

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2020**

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 2020 together with the comparative figures for the corresponding period in 2019 as follows:

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

		Unaudited	
		Six months ended	
		31 December	
		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	289,241	286,211
Cost of sales		(221,460)	(208,774)
Gross profit		67,781	77,437
Selling and distribution costs		(9,028)	(10,687)
Administrative expenses		(44,264)	(59,659)
Other operating income		6,518	3,166
Change in fair value of financial assets at fair value through profit or loss		780	(601)
Finance costs	5	(2,384)	(3,627)
Share of results of joint ventures		(1)	(26)
Share of results of an associate		(137)	(90)
Profit before income tax	6	19,265	5,913
Income tax expense	7	(27)	(2)
Profit for the period		19,238	5,911

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

	<i>Notes</i>	Unaudited Six months ended 31 December	
		2020	2019
		HK\$'000	HK\$'000
Other comprehensive income for the period, net of tax			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		41,465	(7,506)
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		<u>2,892</u>	<u>(2,590)</u>
Other comprehensive income for the period, net of tax		<u>44,357</u>	<u>(10,096)</u>
Total comprehensive income for the period		<u>63,595</u>	<u>(4,185)</u>
Profit for the period attributable to:			
Owners of the Company		17,805	6,788
Non-controlling interests		<u>1,433</u>	<u>(877)</u>
		<u>19,238</u>	<u>5,911</u>
Total comprehensive income for the period attributable to:			
Owners of the Company		62,162	(3,308)
Non-controlling interests		<u>1,433</u>	<u>(877)</u>
		<u>63,595</u>	<u>(4,185)</u>
		<i>HK cent</i>	<i>HK cent</i>
Earnings per share for profit attributable to the owners of the Company	<i>9</i>		
Basic		<u>0.26</u>	<u>0.1</u>
Diluted		<u>0.26</u>	<u>0.1</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited At 31 December 2020 <i>HK\$'000</i>	Audited At 30 June 2020 <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		52,004	48,652
Right-of-use assets		47,124	47,641
Investment properties	10	1,637,992	1,564,100
Goodwill		8,124	8,124
Intangible assets		8,224	8,222
Mining right		646,393	594,773
Interests in associates		32,268	32,405
Interests in joint ventures		1,973	1,973
Financial assets at fair value through other comprehensive income		41,653	15,750
Long-term receivables		-	-
Deferred tax assets		5,762	5,762
		2,481,517	2,327,402
Current assets			
Property under development	11	322,921	318,763
Inventories		217,086	220,522
Trade receivables	12	121,707	92,687
Prepayments, deposits and other receivables		15,403	15,382
Financial assets at fair value through profit or loss		11,786	13,201
Cash and cash equivalents		423,523	468,521
		1,112,426	1,129,076
Current liabilities			
Trade payables	13	(68,919)	(74,010)
Other payables and accruals		(53,203)	(44,460)
Contract liabilities		(417)	(475)
Bank and other loans		(805,084)	(751,663)
Lease liabilities		(3,680)	(3,976)
Due to joint ventures		(696)	(696)
Due to non-controlling interests		(34,145)	(29,340)
Derivative financial instruments		(145)	-
Provision for tax		(2,061)	(1,998)
		(968,350)	(906,618)
Net current assets		144,076	222,458
Total assets less current liabilities		2,625,593	2,549,860

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

	Unaudited	Audited
	At	At
	31 December	30 June
	2020	2020
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Lease liabilities	(13,847)	(15,397)
Due to related companies	(32,494)	(30,550)
Loan from a controlling shareholder	(4,768)	(4,388)
Deferred tax liabilities	(144,614)	(133,250)
	<u>(195,723)</u>	<u>(183,585)</u>
Net assets	<u>2,429,870</u>	<u>2,366,275</u>
EQUITY		
Share capital	560,673	560,673
Reserves	1,681,072	1,618,910
	<u>2,241,745</u>	<u>2,179,583</u>
Equity attributable to the owners of the Company	2,241,745	2,179,583
Non-controlling interests	<u>188,125</u>	<u>186,692</u>
Total equity	<u>2,429,870</u>	<u>2,366,275</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”).

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 2020.

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 2020. 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.

The financial information relating to the year ended 30 June 2020 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 2020 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

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 2020, issued by the HKICPA.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKFRS 16	Covid-19 – Related Rent Concessions

The adoption of the new and 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 statements.

(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 HKFRS 3	Reference to the Conceptual Framework ¹
Amendments to HKAS 1	Classification of Liabilities as Current and Non-current ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2018-2020 ¹
HK Interpretation 5 (2020)	Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ²

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

³ The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

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 (2019: four) business lines as operating segments.

The Group has identified the following reportable segments:

- Design, manufacturing, marketing and trading of fine jewellery and diamonds;
- 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									
	Design, manufacturing, marketing and trading of fine jewellery and diamonds		Property Investment and development		Mining operation		Investment		Consolidated	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Segment Revenue:										
Sales to/revenue from external parties	284,401	276,099	2,633	2,447	–	–	2,207	7,665	289,241	286,211
Segment results	26,461	14,393	(2,880)	(3,524)	(1,653)	(2,186)	163	4,175	22,091	12,858
Unallocated expenses									(1,171)	(3,318)
Finance costs									(1,655)	(3,627)
Profit before income tax									19,265	5,913

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	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts with customers		
Sale of goods	284,401	276,099
Revenue from other sources		
Rental income	2,633	2,447
Interest income	1,854	5,395
Dividend income from investments	353	2,270
	<u>289,241</u>	<u>286,211</u>

5. FINANCE COSTS

	Unaudited	
	Six months ended 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest charges on:		
Bank and other loans	6,933	12,815
Interest on lease liabilities	438	130
Imputed interest expenses arising from amount due to a related company	729	685
	<u>8,100</u>	<u>13,630</u>
Total borrowing costs		
Less: Interests capitalised in		
– investment properties	(4,327)	(8,047)
– property under development	(1,389)	(1,956)
	<u>2,384</u>	<u>3,627</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

6. PROFIT BEFORE INCOME TAX

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

	Unaudited	
	Six months ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Cost of inventories sold	221,460	208,774
Depreciation of		
– Property, plant and equipment	2,005	2,054
– Right-of-use assets	3,055	1,963
Short-term leases charges	171	1,184
Provision for inventories*	5,476	1,173
Fair value loss on derivative financial instruments		
– forward currency contracts	231	106
Gain on disposal of listed equity securities	(48)	–
Net foreign exchange gain	(7,988)	(2,090)
Provision for expected credit loss on trade receivables	933	918
Write-off of property, plant and equipment	91	2
(Gain)/loss on disposal of property, plant and equipment	(18)	19
	<u> </u>	<u> </u>

* *Amount included in cost of sales*

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

7. INCOME TAX EXPENSE

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

	Unaudited	
	Six months ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Current tax		
Hong Kong	73	37
Over-provision in prior years	(8)	–
	<u>65</u>	<u>37</u>
Deferred tax		
People's Republic of China	(38)	(35)
Total income tax expense	<u>27</u>	<u>2</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 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.

8. DIVIDENDS

- (i) The Board does not recommend any payment of an interim dividend for the six months ended 31 December 2020 (2019: Nil).
- (ii) Dividends to equity shareholders attributable to previous financial year, approved and paid during the interim period:

	Unaudited	
	Six months ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Final dividend in respect of the year ended 30 June 2019, approved and paid, of HK0.25 cent per share	<u>–</u>	<u>17,078</u>

The final dividend approved on 30 September 2019 amounted to HK\$17,078,000 was paid on 2 January 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

9. 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:

	Unaudited	
	Six months ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Profit attributable to the owners of the Company	<u>17,805</u>	<u>6,788</u>
	2020	2019
	Number of shares	
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 options	<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>

The calculation of basic earnings per share attributable to the owners of the Company for the six months ended 31 December 2020 was based on the profit attributable to the owners of the Company of HK\$17,805,000 (2019: HK\$6,788,000) and on the weighted average of 6,831,182,580 (2019: 6,831,182,580) ordinary shares during the period.

For the six months ended 31 December 2020 and 2019, the computation of diluted 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 2020 <i>HK\$'000</i>	Audited At 30 June 2020 <i>HK\$'000</i>
Opening carrying amount	1,564,100	1,511,200
Additions	69,565	42,513
Interests capitalised (<i>note 5</i>)	4,327	15,644
Loss from fair value adjustments	–	(5,257)
Closing carrying amount	<u>1,637,992</u>	<u>1,564,100</u>

As at 31 December 2020, the Group's investment properties with carrying amount of HK\$1,637,992,000 (30 June 2020: HK\$1,564,100,000) were pledged to secure certain bank borrowings granted to the Group.

11. PROPERTY UNDER DEVELOPMENT

	Unaudited At 31 December 2020 <i>HK\$'000</i>	Audited At 30 June 2020 <i>HK\$'000</i>
Opening carrying amount	318,763	301,662
Additions	2,769	13,355
Interest capitalised (<i>note 5</i>)	1,389	3,746
Closing carrying amount	<u>322,921</u>	<u>318,763</u>

As at 31 December 2020, property under development amounting to approximately HK\$322,921,000 (30 June 2020: HK\$318,763,000) was not expected to be realised within the next twelve months from the end of the reporting date.

As at 31 December 2020, the Group's property under development with aggregate net carrying amounts of approximately HK\$322,921,000 (30 June 2020: HK\$318,763,000) 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:

	Current	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 2020	<u><u>33,253</u></u>	<u><u>50,259</u></u>	<u><u>25,528</u></u>	<u><u>12,667</u></u>	<u><u>121,707</u></u>
Audited balance					
at 30 June 2020	<u><u>16,928</u></u>	<u><u>10,222</u></u>	<u><u>3,562</u></u>	<u><u>61,975</u></u>	<u><u>92,687</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:

	Current	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 2020	<u><u>19,695</u></u>	<u><u>17,492</u></u>	<u><u>13,477</u></u>	<u><u>18,255</u></u>	<u><u>68,919</u></u>
Audited balance					
at 30 June 2020	<u><u>24,050</u></u>	<u><u>3,424</u></u>	<u><u>8,074</u></u>	<u><u>38,462</u></u>	<u><u>74,010</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

The Group's consolidated revenue for the six months ended 31 December 2020 recorded an increase of approximately HK\$3,030,000 or 1.1% from HK\$286,211,000 for last interim period to HK\$289,241,000. During the period under review, profit attributable to owners of the Company was HK\$17,805,000, as compared to last interim profit of HK\$6,788,000. Such increase in profit was mainly attributable to (i) the cost savings in general expenses; (ii) increase in net foreign exchange gain and (iii) receipt of government grants in respect of COVID-19-related subsidies. For the six months ended 31 December 2020, basic earnings per share was HK0.26 cent (2019: HK0.1 cent).

BUSINESS REVIEW AND PROSPECTS

During the interim period, the COVID-19 pandemic expanded across international borders impacting economies around the world and interrupted the global operating and trading environment. Following a challenging start to the year with the impact of COVID-19 felt acutely across the jewellery industry, the Group has taken proactive actions in responding to the changing consumer behaviours by focusing more on online channels and domestic procurement. As a result, the Group managed to record a relatively stable revenue in the midst of the current economic turmoil. In the jewellery segment, the Group achieved a slight increase in revenues of approximately HK\$8,302,000 or 3% from HK\$276,099,000 for the six months ended 31 December 2019 to HK\$284,401,000 for the corresponding period in 2020. The strategic move in accelerating our focus towards online trading platform as well as penetrating into online retailers have benefited the Group as affirmed by the change in customer buying patterns. The previous acquisition and expansion in USA and UK have also given us broader access to the local channels in providing better local services and support. Moreover, the management team has continued to implement stringent cost controls at all offices. In conjunction with the gain in foreign exchange and government subsidies from various countries, the jewellery segment posted an increase from HK\$14,393,000 for the six months end 31 December 2019 to HK\$26,461,000 for the corresponding period in 2020.

In the property investment and development segment, the Group holds 75% of the interests in a piece of land located at No. 232 Wan Chai Road, Hong Kong with a site area of approximately 5,798 sq. ft. The land is currently under redevelopment into a premium grade office and retail composite building of approximately 28-storey tall with a gross floor area of approximately 86,908 sq. ft. and to hold it for long term leasing investment purpose. The superstructure work has been completed in November 2020. The project is in good progress and is expected to be completed in 2021 as scheduled.

The Group also owns 90% interests of sites at Nos. 7, 7A, 9, and 9A of Cheung Wah Street, Cheung Sha Wan, with a site area of approximately 3,240 sq. ft. The plan is to redevelop the existing buildings into a 25-storey residential development with 2-storey of retail podium/high-rise composite building, with a proposed gross floor area of approximately 29,110 sq. ft. The foundation works have been completed and the superstructure works have commenced in December 2020. The expected completion date of the redevelopment is around the third quarter of 2022.

Furthermore, the 12 floors of Glassview Commercial Building located at 65 Castle Peak Road, Yuen Long, New Territories, with a gross floor area of approximately 14,508 sq. ft. were acquired in 2018. They are currently fully let and continues to generate a steady income to the Group. During the period, the Group managed to enhance the overall rental yield with renewed leases.

In the mining segment, operation at Hongzhuang Gold Mine was minimised. The Company has been conducting 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.

PROSPECTS

Looking ahead, while the outlook for the jewellery industry remains uncertain at present, we are confident that we shall emerge from this period in a strengthened competitive position. The strict preventive measures worldwide and the availability of vaccination are expected to play an important part in curbing the spread of the COVID-19 pandemic. We strongly believe that the customers' confidence will be rebuilt gradually and the economic momentum will recover towards year end. In order to better position ourselves to service the accelerating demand from online channels, the Group will continue to actively enhance its online businesses and platform; and to strengthen its local presence and support to its customers.

In the property segment, the Group will continue to expand its diversified property investment portfolio in the near term and continue to seek for investment opportunities to enhance investment returns, as well as diversifying its income source.

Amidst the very challenging times, the Group commits to achieving solid growth and providing quality product and service to the customers. As always, we shall continue to identify opportunities in providing long-term, sustainable and profitable growth, hence delivering positive returns to our shareholders.

INTERIM DIVIDEND

The Board does not recommend any payment of an interim dividend for the six months ended 31 December 2020 (2019: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

As at 31 December 2020, the Group's gearing ratio was 0.1624 (30 June 2020: 0.1344), 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\$423,523,000 (30 June 2020: HK\$468,521,000) 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\$89,630,000 (30 June 2020: HK\$84,347,000). Bank and other loans denominated in Hong Kong Dollar and US Dollar were approximately HK\$805,084,000 (30 June 2020: HK\$751,663,000).

PLEDGE OF ASSETS

As of 31 December 2020, the Group's bank loans denominated in Hong Kong Dollar of HK\$774,855,000 (30 June 2020: HK\$719,289,000) are secured by the Group's certain property, plant and equipment, investment properties, certain right-of-use assets, property under development, pledged by ordinary shares of certain subsidiaries of the Company and guaranteed by corporate guarantees executed by the Company. Whereas, a bank loan denominated in US Dollar in the equivalent amount of HK\$25,447,000 (30 June 2020: HK\$27,969,000) 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 2020, the Company has provided guarantees to the extent of HK\$645,082,000 (30 June 2020: HK\$607,158,000) 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 the Hong Kong Interbank Offered Rate or Prime Rate for Hong Kong Dollar borrowings, London Interbank Offered 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 the fluctuation in British Pound. There was no change to the Group's capital structure during the six months ended 31 December 2020. 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, REMUNERATION POLICIES AND SHARE OPTION SCHEME

As at 31 December 2020, the Group employed a total of approximately 588 employees (30 June 2020: 623) with the majority in the PRC. The Group's remuneration to its employees is largely based on common industrial practice. The Company adopted a share option scheme on 13 July 2010 (the "2010 Share Option Scheme"), under which, the Company may grant options to eligible persons including directors and employees. As at 31 December 2020, 132,000,000 share options were granted pursuant to the 2010 Share Option Scheme since its adoption. The 2010 Share Option Scheme was 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.

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 2020.

CORPORATE GOVERNANCE PRACTICES

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 six months ended 31 December 2020 except for the following deviations:

1. Code Provision A.2.1

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.

During the period, Mr. Chan Wai Lap, Victor ("Mr. Victor Chan") was the Chairman of the Board. Mr. Victor Chan oversaw the direction of the Group and also provided leadership for the Board. He ensured 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. Victor Chan was also responsible to ensure that all directors were properly briefed on issues arising at Board meetings and that all directors received adequate information, which must be complete and reliable, in a timely manner.

Ms. Cheng Siu Yin, Shirley (“Ms. Cheng”), mother of Mr. Victor Chan, 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 A.4.1

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

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 Annual General Meeting (the “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 Provision A.6.7

Under the Code Provision A.6.7, Independent Non-executive Directors should also attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Cheung Chi Fai, Frank, an Independent Non-executive Director of the Company, did not attend the AGM held on 22 December 2020 due to other business engagement. Other Independent Non-executive Directors were present at the AGM were available to answer questions.

4. Code Provision C.2.5

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 during the six months ended 31 December 2020. 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 (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 2020.

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 2020. 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, 25 February 2021

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 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.