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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 2021**

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 2021 together with the comparative figures for the corresponding period in 2020 as follows:

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

		Unaudited	
		Six months ended	
		31 December	
		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	335,607	289,241
Cost of sales		(251,368)	(221,460)
Gross profit		84,239	67,781
Selling and distribution costs		(7,538)	(9,028)
Administrative expenses		(58,784)	(44,264)
Other operating income		3,513	6,518
Change in fair value of financial assets at fair value through profit or loss		(2,097)	780
Finance costs	5	(2,352)	(2,384)
Share of results of joint ventures		(1)	(1)
Share of results of an associate		31	(137)
Profit before income tax	6	17,011	19,265
Income tax credit/(expense)	7	83	(27)
Profit for the period		17,094	19,238

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

		Unaudited Six months ended 31 December	
	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <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		(84)	283
Exchange differences on translation of foreign operations		9,919	41,465
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		<u>(3,175)</u>	<u>2,609</u>
Other comprehensive income for the period, net of tax		<u>6,660</u>	<u>44,357</u>
Total comprehensive income for the period		<u>23,754</u>	<u>63,595</u>
Profit for the period attributable to:			
Owners of the Company		15,855	17,805
Non-controlling interests		<u>1,239</u>	<u>1,433</u>
		<u>17,094</u>	<u>19,238</u>
Total comprehensive income for the period attributable to:			
Owners of the Company		22,486	62,162
Non-controlling interests		<u>1,268</u>	<u>1,433</u>
		<u>23,754</u>	<u>63,595</u>
		<i>HK cents</i>	(Restated) <i>HK cents</i>
Earnings per share for profit attributable to the owners of the Company	9		
Basic		<u>2.32</u>	<u>2.61</u>
Diluted		<u>2.32</u>	<u>2.61</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited At 31 December 2021 <i>HK\$'000</i>	Audited At 30 June 2021 <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		38,699	39,629
Right-of-use assets		45,444	46,863
Investment properties	10	1,972,703	1,928,300
Goodwill		8,124	8,124
Intangible assets		8,261	8,234
Mining right		603,561	591,056
Interests in associates		29,913	29,882
Interests in joint ventures		1,041	1,042
Financial assets at fair value through other comprehensive income		30,844	37,945
Financial assets at fair value through profit or loss		9,518	11,370
Deferred tax assets		2,728	2,728
		2,750,836	2,705,173
Current assets			
Properties under development	11	590,758	335,843
Inventories		209,832	214,417
Trade receivables	12	117,582	99,943
Prepayments, deposits and other receivables		10,781	10,509
Financial assets at fair value through profit or loss		4,574	12,185
Cash and cash equivalents		213,185	340,207
		1,146,712	1,013,104
Current liabilities			
Trade payables	13	(94,829)	(67,725)
Other payables and accruals		(82,757)	(119,273)
Contract liabilities		(799)	(720)
Bank and other loans		(870,919)	(707,010)
Lease liabilities		(4,641)	(4,162)
Due to related companies		(7,264)	(7,225)
Due to joint ventures		(1,036)	(1,036)
Dividend payable		(13,662)	–
Provision for tax		(2,986)	(3,034)
		(1,078,893)	(910,185)
Net current assets		67,819	102,919
Total assets less current liabilities		2,818,655	2,808,092

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

	Unaudited	Audited
	At	At
	31 December	30 June
	2021	2021
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Bank and other loans	(132,500)	(129,200)
Lease liabilities	(13,466)	(15,167)
Due to related companies	(32,987)	(33,011)
Loan from a controlling shareholder	(4,904)	(4,802)
Due to non-controlling interests	(51,850)	(48,785)
Deferred tax liabilities	(133,335)	(130,619)
	<u>(369,042)</u>	<u>(361,584)</u>
Net assets	<u>2,449,613</u>	<u>2,446,508</u>
EQUITY		
Share capital	560,673	560,673
Reserves	1,690,600	1,683,578
	<u>1,690,600</u>	<u>1,683,578</u>
Equity attributable to the owners of the Company	2,251,273	2,244,251
Non-controlling interests	<u>198,340</u>	<u>202,257</u>
Total equity	<u>2,449,613</u>	<u>2,446,508</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 2021.

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 2021. 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 2021 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 2021 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 2021, issued by the HKICPA.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
2021 Amendments to HKFRS 16	COVID-19 – Related Rent Concessions beyond 30 June 2021

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.

(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 or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Annual Improvements to HKFRSs	Annual Improvements to HKFRSs 2018-2020 cycle ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Recognition of Deferred Tax Liabilities and Deferred Tax Assets 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 2022

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

³ Effective date to be determined

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 (2020: 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	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Segment Revenue:										
Sales to/revenue from external parties	<u>329,943</u>	<u>284,401</u>	<u>3,875</u>	<u>2,633</u>	<u>-</u>	<u>-</u>	<u>1,789</u>	<u>2,207</u>	<u>335,607</u>	<u>289,241</u>
Segment results	<u>30,344</u>	<u>26,461</u>	<u>(2,609)</u>	<u>(2,880)</u>	<u>(4,947)</u>	<u>(1,653)</u>	<u>(2,679)</u>	<u>163</u>	<u>20,109</u>	<u>22,091</u>
Unallocated expenses									(1,495)	(1,171)
Finance costs									(1,603)	(1,655)
Profit before income tax									<u>17,011</u>	<u>19,265</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	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts with customers		
Sale of goods	329,943	284,401
Revenue from other sources		
Rental income	3,875	2,633
Interest income	886	1,854
Dividend income from investments	903	353
	<u>335,607</u>	<u>289,241</u>

5. FINANCE COSTS

	Unaudited	
	Six months ended 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest charges on:		
Bank and other loans	6,709	6,933
Interest on lease liabilities	416	438
Imputed interest expenses arising from amount due to a related company	749	729
	<u>7,874</u>	<u>8,100</u>
Total borrowing costs		
Less: Interests capitalised in		
– investment properties (<i>note 10</i>)	(4,515)	(4,327)
– properties under development (<i>note 11</i>)	(1,007)	(1,389)
	<u>2,352</u>	<u>2,384</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	
	2021	2020
	HK\$'000	HK\$'000
Cost of inventories sold	251,368	221,460
Depreciation of		
– Property, plant and equipment	2,102	2,005
– Right-of-use assets	3,080	3,055
Short-term leases charges	277	171
Low-value assets leases charges	361	–
Provision for inventories*	1,269	5,476
Fair value (gain)/loss on derivative financial instruments		
– forward currency contracts	(77)	231
Loss/(gain) on disposal of financial assets	17	(48)
Net foreign exchange gain	(1,009)	(7,988)
Provision for expected credit loss on trade receivables	1,198	933
Write-off of property, plant and equipment	–	91
Gain on disposal of property, plant and equipment	–	(18)
	=====	=====

* *Amount included in cost of sales*

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

7. INCOME TAX (CREDIT)/EXPENSE

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

	Unaudited	
	Six months ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Current tax		
Hong Kong	<u>76</u>	<u>73</u>
	<u>76</u>	<u>73</u>
Over-provision in prior years		
Hong Kong	(22)	(8)
Overseas	<u>(98)</u>	<u>–</u>
	<u>(120)</u>	<u>(8)</u>
Deferred taxation		
People's Republic of China	<u>(39)</u>	<u>(38)</u>
	<u>(39)</u>	<u>(38)</u>
Total income tax (credit)/expense	<u><u>(83)</u></u>	<u><u>27</u></u>

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 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 2021 (2020: Nil).
- (ii) Dividends to equity shareholders attributable to previous financial year, approved and payable during the interim period:

	Unaudited	
	Six months ended 31 December	
	2021	2020
	<i>HK'000</i>	<i>HK'000</i>
Final dividend in respect of the year ended 30 June 2021, approved and payable, of HK2.00 cents per share (for the financial year ended 30 June 2020: Nil)	13,662	–

The final dividend approved on 27 September 2021 amounted to HK\$13,662,000 was subsequently paid on 14 January 2022.

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	
	2021	2020
	HK\$'000	HK\$'000
Profit attributable to the owners of the Company for the purpose of basic earnings per share	<u>15,855</u>	<u>17,805</u>
	Number of shares	
	2021	2020
		(Restated)
Weighted average number of ordinary shares for the purpose of basic earnings per share	683,118,258	683,118,258
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>683,118,258</u>	<u>683,118,258</u>

On 31 May 2021, every ten (10) issued ordinary shares of the Company has been consolidated into one (1) ordinary share of the Company (the “Share Consolidation”).

The calculation of basic earnings per share attributable to the owners of the Company for the six months ended 31 December 2021 was based on the profit attributable to the owners of the Company of HK\$15,855,000 (2020: HK\$17,805,000) and on the weighted average of 683,118,258 (2020: 683,118,258) ordinary shares during the period.

For the six months ended 31 December 2021 and 2020, the computation of diluted earnings per share did not assume the exercise of share option as they were anti-dilutive.

The weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings per share have been retrospectively adjusted for the effects of Share Consolidation.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

10. INVESTMENT PROPERTIES

	Unaudited At 31 December 2021 HK\$'000	Audited At 30 June 2021 HK\$'000
Opening carrying amount	1,928,300	1,564,100
Additions	39,888	213,061
Interests capitalised (<i>note 5</i>)	4,515	8,431
Gain from fair value adjustments	–	77,708
Acquisition of a subsidiary	–	65,000
	<u>1,972,703</u>	<u>1,928,300</u>
Closing carrying amount	<u>1,972,703</u>	<u>1,928,300</u>

As at 31 December 2021, the Group's investment properties with carrying amount of HK\$1,972,703,000 (30 June 2021: HK\$1,838,300,000) were pledged to secure certain bank borrowings granted to the Group.

11. PROPERTIES UNDER DEVELOPMENT

	Unaudited At 31 December 2021 HK\$'000	Audited At 30 June 2021 HK\$'000
Opening carrying amount	335,843	318,763
Acquisition of properties	241,550	–
Additions	12,358	14,731
Interest capitalised (<i>note 5</i>)	1,007	2,349
	<u>590,758</u>	<u>335,843</u>
Closing carrying amount	<u>590,758</u>	<u>335,843</u>

As at 31 December 2021, properties under development amounting to approximately HK\$590,758,000 (30 June 2021: HK\$335,843,000) was not expected to be realised within the next twelve months from the end of the reporting date.

As at 31 December 2021, the Group's properties under development with aggregate net carrying amounts of approximately HK\$590,758,000 (30 June 2021: HK\$335,843,000) 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 2021	<u>44,380</u>	<u>43,274</u>	<u>22,586</u>	<u>7,342</u>	<u>117,582</u>
Audited balance					
at 30 June 2021	<u>40,742</u>	<u>35,769</u>	<u>15,115</u>	<u>8,317</u>	<u>99,943</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 2021	<u>30,457</u>	<u>18,262</u>	<u>11,743</u>	<u>34,367</u>	<u>94,829</u>
Audited balance					
at 30 June 2021	<u>31,292</u>	<u>13,601</u>	<u>4,317</u>	<u>18,515</u>	<u>67,725</u>

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

The Group's consolidated revenue for the six months ended 31 December 2021 recorded an increase of approximately HK\$46,366,000 or 16% from the last interim period of HK\$289,241,000 to HK\$335,607,000. During the period under review, profit attributable to owners of the Company was HK\$15,855,000, as compared to last interim profit of HK\$17,805,000. The slight drop in profit was mainly due to significant decrease in net foreign exchange gain and subsidies received from various government relating to the "COVID-19" pandemic in last interim period. For the six months ended 31 December 2021, basic earnings per share was HK2.32 cents (2020: HK2.61 cents after Share Consolidation).

BUSINESS REVIEW

The COVID-19 pandemic had brought great challenges and disruptions worldwide since early 2020. In the second half of 2021, the global economy saw signs of recovery as many social distancing measures were relaxed in major countries. In particular, in the United States of America ("USA") and in Europe, the easing of travel and local restrictions have allowed sales activities to resume, and many retail shops re-opening with limitations. In United Kingdom ("UK"), after an extended time of lockdown earlier in 2021, the market sentiment and economy recovered positively towards the end of the year. Witnessing the pick-up in global consumption and consumers demands, our Group proactively implemented sales and marketing campaigns via e-platforms, virtual meetings, and its overseas sales offices. Furthermore, by utilizing more digital presentations and virtual communication; by supporting our customers with more online services and local sales support, the Group managed to post strong growth and reached pre-pandemic sales level in the jewellery business. Many customers had a good Christmas season with strong consumer demands both online and offline. During the period under review, the Group achieved an increase in revenues of its jewellery segment by approximately HK\$45,542,000 or 16% from HK\$284,401,000 for the six months ended 31 December 2020 to HK\$329,943,000 for the corresponding period in 2021. As a result, the performance of jewellery segment posted a profit of HK\$30,344,000, compared with HK\$26,461,000 for the six months end 31 December 2020.

For property segment, the Group continues to invest and manage a diverse and balanced portfolio which comprises a mix of residential and commercial properties.

The Group currently 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 has been developed into a premium grade office and retail composite building of 28-storey tall with a gross floor area of approximately 86,970 sq. ft. and to hold it for long term leasing investment purpose. The Occupation Permit for the building has been issued by Buildings Department and the leasing of the building has begun. While the commercial real estate market is currently affected by the COVID-19 Omicron variant outbreak, the Group foresees the economy will gradually recover towards the end of 2022 and will expect the project to generate additional rental income for the Group.

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 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 29,147 sq. ft. The foundation works have been completed and the superstructure works have commenced in December 2020. The project is in good progress and the expected completion date of the redevelopment is in late 2022.

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. Despite of the continued COVID-19 infections and social distancing policies, the units are currently fully let and continue to generate a steady income to the Group.

In May 2021, the Group has acquired Shop A and Shop B on G/F., and Office A, B, C, D, E, F, G & H located on 1/F of Hart Avenue Court at 19-23 Hart Avenue, Kowloon, with a gross floor area of approximately 5,100 sq. ft. The properties are fully let and generate a stable rental income to the Group.

In December 2021, the Group has acquired six properties located at 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. Design development has begun, and site work is expected to commence in the 4th quarter of 2022 upon expiry of the existing leases.

In the mining segment, operation at Hongzhuang Gold Mine was minimised. The Company has been conducting exploration at the northeastern of Yuanling. Meanwhile, we will continue developing new shaft and re-visiting the old shaft in the Yuanling mine site.

BUSINESS PROSPECTS

While the Group is pleased with the results of the six months ended 31 December 2021, the external environment continues to be volatile and difficult to predict. Although the emergence of the Omicron COVID-19 variant has once again impacted the global economic recovery, the USA, UK and European countries are adopting “live with the virus” approach and are abandoning social distancing restrictions. The Group expects that the post-COVID-19 optimism will continue, and the economy will remain stable for 2022. Looking forward, with the commercial and social activities around the world resuming to normal, the Group is optimistic about its continued recovery momentum and will continue to work on strengthening its market position in the industry.

In the commercial property sector, the business sentiment is expected to be temporarily affected by the fifth wave of the COVID-19 outbreak in Hong Kong. Nonetheless, the Group expects the market to gradually recover and leasing market to stabilize. In the residential sector, thanks to the resilient demand in prime locations and the persistently low interest rate environment, the Group foresees the economic recovery will further support the demands in the primary residential market.

The Group will continue to closely monitor the existing businesses and exploit the full potential in delivering superior service and value to customers. At the same time, by striking an appropriate balance between risk and return, the directors will keep on using their best efforts to ensure the Group is well positioned to take part in the market growth and increase market share in the coming years.

INTERIM DIVIDEND

The Board does not recommend any payment of an interim dividend for the six months ended 31 December 2021 (2020: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

As at 31 December 2021, the Group's gearing ratio was 0.2701 (30 June 2021: 0.1996), 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\$213,185,000 (30 June 2021: HK\$340,207,000) 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\$116,148,000 (30 June 2021: HK\$114,188,000). Bank and other loans denominated in Hong Kong Dollar and US Dollar were approximately HK\$1,003,419,000 (30 June 2021: HK\$836,210,000). Details of pledge of assets in respect of bank loans are set out in the section PLEDGE OF ASSETS.

The decrease in the Group's cash and cash equivalent and the increase in bank loans as at 31 December 2021 were mainly due to the acquisition of properties located at No. 164-164A Boundary Street, Kowloon and payment of the construction costs for the projects at Cheung Wah Street and Wan Chai Road. 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 2021, the Group's bank loans denominated in Hong Kong Dollar of HK\$980,074,000 (30 June 2021: HK\$813,558,000) 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 subsidiaries of the Company and guaranteed by corporate guarantees executed by the Company and non-controlling interests. Whereas, a bank loan denominated in US Dollar in the equivalent amount of HK\$23,345,000 (30 June 2021: HK\$22,652,000) 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 2021, the Company has provided guarantees to the extent of HK\$820,719,000 (30 June 2021: HK\$670,640,000) 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, 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 fluctuation in British Pound. There was no change to the Group's capital structure during the six months ended 31 December 2021. 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 2021, the Group employs a total of approximately 540 employees (30 June 2021: 567) 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 the Share Consolidation had taken effect on 31 May 2021, adjustments were made to the exercise prices and the number of shares of the Company falling to be issued in respect of the outstanding share options in accordance with the terms and conditions of the 2010 Share Option Scheme and the Listing Rules. As at 31 December 2021, 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 2021.

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 2021 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 was the Chairman of the Board. Mr. 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. 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, 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 A.4.1

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 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 16 December 2021 due to other business engagement. Other Independent Non-executive Directors were present at the AGM and 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 2021. 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 2021.

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 2021. 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, 24 February 2022

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.