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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)

**ANNOUNCEMENT OF INTERIM RESULTS FOR
THE SIX MONTHS ENDED 31 DECEMBER 2022**

The board of directors (the “Board”) of Continental Holdings Limited (the “Company”) announces the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2022 together with the comparative figures for the corresponding period in 2021 as follows:

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

		Unaudited	
		Six months ended	
		31 December	
		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	269,864	335,607
Cost of sales		(196,815)	(251,368)
Gross profit		73,049	84,239
Selling and distribution costs		(9,697)	(7,538)
Administrative expenses		(59,863)	(58,784)
Other income, other gains and losses		5,385	3,513
Change in fair value of financial assets at fair value through profit or loss		(911)	(2,097)
Finance costs	5	(15,799)	(2,352)
Share of results of joint ventures		(1)	(1)
Share of results of associates		197	31
(Loss)/Profit before income tax	6	(7,640)	17,011
Income tax (expense)/credit	7	(19)	83
(Loss)/Profit for the period		(7,659)	17,094

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

	<i>Notes</i>	Unaudited Six months ended 31 December	
		2022	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive income for the period, net of tax			
Items that may be subsequently reclassified to profit or loss:			
Change in fair value of debt instruments at fair value through other comprehensive income		(170)	(84)
Reclassified to profit or loss upon disposal of a debt instrument at fair value through other comprehensive income		214	–
Exchange differences on translation of foreign operations		(14,389)	9,919
Items that will not be subsequently reclassified to profit or loss:			
Change in fair value of equity instruments at fair value through other comprehensive income		(1,208)	(3,175)
Other comprehensive income for the period, net of tax		(15,553)	6,660
Total comprehensive income for the period		<u>(23,212)</u>	<u>23,754</u>
(Loss)/Profit for the period attributable to:			
Owners of the Company		(6,261)	15,855
Non-controlling interests		(1,398)	1,239
		<u>(7,659)</u>	<u>17,094</u>
Total comprehensive income for the period attributable to:			
Owners of the Company		(21,780)	22,486
Non-controlling interests		(1,432)	1,268
		<u>(23,212)</u>	<u>23,754</u>
		<i>HK cents</i>	<i>HK cents</i>
(Loss)/Earnings per share for (loss)/profit attributable to the owners of the Company	<i>9</i>		
Basic		<u>(0.92)</u>	<u>2.32</u>
Diluted		<u>(0.92)</u>	<u>2.32</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited At 31 December 2022 <i>HK\$'000</i>	Audited At 30 June 2022 <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		27,477	30,251
Right-of-use assets		37,125	41,049
Investment properties	10	2,105,491	2,092,900
Goodwill		8,124	8,124
Intangible assets		8,270	8,300
Mining right		476,477	494,940
Interests in associates		30,392	30,195
Interests in joint ventures		1,040	1,041
Financial assets at fair value through other comprehensive income		26,419	34,630
Financial assets at fair value through profit or loss		10,438	10,860
Long-term receivables		–	–
Deferred tax assets		2,728	2,728
		2,733,981	2,755,018
		2,733,981	2,755,018
Current assets			
Properties under development	11	697,066	632,485
Inventories		194,694	209,081
Trade receivables	12	88,268	108,755
Prepayments, deposits and other receivables		11,220	11,790
Financial assets at fair value through profit or loss		11,219	3,887
Cash and cash equivalents		138,848	144,008
		1,141,315	1,110,006
		1,141,315	1,110,006
Current liabilities			
Trade payables	13	(117,560)	(106,595)
Other payables and accruals		(73,172)	(57,916)
Contract liabilities		(425)	(268)
Bank loans		(1,040,952)	(884,621)
Lease liabilities		(3,290)	(4,168)
Due to related companies		(6,840)	(6,877)
Loan from a controlling shareholder		(4,511)	–
Due to joint ventures		(1,036)	(1,036)
Dividend payable		(13,662)	–
Provision for tax		(2,272)	(2,301)
		(1,263,720)	(1,063,782)
		(1,263,720)	(1,063,782)
Net current (liabilities)/assets		(122,405)	46,224
		(122,405)	46,224
Total assets less current liabilities		2,611,576	2,801,242
		2,611,576	2,801,242

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)**

	Unaudited	Audited
	At	At
	31 December	30 June
	2022	2022
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Bank loans	–	(142,800)
Lease liabilities	(10,125)	(11,550)
Due to related companies	(30,742)	(32,624)
Loan from a controlling shareholder	–	(4,686)
Due to non-controlling interests	(58,285)	(56,275)
Deferred tax liabilities	(102,932)	(106,941)
	<u>(202,084)</u>	<u>(354,876)</u>
Net assets	<u>2,409,492</u>	<u>2,446,366</u>
EQUITY		
Share capital	560,673	560,673
Reserves	1,627,050	1,662,492
Equity attributable to the owners of the Company	2,187,723	2,223,165
Non-controlling interests	221,769	223,201
Total equity	<u>2,409,492</u>	<u>2,446,366</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

These condensed consolidated interim financial statements are prepared on the basis that the Group is a going concern in view of the net current liabilities of HK\$122,405,000 as at 31 December 2022 and incurred a loss of HK\$7,659,000 for the period. As at 31 December 2022, the Group had bank loans of HK\$1,040,952,000, of which approximately HK\$731,571,000 were due for repayment or renewal after one year or on demand. After considering the Group had undrawn banking facilities over HK\$400,000,000 for working capital purpose and good track records or relationships with banks which enhance the Group’s ability to renew the current bank loans upon expiry, the Board of the Company consider that the Group will have sufficient working capital to meet the financial obligations as they fall due. Accordingly, it is appropriate to prepare the financial statements on a going concern basis.

The condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) on the historical cost basis except for the investment properties and certain financial assets, which are measured at fair values.

The accounting policies and basis of preparation adopted in the preparation of the condensed consolidated interim financial statements are consistent with those used in the Group’s annual financial statements for the year ended 30 June 2022.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements of the Group for the year ended 30 June 2022. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

1. BASIS OF PREPARATION (Continued)

The financial information relating to the year ended 30 June 2022 that is included in the condensed consolidated interim financial statements as comparative information 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 has delivered the financial statements for the year ended 30 June 2022 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was 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 section 406(2), 407(2) or (3) of the Companies Ordinance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) New amended standards adopted by the Group

In the current interim period, the Group has applied, for the first time, the following new and revised HKFRSs and amendments which are relevant to and effective for the Group's interim financial statements for interim period beginning on 1 July 2022, issued by the HKICPA.

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

The adoption of the amended HKFRSs in the current interim period, has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated interim financial statement.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) New standards and amendments to standards issued but are not yet effective

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

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction ¹
HK-Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
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 2023

² Effective for annual periods beginning on or after 1 January 2024

³ No mandatory effective date yet determined by available for adoption

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

3. SEGMENT INFORMATION

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 (2021: four) business lines as operating segments.

The Group has identified the following reportable segments:

- Jewellery Business;
- Property investment and development;
- Mining operation; and
- Investment

Each of these operating segments is managed separately as each of the product and business lines requires different resources as well as marketing approaches. All inter-segment transfers, if any, are carried out at arm's length prices.

	Unaudited Six months ended 31 December									
	Jewellery Business		Property investment and development		Mining operation		Investment		Consolidated	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Segment Revenue:										
Sales to/revenue from external parties	<u>262,237</u>	<u>329,943</u>	<u>5,395</u>	<u>3,875</u>	<u>-</u>	<u>-</u>	<u>2,232</u>	<u>1,789</u>	<u>269,864</u>	<u>335,607</u>
Segment results	<u>15,599</u>	<u>30,344</u>	<u>(17,100)</u>	<u>(2,609)</u>	<u>(3,399)</u>	<u>(4,947)</u>	<u>311</u>	<u>(2,679)</u>	<u>(4,589)</u>	<u>20,109</u>
Unallocated expenses									<u>(1,400)</u>	<u>(1,495)</u>
Finance costs									<u>(1,651)</u>	<u>(1,603)</u>
(Loss)/profit before income tax									<u>(7,640)</u>	<u>17,011</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

4. REVENUE

Revenue from the Group's principal activities during the period is as follows:

	Unaudited	
	Six months ended 31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts with customers		
Sale of goods recognised at a point in time	262,237	329,943
Revenue from other sources		
Rental income	5,395	3,875
Interest income	1,319	886
Dividend income from investments	913	903
	<u>269,864</u>	<u>335,607</u>

5. FINANCE COSTS

	Unaudited	
	Six months ended 31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest charges on:		
Bank loans	18,886	6,709
Interest on lease liabilities	328	416
Imputed interest expenses arising from amount due to a related company	689	749
	<u>19,903</u>	<u>7,874</u>
Total borrowing costs		
Less: Interests capitalised in		
– investment properties (<i>note 10</i>)	(1,007)	(4,515)
– properties under development (<i>note 11</i>)	(3,097)	(1,007)
	<u>15,799</u>	<u>2,352</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

6. (LOSS)/PROFIT BEFORE INCOME TAX

The Group's (loss)/profit before income tax is arrived at after charging/(crediting):

	Unaudited	
	Six months ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Cost of inventories sold	196,815	251,368
Depreciation of		
– Property, plant and equipment	1,967	2,102
– Right-of-use assets	2,913	3,080
Short-term leases charges	319	277
Low-value assets leases charges	242	361
Provision for inventories*	972	1,269
Fair value loss/(gain) on derivative financial instruments		
– forward currency contracts	366	(77)
Loss on disposal of financial assets	460	17
Net foreign exchange loss/(gain)	3,118	(1,009)
Provision for expected credit loss on trade receivables	1,096	1,198
	<u>1,096</u>	<u>1,198</u>

* *Amount included in cost of sales*

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

7. INCOME TAX EXPENSE/(CREDIT)

The amount of income tax expense/(credit) charged to the condensed consolidated statement of profit or loss and other comprehensive income represents:

	Unaudited	
	Six months ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Current tax		
Hong Kong	<u>55</u>	<u>76</u>
	<u>55</u>	<u>76</u>
Over-provision in prior years		
Hong Kong	–	(22)
Overseas	<u>–</u>	<u>(98)</u>
	<u>–</u>	<u>(120)</u>
Deferred taxation		
People's Republic of China	<u>(36)</u>	<u>(39)</u>
	<u>(36)</u>	<u>(39)</u>
Total income tax expense/(credit)	<u>19</u>	<u>(83)</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

8. DIVIDENDS

- (i) The Board does not recommend any payment of an interim dividend for the six months ended 31 December 2022 (2021: Nil).
- (ii) Dividends to equity shareholders attributable to previous financial year, approved and payable during the interim period:

	Unaudited	
	Six months ended 31 December	
	2022	2021
	<i>HK'000</i>	<i>HK'000</i>
Final dividend in respect of the year ended 30 June 2022, approved and payable, of HK2.00 cents per share (for the financial year ended 30 June 2021: HK2.00 cents per share)	13,662	13,662

The final dividend in respect of the year ended 30 June 2022 declared on 23 September 2022 amounted to HK\$13,662,000 was subsequently paid on 13 January 2023.

The final dividend in respect of the year ended 30 June 2021 declared on 27 September 2021 amounted to HK\$13,662,000 was paid on 14 January 2022.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

9. (LOSS)/EARNINGS PER SHARE

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

	Unaudited	
	Six months ended 31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/Profit attributable to the owners of the Company for the purpose of basic (loss)/earnings per share	<u>(6,261)</u>	<u>15,855</u>
	Number of shares	
	2022	2021
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	683,118,258	683,118,258
Effect of dilutive potential ordinary shares in respect of share option	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	<u>683,118,258</u>	<u>683,118,258</u>

The calculation of basic loss per share attributable to the owners of the Company for the six months ended 31 December 2022 was based on the loss attributable to the owners of the Company of HK\$6,261,000 (2021: profit of HK\$15,855,000) and on the weighted average of 683,118,258 (2021: 683,118,258) ordinary shares in issue during the period.

For the six months ended 31 December 2022 and 2021, the computation of diluted (loss)/earnings per share did not assume the exercise of share option as they were anti-dilutive.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

10. INVESTMENT PROPERTIES

	Unaudited At 31 December 2022 HK\$'000	Audited At 30 June 2022 HK\$'000
Opening carrying amount	2,092,900	1,928,300
Additions	11,584	56,479
Interests capitalised (<i>note 5</i>)	1,007	9,636
Gain from fair value adjustments	—	98,485
Closing carrying amount	<u>2,105,491</u>	<u>2,092,900</u>

As at 31 December 2022, the Group's investment properties with carrying amount of HK\$2,105,491,000 (30 June 2022: HK\$2,092,900,000) were pledged to secure certain bank borrowings granted to the Group.

11. PROPERTIES UNDER DEVELOPMENT

	Unaudited At 31 December 2022 HK\$'000	Audited At 30 June 2022 HK\$'000
Opening carrying amount	632,485	335,843
Additions	61,484	294,493
Interest capitalised (<i>note 5</i>)	3,097	2,149
Closing carrying amount	<u>697,066</u>	<u>632,485</u>

As at 31 December 2022, properties under development amounting to approximately HK\$245,490,000 (30 June 2022: HK\$241,550,000) was not expected to be realised within the next twelve months from the end of the reporting date.

As at 31 December 2022, the Group's properties under development with aggregate net carrying amounts of approximately HK\$697,066,000 (30 June 2022: HK\$632,485,000) were pledged to secure general banking facilities granted to the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

12. 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:

	0-30 days	31-60 days	61-90 days	Over 90 days	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Unaudited balance					
at 31 December 2022	<u><u>25,956</u></u>	<u><u>38,148</u></u>	<u><u>16,235</u></u>	<u><u>7,929</u></u>	<u><u>88,268</u></u>
Audited balance					
at 30 June 2022	<u><u>54,018</u></u>	<u><u>35,779</u></u>	<u><u>12,996</u></u>	<u><u>5,962</u></u>	<u><u>108,755</u></u>

13. 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:

	0-30 days	31-60 days	61-90 days	Over 90 days	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Unaudited balance					
at 31 December 2022	<u><u>53,999</u></u>	<u><u>21,492</u></u>	<u><u>10,902</u></u>	<u><u>31,167</u></u>	<u><u>117,560</u></u>
Audited balance					
at 30 June 2022	<u><u>53,237</u></u>	<u><u>23,999</u></u>	<u><u>7,718</u></u>	<u><u>21,641</u></u>	<u><u>106,595</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

The Group's consolidated revenue for the six months ended 31 December 2022 recorded a decrease of approximately HK\$65,743,000 or 19.6% from HK\$335,607,000 from last interim period to HK\$269,864,000. During the period under review, loss attributable to owners of the Company was HK\$6,261,000, as compared to profit attributable to owners of the Company of HK\$15,855,000 for the corresponding period last year. For the six months ended 31 December 2022, basic loss per share was HK0.92 cent (2021: basic earnings per share of HK2.32 cents).

The loss for the period was mainly attributable to (i) decrease in revenue and gross profit of approximately HK\$65,743,000 and HK\$11,190,000 respectively as compared to the six months ended 31 December 2021; (ii) increase in finance cost of approximately HK\$13,447,000 as significant portion of such finance costs was not capitalized as part of the property development costs but being recorded directly as expenses in the current period after the completion of "One Continental" located at Wan Chai Road, Hong Kong in July 2022; and (iii) recognised foreign exchange loss of HK\$3,118,000 for the period mainly due to declining conversion rate in British Pound as compared to the net gain of HK\$1,009,000 for the six months ended 31 December 2021.

BUSINESS REVIEW

Year 2022 was a volatile year. It started off with a strong six months, but towards the end of the year signs of weakness became evident across the markets. Consumer buying weakened as inflation escalated across borders resulting in a weak holiday sell through. In the period under review, the global economy was soft as external environment was highly complicated in response to the recent Russia-Ukraine crisis, elevated and rising inflation and monetary policies tightening across major economies. All these substantially reduced consumer spending on discretionary goods and weakened demand for the jewellery market. As a result, the Group's revenue of jewellery recorded a decrease of approximately HK\$67,706,000 or 20.5% from last interim period of HK\$329,943,000 to HK\$262,237,000 for the six months ended 31 December 2022. The segment profit attributable to the jewellery business was HK\$15,599,000 for the six months ended 31 December 2022 representing a decrease of approximately HK\$14,745,000 as compared to last interim period of HK\$30,344,000.

Nevertheless, the Group continued to strengthen the foothold in major markets and explore multiple opportunities in new markets. With travel restrictions eased in most countries, our sales team proactively participated at trade shows in the United States (“US”), Europe, and other markets. More face-to-face appointments with customers took place facilitating effective communications and relationship building. However, the European and American markets still encountered challenging operating conditions in view of the threats of the above factors as well as the consequences of US-Sino trade war.

In property, revenue from rental income during the period amounted to approximately HK\$5,395,000, representing an increase of HK\$1,520,000 from the corresponding period of 2021 of HK\$3,875,000. Increase in revenue was mainly because of the completion of One Continental located at Wan Chai Road, Hong Kong and started to generate rental income.

The Group has completed its newly developed commercial building, named “One Continental” (恒匯中心), which is located at No. 232 Wan Chai Road, Hong Kong. The Group currently holds 75% of the interests in “One Continental”, a premium grade office and retail composite building of 28-storey tall with a gross floor area of approximately 86,970 sq. ft. As the COVID-19 pandemic subsides, leasing activities in the commercial and retail sectors had started to return to pick up and our team managed to secure several quality tenants during the 2nd half of 2022.

The Group also owns 90% interests of sites at Nos. 7, 7A, 9, and 9A of Cheung Wah Street, Cheung Sha Wan, Kowloon, with a site area of approximately 3,240 sq. ft. The site will be developed into a 25-storey residential development with 2-storey of retail podium/high-rise composite building, with a proposed gross floor area of approximately 29,147 sq. ft. The project is in good progress and the expected substantial completion will be in the 2nd quarter of 2023.

In December 2021, the Group has acquired six properties located at No. 164-164A Boundary Street, Kowloon, with a site area of approximately 5,054 sq. ft. and a developable gross floor area of approximately 25,270 sq. ft. The land is planned to be redeveloped into a luxury residential development. Demolition of the existing building is in progress and will be completed in 1st quarter of 2023.

In addition, the Group also hold certain investment properties comprised 12 floors commercial properties located at No. 65 Castle Peak Road, Yuen Long, and 2 shops with several office units located at No. 19-23 Hart Avenue, Kowloon. The investment properties are fully let and generate a stable rental income to the Group during the period.

In the mining segment, operation at Hongzhuang Gold Mine was minimised. The Company was focused 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. No revenue was recorded for the period under review as these mines did not carry out any production activities. Apart from the minimal operations on both mines, no large-scale capital investment was carried out during the period under review.

BUSINESS PROSPECTS

Looking ahead, the Group anticipates recovery of global economy but at a more moderate pace. Highly uncertain conditions continue including the negative spillover effects from the Russia-Ukraine conflict, the soaring high inflation level in countries such as Europe and the United States as well as the uncertain development of the US-Sino trade war, all exerted significant pressures on rising operating costs and consumer confidence. To counter the challenging environment, the Group will remain cautious and agile in managing its jewellery business. The Group will also continue to execute its online marketing plan, adopt a prudent approach in reviewing its business strategies and to improve the efficiencies and effectiveness of its operations. Nevertheless, the Group remains prudent yet positive that jewellery sales will pick up gradually as economic conditions improve.

With the COVID-19 pandemic subsiding along with the long-awaited border re-opening, Hong Kong's property market has been progressively recovering since the fourth quarter of 2022. However, the leasing market remained to be very challenging, we would expect the border re-opening will drive an improvement in the economy and demand for office and retail space. Meanwhile, we continued to sign on quality tenants, generating consistent returns from rental income and improving the asset and return value of the Group's real estate portfolio.

INTERIM DIVIDEND

The Board does not recommend any payment of an interim dividend for the six months ended 31 December 2022 (2021: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

As at 31 December 2022, the Group's gearing ratio was 0.2968 (30 June 2022: 0.2903), 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\$138,848,000 (30 June 2022: HK\$144,008,000) which were mainly denominated in Hong Kong Dollar, US Dollar, Renminbi and British Pound. Other borrowings in respect of amounts due to joint ventures, amounts due to related companies, loan from a controlling shareholder, amounts due to non-controlling interests and lease liabilities were approximately of HK\$114,829,000 (30 June 2022: HK\$117,216,000). Bank loans denominated in Hong Kong Dollar and US Dollar were approximately HK\$1,040,952,000 (30 June 2022: HK\$1,027,421,000). Details of pledge of assets in respect of bank loans are set out in the section PLEDGE OF ASSETS.

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 31 December 2022, the Group's bank loans denominated in Hong Kong Dollar of HK\$1,015,008,000 (30 June 2022: HK\$998,962,000) are secured by the Group's certain property, plant and equipment, investment properties, certain right-of-use assets, properties under development, pledged by ordinary shares of certain indirectly owned subsidiaries of the Company and guaranteed by corporate guarantees executed by the Company and non-controlling interests respectively. Whereas, a bank loan denominated in US Dollar in the equivalent amount of HK\$25,944,000 (30 June 2022: HK\$28,459,000) is secured by all the assets of a subsidiary of the Company and guaranteed by corporate guarantees executed by the Company.

CONTINGENT LIABILITIES

As at 31 December 2022, the Company has provided guarantees to the extent of HK\$847,805,000 (30 June 2022: HK\$837,742,000) 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 contracts has been made as the directors considered that it was unlikely the repayment of the loans would be in default.

CAPITAL STRUCTURE

All the Group's borrowings are denominated in Hong Kong Dollar, US Dollar and Renminbi. Interest is determined with reference to Hong Kong Interbank Offered Rate or Prime Rate for Hong Kong Dollar borrowings, US Prime Rate for US 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 contracts 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 six months ended 31 December 2022. In light of the current financial position of the Group and provided that there is no unforeseeable circumstance, the management does not anticipate the need to change the capital structure.

NUMBER OF EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group employs a total of approximately 520 employees (30 June 2022: 532) with the majority in the PRC. The Group's remuneration to its employees is largely based on common industrial practice. In order to attract, retain and motivate the eligible employees, including the directors, the Company has adopted share option schemes.

SHARE OPTION SCHEMES

The Company adopted a share option scheme on 13 July 2010 (the "2010 Share Option Scheme"), which has been expired on 12 July 2020. Therefore, the Company has adopted a new share option scheme on 22 December 2020 (the "2020 Share Option Scheme"). No share option has been granted under the 2020 Share Option Scheme since it has been adopted.

As at 31 December 2022, there were options for 12,200,000 shares were valid and outstanding under the 2010 Share Option Scheme.

EXPOSURE TO FINANCIAL RISK AND RELATED HEDGES

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 period, 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 Renminbi and will take appropriate actions when necessary.

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 six months ended 31 December 2022.

CORPORATE GOVERNANCE PRACTICES

The Company adopted all the Code Provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules and has complied with all the applicable Code Provisions throughout the six months ended 31 December 2022 except for the following deviations:

1. Code Provision C.2.1

Code Provision C.2.1 provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Chan Wai Lap, Victor ("Mr. Chan") is 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, mother of Mr. Chan Wai Lap, Victor, is the Managing Director of the Company. She is responsible for the day-to-day management and marketing activities of the Group.

Although the Company does not have a post of 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 D.2.5

Code Provision D.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 in the Corporate Governance Report.

The Company does not have an internal audit function during the six months ended 31 December 2022. 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the 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 six months ended 31 December 2022.

AUDIT COMMITTEE

The Audit Committee of the Company comprises four independent non-executive directors of the Company.

The Audit Committee has discussed the Group’s accounting policies and basis adopted, the financial control, risk management and internal control systems of the Group and has reviewed the unaudited consolidated interim financial statements for the six months ended 31 December 2022. The Audit Committee has approved the unaudited consolidated interim financial statements.

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

Hong Kong, 27 February 2023

As at the date of this announcement, Mr. Chan Wai Lap, Victor, Ms. Cheng Siu Yin, Shirley, Ms. Chan Wai Kei, Vicki and Mr. Wong Edward Gwon-hing are Executive Directors, Mr. Yam Tat Wing is a 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 Independent Non-executive Directors.