,488	40,291	41,564	70	1,561	161,820	469,742
Bank loans									743,575	611,000
Loan from a controlling shareholder									4,549	4,742
Provision for tax									2,281	2,349
Deferred tax liabilities									133,108	138,824
Unallocated corporate liabilities									7,523	3,785
Total liabilities									<u>1,052,856</u>	<u>1,230,442</u>

3. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Business segment (Continued)

	Design, manufacturing, marketing and trading of fine jewellery and diamonds		Property investment and development		Mining operation		Investment		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Represented)						(Represented)			
Other segment information:										
Depreciation of property, plant and equipment	(4,159)	(4,048)	-	-	(588)	(760)	-	-	(4,747)	(4,808)
Amortisation of land use rights	(109)	(107)	-	-	(1,225)	(1,276)	-	-	(1,334)	(1,383)
Change in fair value of investment properties	-	-	37,432	67,017	-	-	-	-	37,432	67,017
Fair value loss on derivative financial instruments	-	(37)	-	-	-	-	-	-	-	(37)
Fair value (loss)/gain on financial assets at fair value through profit or loss	-	-	-	-	-	-	(74)	296	(74)	296
(Loss)/Gain on disposal of property, plant and equipment	(25)	3,008	-	-	-	-	-	-	(25)	3,008
Write-off of property, plant and equipment	(50)	(464)	-	-	-	-	-	-	(50)	(464)
Gain on disposal of a joint venture	-	-	-	363,206	-	-	-	-	-	363,206
Impairment loss on available-for-sale financial assets	-	-	-	-	-	-	-	(984)	-	(984)
Share of results of joint ventures	1,593	204	34	68,857	-	-	-	-	1,627	69,061
Share of result of an associate	-	-	(138)	-	-	-	-	-	(138)	-
Impairment loss on mining right	-	-	-	-	-	(41,972)	-	-	-	(41,972)
Impairment loss on property, plant and equipment	-	-	-	-	-	(7,941)	-	-	-	(7,941)
Provision for inventories	(5,599)	(9,747)	-	-	-	-	-	-	(5,599)	(9,747)
Provision for trade receivables	(1,537)	(1,839)	-	-	-	-	-	-	(1,537)	(1,839)
Interest income	-	-	-	-	-	-	17,689	4,326	17,689	4,326
Interest expenses	-	-	-	-	(1,387)	(1,914)	-	-	(1,387)	(1,914)
Gain on debt modification on amounts due to related compromise	-	-	-	-	2,137	-	-	-	2,137	-
Loss on disposal of available-for-sale financial assets	-	-	-	-	-	-	-	(198)	-	(198)
Additions to non-current segment assets	3,326	324	18,952	12,232	4	3,223	-	-	22,282	15,779

3. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Geographical information

The Group's segment revenue from external customers and its non-current assets (other than financial instruments and deferred tax assets) are divided into the following geographical areas.

	Revenue from external customers	
	2019	2018
	HK\$'000	HK\$'000
Hong Kong (place of domicile)	47,476	37,992
North America	200,472	194,714
Europe and Middle East	183,062	148,931
Other locations	9,957	10,245
Total	440,967	391,882
	Non-current assets	
	2019	2018
	HK\$'000	HK\$'000
Hong Kong (place of domicile)	1,535,813	1,328,634
United Kingdom	5,266	3,730
Mainland China	671,235	703,372
Total	2,212,314	2,035,736

The revenue information above is based on the location of the customers. The geographical location of the non-current assets (other than financial instruments and deferred tax assets) is based on the physical location of the assets.

The executive directors determine the Group is domiciled in Hong Kong, which is the location of the Group's principal office.

3. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Geographical information (Continued)

Information about major customers

Revenue from each of the major customers, which amounted to 10% or more of the total revenue, is set out below:

	2019 HK\$'000	2018 HK\$'000
Customer A*	52,660	72,341
Customer B*	40,974 ¹	65,496

* The revenue from two customers were all derived by the segment engaging in design, manufacturing, marketing and trading of fine jewellery and diamonds.

¹ The corresponding revenue did not individually contribute over 10% of the Group's revenue during the year ended 30 June 2019. The disclosure of such is for illustration only.

4. FINANCE COSTS

	2019 HK\$'000	2018 HK\$'000
Interest charges on:		
Bank loans	19,466	11,192
Interest expenses on loan from ultimate holding company	3,497	3,758
Interest expenses on loan from a controlling shareholder	–	485
Finance charges on obligation under finance leases	4	23
Imputed interest expenses arising from amounts due to related companies	1,387	8,428
Total borrowing costs	24,354	23,886
Less: interests capitalised in		
– investment properties	(17,416)	(11,578)
– property under development	(1,121)	–
	5,817	12,308

5. PROFIT BEFORE INCOME TAX

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
The Group's profit before income tax is arrived at after charging/(crediting):		
Cost of inventories sold	311,776	290,049
Depreciation of property, plant and equipment	4,747	4,808
Auditor's remuneration	2,414	1,877
Amortisation of land use rights	1,334	1,383
Minimum lease payments under operating leases on land and buildings	3,615	2,875
Provision for inventories*	5,599	9,747
Fair value loss/(gain) on financial assets at fair value through profit or loss	74	(296)
Fair value loss on derivative financial instruments	–	37
Net foreign exchange loss/(gain)	3,909	(2,939)
Loss/(Gain) on disposal of property, plant and equipment	25	(3,008)
Government grants [#]	(118)	(176)
Gain on debt modification on amounts due to related companies	(2,137)	–
Provision for trade receivables	1,537	1,839
Write-off of property, plant and equipment	50	464
Loss on de-registration of a joint venture	–	5
	<u> </u>	<u> </u>

* Provision for inventories for the year was included in “cost of sales” on the face of the consolidated statement of profit or loss and other comprehensive income.

[#] Government grants are mainly received from 江門市蓬江區經濟促進局 (2018: 江門市蓬江區經濟促進局) for one of the Group's subsidiaries in respect of business activities carried on in this area. There are no unfulfilled conditions or contingencies related to these grants.

6. INCOME TAX (CREDIT)/EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current tax		
Hong Kong	70	4
People's Republic of China (the "PRC")*	–	85,719
Over provision in prior years	<u>(22,186)</u>	<u>(77)</u>
	(22,116)	85,646
Deferred tax		
Current year	<u>(72)</u>	<u>(10,568)</u>
Total income tax (credit)/expense	<u><u>(22,188)</u></u>	<u><u>75,078</u></u>

* During the year ended 30 June 2018, PRC enterprise income tax expense of HK\$85,719,000 arising from the disposal of a joint venture was estimated according to the notice of the State Administration of Taxation of the PRC 2017 No. 37. Such estimation was subject to the final tax outcome as determined by the relevant tax authority in the PRC. During the year ended 30 June 2019, the said tax outcome was finalised by the relevant tax authority in the PRC and resulted in an overprovision of income tax of HK\$22,245,000.

7. DIVIDENDS

Dividends to owners attributable to the year:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Final dividend paid in respect of the prior year of HK0.5 cent (2018: Nil) per shares	<u><u>34,156</u></u>	<u><u>–</u></u>

At the board meeting held on 30 September 2019, the directors resolved to recommend a final dividend of HK0.25 cent per ordinary share. The proposed dividend has not been recognised as a dividend payable as at 30 June 2019, but will be reflected as an appropriation of retained profits for the year ending 30 June 2020.

At the board meeting held on 24 September 2018, the directors resolved to recommend a final dividend of HK0.5 cent per ordinary share. The proposed dividend had not been recognised as a dividend payable as at 30 June 2018, but reflected as an appropriation of retained profits for the year ending 30 June 2019.

8. EARNINGS PER SHARE

The calculations of basic and diluted earnings per share attributable to the owners of the Company are based on the following data:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit attributable to the owners of the Company for the purpose of basic earnings per share	<u>43,679</u>	<u>354,759</u>
	Number of shares	
	2019	2018
Weighted average number of ordinary shares for the purpose of basic earnings per share	6,831,182,580	6,831,182,580
Effect of dilutive potential ordinary shares in respect of – Share option (<i>note (i)</i>)	<u>–</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>6,831,182,580</u>	<u>6,831,182,580</u>

Note:

- (i) The calculation of basic earnings per share attributable to the owners of the Company for the year ended 30 June 2019 is based on the profit attributable to the owners of the Company of HK\$43,679,000 (2018: HK\$354,759,000) and on the weighted average number of 6,831,182,580 (2018: 6,831,182,580) ordinary shares during the year.

For the years ended 30 June 2019 and 2018, the computation of diluted earnings per share does not assume the exercise of share options as they were anti-dilutive.

9. TRADE RECEIVABLES

The Group normally grants credit terms to its customers according to industry practice together with consideration of their creditability, repayment history and years of establishment. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management.

An ageing analysis of trade receivables, net of provision, as at the reporting date, based on the date of recognition of the sale, is as follows:

	2019 HK\$'000	2018 HK\$'000
0 – 30 days	23,612	23,186
31 – 60 days	24,476	29,880
61 – 90 days	25,771	20,572
Over 90 days	41,022	38,099
	114,881	111,737

10. TRADE PAYABLES

The credit terms of trade payables vary according to the terms agreed with different suppliers. The ageing analysis of trade payables of the Group as at the reporting date, based on the invoice dates, is as follows:

	2019 HK\$'000	2018 HK\$'000
0 – 30 days	21,156	13,575
31 – 60 days	12,566	8,395
61 – 90 days	5,736	18,961
Over 90 days	24,601	13,991
	64,059	54,922

11. BANK LOANS

The analysis of the carrying amount of bank loans is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current liabilities		
Portion of loans from banks due for repayment within one year		
– Guaranteed	15,000	55,000
– Secured and guaranteed	<u>84,455</u>	<u>84,000</u>
	99,455	139,000
Portion of loans from banks due for repayment after one year which contain a repayable on demand clause		
– Secured and guaranteed	<u>644,120</u>	<u>472,000</u>
	<u><u>743,575</u></u>	<u><u>611,000</u></u>

At 30 June 2019, the bank loans were scheduled to repay as follows:

	2019 <i>HK\$000</i>	2018 <i>HK\$000</i>
Bank loans:		
Repayable within one year	99,455	139,000
Repayable in the second year	4,616	–
Repayable in the third to fifth year, inclusive	<u>639,504</u>	<u>472,000</u>
	<u><u>743,575</u></u>	<u><u>611,000</u></u>

The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

The bank loans of the Group denominated in HK\$ of HK\$743,575,000 (2018: HK\$611,000,000) have floating interest rates ranging from 2.20% to 4.63% (2018: 2.70% to 3.97%) per annum.

12. EVENTS AFTER THE REPORTING DATE

On 6 May 2019, the Group entered into a sale and purchase agreement with independent individual third parties to acquire 85% of the equity interests of Novell Enterprises Inc. (“Novell”) and NP Enterprises, LLC (“NP”), companies that are incorporated in the United States of America at a cash consideration of approximately HK\$39,678,000 (equivalent to US\$5,100,000). Having satisfied the terms and conditions of the sale and purchase agreement, the acquisition was completed on 7 August 2019 and Novell and NP became subsidiaries of the Company. Because the above acquisition was effected shortly before the date of approval of these financial statements, it is not practicable to disclose further details about the acquisition at the completion date as required under HKFRS 3. The nature and financial effect of the acquisition of Novell and NP have been set out in a circular of the Company dated 27 June 2019.

BUSINESS REVIEW AND MANAGEMENT DISCUSSION AND ANALYSIS

For the financial year 2019, the Group's consolidated revenue recorded an increase of approximately HK\$49.1 million or 12.5% from last year's HK\$391.9 million to HK\$441.0 million. During the year, profit attributable to owners of the Company was HK\$43.7 million. The substantial decrease in profits over last year's HK\$354.8 million was primarily due to the Group's disposal of a 50% joint venture holding a shopping mall located in Shanghai, China, on 20 April 2018 and hence absences of (i) one off gain on such disposal amounting to approximately HK\$363.2 million; and (ii) profit sharing of the joint venture of approximately HK\$68.9 million recorded in 2018. The basic earnings per share was HK0.64 cent (2018: HK5.19 cent).

During the year under review, the Group's jewellery revenue recorded an increase of approximately HK\$32.9 million or 8.5% from last year's HK\$386.3 million to HK\$419.2 million, whereas, the segment result decreased from last year's HK\$7.7 million to approximately HK\$5.2 million for the year ended 30 June 2019. The increase in revenues is a result of expansion of jewellery business in the United Kingdom (the "UK") in November 2018. On the other hand, the decrease in segment results are attributed to acquisitions related expenditure and correlated depreciating exchange rate of the British Pound and Renminbi against the Hong Kong dollar. In the midst of Brexit uncertainties, management believes it is a good timing to strengthen our market position in the industry domestically. The expansion of jewellery business possesses an extensive network and a long-standing reputation in the UK market. The management expects this strategic move will allow us to gain an increased customer base coupled with an ability to provide timely online and offline servicing locally. The Group foresees promising yet gradual growth in the near future and likely will benefit the long-term turnover and profitability. As for the United States (the "US" or the "USA"), the US-China trade war continued to impact the luxury sector. Under an already highly competitive environment, many retailers are conservative in building up shop inventory. Overall, the market conditions have continuously been challenging in light of political turmoil around the globe. We foresee the second half of 2019 to remain weak. Despite unfavorable circumstances, our emphasis on creating value-added services to customers through consistent quality improvement and promoting branded collections have proven to be successful. Our focus on offering precise and well-made core jewellery products have been well-received by customers and have further strengthened our business relationships. Through the expanded distribution network, the Group will continue to offer quality products, efficient services, as well as innovative designs to enhance our competitive edge in the industry.

In the property investment segment, the Group holds a piece of land located at No. 232 Wan Chai Road, Hong Kong (the "Wan Chai Property") with a site area of approximately 5,798 sq. ft. The Group shall redevelop the land into a premium grade office and retail composite building of approximately 26-storey tall with a gross floor area of approximately 86,970 sq. ft. and to hold it for long term leasing investment purpose. The foundation work has completed in September 2019 and the superstructure work will commence in October 2019. The project is in good progress and according to schedule, and is expected to be completed in 2021. During the year, the Group has disposed of 25% of the interests in the Wan Chai Property and currently holds 75% of it.

To further broaden the property portfolio, the Group has acquired 12 floors of Glassview Commercial Building at 65 Castle Peak Road, Yuen Long, New Territories (the “Yuen Long Properties”) at a total consideration of HK\$129,000,000, with a gross floor area of approximately 14,508 sq. ft. The Yuen Long Properties are currently fully let and is providing a steady rental income to the Group. The Group’s intention is to hold the Yuen Long Properties for long term investment. Since the acquisition of the Yuen Long Properties completed on 22 October 2018, the Group was able to strengthen the tenant mix and renew several leases with higher rents, hence improving the rental yield and generating approximately a decent rental income to the Group’s revenue.

Subsequent to the disposal of the 50% interest in the joint venture which holds the “Bauhinia Square” in Shanghai, the Group intends to use part of the proceeds to diversify its property portfolio. In the 4th quarter of 2018, the Group has entered into a sale and purchase agreement to acquire 90% equity interest in a company which its assets comprise of two 5-storey existing buildings at Nos. 7, 7A, 9, and 9A of Cheung Wah Street, Cheung Sha Wan (the “Cheung Wah Property”), with a site area of approximately 3,288 sq. ft. The plan is to redevelop the existing buildings into a 25-storey residential development with 2-storey of retail podium, with a proposed gross floor area of approximately 29,592 sq. ft. The completion of the acquisition has taken place in March 2019. The demolition of the existing building has completed in July 2019, and foundation works has commenced in September 2019. The expected completion date of the redevelopment is around the second quarter of 2022.

In May 2019, the Group has invested a total amount of HK\$18,000,000 into a real estate investment fund, Metropolitan Opportunity Fund SPC (the “Fund”), focusing on identifying underperforming assets and repositioning them into boutique style serviced residences and offices across multiple asset classes. It is envisaged that the Fund is expected an optimistic return.

In the mining, operation at HongZhuang Gold Mine was minimized. The Company was focus on the exploration at the north eastern of Yuanling. Meanwhile, we will continue developing new shaft and re-visiting the old shaft in the Yuanling mine site.

BUSINESS OUTLOOK

Going forward, the prolonged US-China trade tensions will impact the luxury market significantly. The hefty tariff that took place in September 2019 will hit hard on the jewellery export from Hong Kong to the USA. While we expect a drop in our sales in the USA, we are restructuring our US business through newly acquired companies. The move will compensate the shortfall and provide a positive impact in the second half of 2019. Meanwhile, we also expect the UK to deliver better results as the combined operations should result in higher efficiency and cost savings. Overall the outlook for the macro-environment is gloomy but we feel strategically we are positioned to improve and strengthen our jewellery sales in the near future.

As for property segment, the Group currently holds a diversified real estate portfolio with both commercial and residential projects. In time to come, we anticipate these projects to generate a steady income stream. While we remain cautious on the market conditions, we remain vigilant on any good investment and business opportunities to provide our Group and shareholders with the promising returns and sustaining long term growth and value.

ANNUAL UPDATE ON DETAILS OF RESOURCES AND/OR RESERVES UNDER RULES OF 18.15, 18.17 AND 18.18 OF THE LISTING RULES

There has been no material change on the resources and/or reserves of the Group during the year. The following table shows the details of resources and/or reserves of the Group as at 30 June 2019:

Subsidiary	Mine field	Area (km ²)	Reporting date	Type of mining operation	Gold resources (t)	Reporting Standard	Gold grade (g/t)
Henan Multi-Resources Mining Company Limited*	Hongzhuang	1.09	30 June 2019	Underground	10.73	PRC 122b	5.58
					5.46	PRC 332	1.89
					24.66	PRC 333	4.46
	Yuanling	4.57	30 June 2019	Underground	–	PRC 122b	–
					–	PRC 333	–

Factors and assumptions such as gold grade, ore body thickness and shape of vein were considered for estimating the resources and/or reserves. Please refer to Section 8 of Appendix VII of the circular of the Company dated 25 January 2010 for further information of the resources and/or reserves estimation.

* *The unofficial English translations or transliterations of Chinese names are for identification purpose only*

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

As of 30 June 2019, the Group's gearing ratio was 6.92 (2018: 0), which is calculated on net debt divided by total equity plus net debt. Net debt is calculated as the sum of bank and other borrowings less cash and cash equivalents. The cash and cash equivalents of HK\$621,380,000 (2018: HK\$1,128,664,000) which were mainly denominated in Hong Kong Dollar, US Dollar, Renminbi and British Pound. Bank loans were HK\$743,575,000 (2018: HK\$611,000,000), which were denominated in Hong Kong Dollar. Other borrowings in respect of amounts due to related companies, loan from a controlling shareholder, amount due to a non-controlling interest and loan from ultimate holding company were approximately of HK\$57,889,000 (2018: HK\$388,535,000). The bank loans are secured by first legal charges over the Group's investment properties, certain leasehold land and buildings, land use rights, property under development, pledged by ordinary shares of indirectly owned subsidiaries of the Company and guaranteed by corporate guarantees executed by the Company.

The decrease in the Group's cash and cash equivalent as at 30 June 2019 were mainly due to the acquisition of property located at Yuen Long and Cheung Wah Street in Hong Kong and repayment of loan due to the ultimate holding company. In line with the Group's prudent financial management, the Directors considered that the Group has sufficient working capital to meet its ongoing operational requirements.

PLEDGE OF ASSETS

As of 30 June 2019, the Group's investment properties, certain leasehold land and buildings, land use rights and property under development with an aggregate net carrying value of HK\$1,823,879,000 (2018: HK\$1,320,921,000) were pledged to certain banks to secure banking facilities granted to the Group.

CAPITAL STRUCTURE

All the Group's borrowings are denominated in Hong Kong Dollar and Renminbi. Interest is determined with reference to Hong Kong Interbank Offered Rate or Prime Rate for Hong Kong Dollar borrowings, and the benchmark lending rate of the People's Bank of China for Renminbi borrowings. The Group also made use of foreign exchange forward contract in order to minimise exchange rate risk as a result of fluctuation in British Pound. There was no change to the Group's capital structure during the year ended 30 June 2019. In light of the current financial position of the Group and provided there is no unforeseeable circumstance, the management does not anticipate the need to change the capital structure.

NUMBER OF EMPLOYEES, REMUNERATION POLICIES AND SHARE OPTION SCHEME

The Group employs a total of approximately 664 employees with the majority in the PRC. The Group's remuneration to its employees is largely based on common industrial practice. The Company has adopted a share option scheme on 13 July 2010, under which, the Company may grant options to eligible persons including directors and employees. As at 30 June 2019, 120,000,000 share options were granted pursuant to the scheme since its adoption.

CONTINGENT LIABILITIES

As at 30 June 2019, the Company has provided guarantees to the extent of HK\$611,275,000 (2018: HK\$611,000,000) with respect to bank loans to its subsidiaries. Under the guarantees, the Company would be liable to pay the banks if the banks are unable to recover the loans. At the reporting date, no provision for the Company's obligation under the guarantee contract has been made as the directors considered that it was unlikely the repayment of the loans would be in default.

CAPITAL COMMITMENTS

At 30 June 2019, the Group had outstanding capital commitments of approximately HK\$23,402,000 (2018: HK\$7,365,000), which was mainly the capital commitments for the investment property undertaken by the Group.

EXPOSURE TO FINANCIAL RISK AND RELATED HEDGE

The Group utilises conservative strategies on its financial risk management and the market risk had been kept to minimum. With the exception of the UK subsidiaries, all transactions and the borrowings of the Group are primarily denominated in US Dollar, Hong Kong Dollar and Renminbi. During the year, the Group had entered into foreign exchange forward contract in order to minimise the exchange rate risk as a result of fluctuation in British Pound. Management will continue to monitor the foreign exchange risk in British Pound and recent fluctuation in Reminbi and will take appropriate actions when necessary.

DIVIDENDS

At the Board meeting held on 30 September 2019, the directors resolved to recommend the payment of a final dividend for the year ended 30 June 2019.

The Board has resolved to declare a final dividend of HK0.25 cent per share for the year ended 30 June 2019 (2018: HK0.5 cent per ordinary share), totalling approximately HK\$17,078,000 (2018: HK\$34,156,000), payable on or about Thursday, 2 January 2020 to the shareholders whose names appear on the Register of member on Thursday, 12 December 2019.

The dividend has not been recognised as a dividend payable as at 30 June 2019, but will be reflected as an appropriation of retained profits for the year ending 30 June 2020.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the “AGM”) will be held on Monday, 9 December 2019 and the Notice of AGM will be published and despatched in the manner as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the Register of Members of the Company will be closed from Wednesday, 4 December 2019 to Monday, 9 December 2019, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 3 December 2019.

For determining the entitlement to the proposed final dividend, the Register of Members will be closed from Friday, 13 December 2019 to Wednesday, 17 December 2019, during which period no transfer of shares will be registered. In order to qualify for entitlement to the proposed final dividend, all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the office of the Company’s Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 12 December 2019. Subject to the approval by shareholders of the Company at the forthcoming annual general meeting, the proposed final dividend will be paid on or about Thursday, 2 January 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year.

AUDIT COMMITTEE

The Company has an Audit Committee which was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the financial reporting process and internal controls of the Group. The Audit Committee has discussed the Group’s accounting policies and basis adopted, the financial and internal control process of the Group and has reviewed the interim and annual financial statements. As of the date of this announcement, the Audit Committee comprises of the four Independent Non-executive Directors of the Company.

CORPORATE GOVERNANCE

The Company adopted all the Code Provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules and has complied with all the applicable Code Provisions throughout the year ended 30 June 2019 except for the following deviations:

1. Code Provision A.2.1 provides that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

Mr. Chan Wai Lap, Victor (“Mr. Chan”) an Executive Director and also the Chairman of the Company. Mr. Chan currently strategizes the direction of the Group and also provides leadership for the Board. He ensures that the Board works effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. Mr. Chan is also responsible to ensure that all Directors are properly briefed on issues arising at Board meetings and that all Directors receive adequate information, which must be complete and reliable, in a timely manner.

Ms. Cheng Siu Yin, Shirley is the Managing Director of the Company. She is responsible for day-to-day management and marketing activities of the Group.

Although the Company does not have a post for Chief Executive Officer, the Board considers that there is adequate segregation of duties within the Board to ensure a balance of power and authority.

2. Code Provision A.4.1 provides that Non-executive Directors should be appointed for a specific term, subject to re-election.

Non-executive Directors and Independent Non-executive Directors of the Company do not have a specific term of appointment but are subject to retirement by rotation and re-election at the Company’s AGM at least once every three years in accordance with articles 115(A) and 115(D) of the Articles of Association of the Company. The Board considers that the deviation from Code Provision A.4.1 is not material as Non-executive Directors are subjected to retirement by rotation at least once in every three years and re-election.

3. Code Provisions A.6.7 provides that Independent Non-executive Directors and other Non-executive Directors, should also attend general meetings and develop a balanced understanding of the views of shareholders.

Mr. Sze Irons and Mr. Yu Shiu Tin, Paul, the Independent Non-executive Directors of the Company, did not attend the annual general meeting and general meeting held on 17 December 2018 due to other business engagement. Other Independent Non-executive Directors were present at the above general meetings and were available to answer questions.

4. Code Provision C.2.5 provides that the issuer should have an internal audit function. Issuers without an internal audit function should review the need for one on an annual basis and should disclose the reasons for the absence of such a function.

The Company does not have an internal audit function for the year ended 30 June 2019. Taking into account the size and complexity of the operations of the Group, the Company considers that the existing organisation structure and the close supervision of the management could provide sufficient internal control and risk management for the Group. The audit committee of the Board regularly reviews the effectiveness of the internal control systems and risk management of the Group. The Board would review the need to set up an internal audit function on an annual basis.

Save as disclosed above, the Company considers that sufficient measures have been taken to ensure that the corporate governance practices of the Company are in line with the Code Provisions.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transaction by Directors of the Company. The Company has made specific enquiry with all Directors and all of them have confirmed that they have complied with the required standards as set out in the Model Code during the year ended 30 June 2019.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk under “Latest Information” and at the website www.continental.com.hk. The annual report for the year ended 30 June 2019 will be dispatched to the shareholders and will be available on the above websites in due course.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and related notes thereto for the year ended 30 June 2019 as set out in the preliminary announcement have been agreed by the Group’s auditor, BDO Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my sincere gratitude to the Group's management and staff members for their dedication and hard work, our customers for their confidence and support for our products, and our shareholders for their trust and support.

On behalf of the Board
Continental Holdings Limited
Chan Wai Lap, Victor
Chairman

Hong Kong, 30 September 2019

As at the date of this announcement, Mr. Chan Wai Lap, Victor, Dr. Chan Sing Chuk, Charles, BBS, JP, Ms. Cheng Siu Yin, Shirley, Ms. Chan Wai Kei, Vicki, and Mr. Wong Edward Gwon-hing are the Executive Directors, Mr. Yam Tat Wing is the Non-executive Director and Mr. Yu Shiu Tin, Paul, BBS, MBE, JP, Mr. Chan Ping Kuen, Derek, Mr. Sze Irons, BBS, JP, and Mr. Cheung Chi Fai, Frank are the Independent Non-executive Directors.