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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 2023**

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 2023 together with the comparative figures for the corresponding period in 2022 as follows:

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

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>31 December</b>	
		<b>2023</b>	<b>2022</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	<b>200,183</b>	269,864
Cost of sales		<b>(150,295)</b>	(196,815)
Gross profit		<b>49,888</b>	73,049
Selling and distribution costs		<b>(9,138)</b>	(9,697)
Administrative expenses		<b>(56,106)</b>	(59,863)
Other income, other gains and losses		<b>5,406</b>	5,385
Change in fair value of financial assets at fair value through profit or loss		<b>(412)</b>	(911)
Finance costs	5	<b>(25,122)</b>	(15,799)
Share of results of joint ventures		–	(1)
Share of results of associates		<b>(19)</b>	197
<b>Loss before income tax</b>	6	<b>(35,503)</b>	(7,640)
Income tax expense	7	<b>(86)</b>	(19)
<b>Loss for the period</b>		<b>(35,589)</b>	(7,659)

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

		Unaudited Six months ended 31 December	
	Notes	2023 HK\$'000	2022 HK\$'000
<b>Other comprehensive income for the period, net of tax</b>			
<b>Items that may be subsequently reclassified to profit or loss:</b>			
Change in fair value of debt instruments at fair value through other comprehensive income		105	(170)
Reclassified to profit or loss upon disposal of debt instruments at fair value through other comprehensive income		–	214
Exchange differences on translation of foreign operations		6,348	(14,389)
<b>Items that will not be subsequently reclassified to profit or loss:</b>			
Change in fair value of equity instruments at fair value through other comprehensive income		<u>(2,043)</u>	<u>(1,208)</u>
Other comprehensive income for the period, net of tax		<u>4,410</u>	<u>(15,553)</u>
<b>Total comprehensive income for the period</b>		<u><b>(31,179)</b></u>	<u><b>(23,212)</b></u>
<b>Loss for the period attributable to:</b>			
Owners of the Company		(31,677)	(6,261)
Non-controlling interests		<u>(3,912)</u>	<u>(1,398)</u>
		<u><b>(35,589)</b></u>	<u><b>(7,659)</b></u>
<b>Total comprehensive income for the period attributable to:</b>			
Owners of the Company		(27,287)	(21,780)
Non-controlling interests		<u>(3,892)</u>	<u>(1,432)</u>
		<u><b>(31,179)</b></u>	<u><b>(23,212)</b></u>
		<i>HK cents</i>	<i>HK cents</i>
<b>Loss per share for loss attributable to the owners of the Company</b>	9		
Basic		<u><b>(4.64)</b></u>	<u><b>(0.92)</b></u>
Diluted		<u><b>(4.64)</b></u>	<u><b>(0.92)</b></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited At 31 December 2023 <i>HK\$'000</i>	Audited At 30 June 2023 <i>HK\$'000</i>
	<i>Notes</i>		
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		25,941	27,072
Right-of-use assets		36,384	38,295
Investment properties	10	2,078,220	2,078,100
Goodwill		8,124	8,124
Intangible assets		8,269	8,291
Mining right		486,137	477,531
Interests in associates		23,544	23,562
Interests in joint ventures		1,039	1,039
Financial assets at fair value through other comprehensive income		22,536	24,492
Financial assets at fair value through profit or loss		9,847	10,048
Deferred tax assets		1,023	1,023
		2,701,064	2,697,577
<b>Current assets</b>			
Properties under development	11	668,039	657,777
Inventories		165,545	183,173
Trade receivables	12	64,718	64,591
Prepayments, deposits and other receivables		14,163	15,262
Financial assets at fair value through other comprehensive income		2,326	2,308
Financial assets at fair value through profit or loss		6,556	6,854
Time deposit with original maturities over three months		–	6,406
Cash and cash equivalents		61,637	90,695
		982,984	1,027,066
<b>Current liabilities</b>			
Trade payables	13	(71,886)	(75,679)
Other payables and accruals		(69,668)	(71,040)
Contract liabilities		(285)	(354)
Bank loans		(1,045,997)	(854,387)
Lease liabilities		(4,619)	(4,179)
Loan from a controlling shareholder		–	(4,306)
Due to related companies		(9,419)	(8,859)
Due to joint ventures		(1,036)	(1,036)
Financial liabilities at fair value through profit or loss		(81)	(18)
Provision for tax		(1,998)	(2,304)
		(1,204,989)	(1,022,162)
<b>Net current (liabilities)/assets</b>		(222,005)	4,904
<b>Total assets less current liabilities</b>		2,479,059	2,702,481

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

	<b>Unaudited</b>	Audited
	<b>At</b>	At
	<b>31 December</b>	30 June
	<b>2023</b>	2023
<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>Non-current liabilities</b>		
Bank loans	–	(203,990)
Lease liabilities	<b>(10,169)</b>	(12,111)
Due to non-controlling interests	<b>(70,894)</b>	(63,529)
Due to related companies	<b>(28,097)</b>	(27,987)
Loan from a controlling shareholder	<b>(4,384)</b>	–
Deferred tax liabilities	<b>(110,761)</b>	(108,931)
	<u><b>(224,305)</b></u>	<u>(416,548)</u>
<b>Net assets</b>	<u><b>2,254,754</b></u>	<u>2,285,933</u>
<b>EQUITY</b>		
Share capital	<b>560,673</b>	560,673
Reserves	<b>1,491,777</b>	1,519,064
	<u><b>2,052,450</b></u>	<u>2,079,737</u>
<b>Equity attributable to the owners of the Company</b>	<b>2,052,450</b>	2,079,737
<b>Non-controlling interests</b>	<b>202,304</b>	206,196
	<u><b>2,254,754</b></u>	<u>2,285,933</u>
<b>Total equity</b>	<u><b>2,254,754</b></u>	<u>2,285,933</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\$222,005,000 as at 31 December 2023 and incurred a loss of HK\$35,589,000 for the period. As at 31 December 2023, the Group had bank loans of HK\$1,045,997,000, of which approximately HK\$695,121,000 were due for repayment or renewal after one year or on demand. After considering the Group had undrawn banking facilities over HK\$350,000,000 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 2023.

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 2023. 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 2023 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 2023 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 2023, issued by the HKICPA.

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

## 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	Non-current Liabilities with Covenants (the "2022 Amendments") <sup>1</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current (the "2020 Amendments") <sup>1,3</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements <sup>1</sup>
Amendments to HKFRS 16 HK-Interpretation 5 (Revised)	Lease Liability in a Sale and Leaseback <sup>1</sup> Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause <sup>1</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>

<sup>1</sup> *Effective for annual periods beginning on or after 1 January 2024*

<sup>2</sup> *Effective for annual periods beginning on or after 1 January 2025*

<sup>3</sup> *As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024*

<sup>4</sup> *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 (2022: 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	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
<b>Segment Revenue:</b>										
Sales to/revenue from external parties	<u>187,901</u>	<u>262,237</u>	<u>10,383</u>	<u>5,395</u>	<u>-</u>	<u>-</u>	<u>1,899</u>	<u>2,232</u>	<u>200,183</u>	<u>269,864</u>
Segment results	<u>(8,804)</u>	<u>15,599</u>	<u>(20,250)</u>	<u>(17,100)</u>	<u>(4,590)</u>	<u>(3,399)</u>	<u>1,061</u>	<u>311</u>	<u>(32,583)</u>	<u>(4,589)</u>
Unallocated expenses									<u>(1,080)</u>	<u>(1,400)</u>
Finance costs									<u>(1,840)</u>	<u>(1,651)</u>
Loss before income tax									<u>(35,503)</u>	<u>(7,640)</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	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts with customers		
Timing of revenue recognition for sales of goods - at a point in time	187,901	262,237
Revenue from other sources		
Rental income	10,383	5,395
Interest income	1,044	1,319
Dividend income from investments	855	913
	<u>200,183</u>	<u>269,864</u>

### 5. FINANCE COSTS

	Unaudited	
	Six months ended 31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest charges on:		
Bank loans	33,083	18,886
Interest on lease liabilities	404	328
Imputed interest expenses arising from amount due to a related company	670	689
Total borrowing costs	<u>34,157</u>	<u>19,903</u>
<i>Less: Interests capitalised in</i>		
– investment properties ( <i>note 10</i> )	–	(1,007)
– properties under development ( <i>note 11</i> )	(9,035)	(3,097)
	<u>25,122</u>	<u>15,799</u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

### 6. LOSS BEFORE INCOME TAX

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

	<b>Unaudited</b>	
	<b>Six months ended 31 December</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	<b>HK\$'000</b>
Cost of inventories sold	<b>150,295</b>	196,815
Depreciation of		
– Property, plant and equipment	<b>2,286</b>	1,967
– Right-of-use assets	<b>2,992</b>	2,913
Short-term leases charges	–	319
Low-value assets leases charges	<b>485</b>	242
Provision for and write down of inventories, net	<b>237</b>	972
Fair value (gain)/loss on derivative financial instruments		
– forward currency contracts	<b>(31)</b>	366
Loss on disposal of financial assets	–	460
Net foreign exchange (gain)/loss	<b>(247)</b>	3,118
Gain on disposal of property, plant and equipment	<b>(32)</b>	–
Provision for expected credit loss on trade receivables	<b>782</b>	1,096
	<b><u>782</u></b>	<b><u>1,096</u></b>

\* *Provision for and write down of inventories were 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:

	<b>Unaudited</b>	
	<b>Six months ended 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Current tax</b>		
Hong Kong	<u>139</u>	<u>55</u>
	----- <b>139</b>	----- <b>55</b>
<b>Over-provision in prior years</b>		
Hong Kong	<u>(18)</u>	<u>–</u>
	----- <b>(18)</b>	----- <b>–</b>
<b>Deferred taxation</b>		
People's Republic of China	<u>(35)</u>	<u>(36)</u>
	----- <b>(35)</b>	----- <b>(36)</b>
<b>Total income tax expense</b>	<u><b>86</b></u>	<u><b>19</b></u>

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 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 2023 (2022: Nil).
- (ii) Dividends to equity shareholders attributable to previous financial year, approved and payable during the interim period:

	<b>Unaudited</b>	
	<b>Six months ended 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Final dividend in respect of the financial year ended 30 June 2022 of HK2.00 cents per share	<u>          -</u>	<u>      13,662</u>

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

### 9. LOSS PER SHARE

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

	<b>Unaudited</b>	
	<b>Six months ended 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Loss attributable to the owners of the Company for the purpose of basic loss per share	<u>      (31,677)</u>	<u>      (6,261)</u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

### 9. LOSS PER SHARE (Continued)

	Number of shares	
	2023	2022
Weighted average number of ordinary shares for the purpose of basic loss per share	683,118,258	683,118,258
Effect of dilutive potential ordinary shares in respect of share option	—	—
Weighted average number of ordinary shares for the purpose of diluted loss per share	683,118,258	683,118,258

The calculation of basic loss per share attributable to the owners of the Company for the six months ended 31 December 2023 was based on the loss attributable to the owners of the Company of HK\$31,677,000 (2022: loss of HK\$6,261,000) and on the weighted average of 683,118,258 (2022: 683,118,258) ordinary shares in issue during the period.

For the six months ended 31 December 2023 and 2022, the computation of diluted loss per share did not assume the exercise of share option as they were anti-dilutive.

### 10. INVESTMENT PROPERTIES

	Unaudited At 31 December 2023 HK\$'000	Audited At 30 June 2023 HK\$'000
Opening carrying amount	2,078,100	2,092,900
Additions	120	11,990
Interests capitalised ( <i>note 5</i> )	—	1,007
Loss from fair value adjustments	—	(27,797)
Closing carrying amount	2,078,220	2,078,100

As at 31 December 2023, the Group's investment properties with carrying amount of HK\$2,078,220,000 (30 June 2023: HK\$2,078,100,000) were pledged to secure certain bank loans granted to the Group.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

### 11. PROPERTIES UNDER DEVELOPMENT

	Unaudited At 31 December 2023 HK\$'000	Audited At 30 June 2023 HK\$'000
Opening carrying amount	657,777	632,485
Additions	1,227	64,390
Interest capitalised ( <i>note 5</i> )	9,035	10,761
<i>Less:</i> write-down of properties under development	–	(49,859)
Closing carrying amount	668,039	657,777

As at 31 December 2023, properties under development amounting to approximately HK\$246,573,000 (30 June 2023: HK\$243,714,000) was not expected to be realised within the next twelve months from the end of the reporting date.

As at 31 December 2023, the Group's properties under development with aggregate net carrying amounts of approximately HK\$668,039,000 (30 June 2023: HK\$657,777,000) 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:

	<b>0-30 days</b>	<b>31-60 days</b>	<b>61-90 days</b>	<b>Over 90 days</b>	<b>Total</b>
	<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 2023	<u>13,429</u>	<u>30,828</u>	<u>17,649</u>	<u>2,812</u>	<u>64,718</u>
Audited balance					
at 30 June 2023	<u>42,073</u>	<u>15,579</u>	<u>4,600</u>	<u>2,339</u>	<u>64,591</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:

	<b>0-30 days</b>	<b>31-60 days</b>	<b>61-90 days</b>	<b>Over 90 days</b>	<b>Total</b>
	<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 2023	<u>24,000</u>	<u>7,965</u>	<u>15,421</u>	<u>24,500</u>	<u>71,886</u>
Audited balance					
at 30 June 2023	<u>29,790</u>	<u>14,213</u>	<u>5,270</u>	<u>26,406</u>	<u>75,679</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **OPERATING RESULTS**

During the reporting period, our Group experienced a decrease in both revenue and gross profit. This decline can be attributed to weaker jewellery sales across all major markets, which have been directly affected by the prevailing weak macroeconomic conditions. Additionally, our property segment faced challenges characterized by high interest rates and soft sales in Hong Kong. The overall weak economy has further compounded these issues.

The Group's consolidated revenue for the six months ended 31 December 2023 recorded a decrease of approximately HK\$69,681,000 or 25.8% from HK\$269,864,000 from last interim period to HK\$200,183,000. During the period under review, loss attributable to owners of the Company was HK\$31,677,000, as compared to loss attributable to owners of the Company of HK\$6,261,000 for the corresponding period last year. For the six months ended 31 December 2023, basic loss per share was HK4.64 cents (2022: basic loss per share of HK0.92 cent). The loss for the period was mainly attributable to (i) decrease in revenue and gross profit of approximately HK\$69,681,000 and HK\$23,161,000 respectively as compared to the six months ended 31 December 2022 and (ii) the rising interest rates in Hong Kong leading to an increase in finance cost of approximately HK\$9,323,000 as compared to last period of HK\$15,799,000.

### **BUSINESS REVIEW**

The jewellery business segment encountered significant challenges, resulting in a decline in performance during the reporting period. Foremost the segment was affected by the overstocking of inventory by overseas retailers in earlier quarters. This led to weaker repurchasing activities and an accumulation of high inventory levels. Consequently, prices were driven downward, and sales volumes were constrained. In addition, increased inflation rates had a strong impact on consumer spending, particularly in the luxury goods sector. Rising costs across various goods and services, combined with the high cost of living overseas, left consumers with less discretionary income to allocate towards jewellery purchases. The challenging economic environment across major markets necessitated a cautious approach to business operations. The management navigated through these difficulties, considering the impact of external factors on the sector's performance.



Overall, the jewellery business segment faced multiple obstacles during the reporting period, including inventory issues, high interest rates, and reduced consumer spending. As a result, the Group's revenue of jewellery recorded a decrease of approximately HK\$74,336,000 or 28.3% from last interim period of HK\$262,237,000 to HK\$187,901,000 for the six months ended 31 December 2023. The segment loss attributable to the jewellery business was HK\$8,804,000 for the six months ended 31 December 2023 as compared to last interim period's profit of HK\$15,599,000.

In property, revenue from rental income during the period amounted to approximately HK\$10,383,000, representing an increase of HK\$4,988,000 from the corresponding period of 2022 of HK\$5,395,000. The increase in revenue was mainly because more units were leased out at One Continental during the period. With a diverse and balanced portfolio, the Group believes that these investments and projects will generate steady income and return in the long run.

“One Continental (恒匯中心)” 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. Since the border reopened in February 2023, the leasing market has slightly improved, and the Group managed to secure additional quality tenants during 2023.

The Group 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 has been developed into a 25-storey residential development with 2-storey of retail podium/high-rise composite building, with a gross floor area of approximately 29,147 sq.ft. The project has been named “Amber Place (恒珀)” and the occupation permit has been obtained in July 2023.

In December 2021, the Group 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. Demolition of the old building has been completed, and the intention is to redevelop into a luxury residential development.

The Group holds certain investment properties comprising 12 floors of 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 leased out, generating a stable rental income to the Group during the period.

In the mining segment, operation at Hongzhuang Gold Mine was minimised. The Company focused on the exploration at the north eastern of Yuanling, while developing new shaft and re-visiting the old shaft at the 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**

Despite the challenges we have encountered, we remain steadfast in our commitment to implementing measures that will mitigate the effects of the weak macroeconomic conditions on our financial performance. Our management team is optimistic, and we anticipate a gradual recovery as the interest rate environment softens, thus encouraging consumer spending. We believe that by maintaining strong customer relationships, competitive pricing, and a compelling value proposition in our merchandising, we are positioning ourselves for a gradual recovery.

In line with evolving consumer preferences and market trends, we are continuously evaluating our product offerings. Our focus is on developing innovative designs and attractive pricing to maintain a competitive edge in the market. To enhance our overall efficiency and profitability, we are optimizing our operational processes and implementing cost management initiatives. This includes streamlining our supply chain operations, improving inventory management, and optimizing resource allocation. While the current market conditions remain challenging, we are confident in our ability to navigate through these difficulties. We closely monitor market trends and consumer behavior, allowing us to adapt our strategies accordingly. We remain committed to delivering long-term value to our shareholders and are confident that our resilient business model and dedicated team will guide us towards sustained growth and profitability.

In regard to the real estate market in Hong Kong, it faced numerous challenges in 2023, including a weaker-than-anticipated recovery in inbound tourism and high interest rates. These factors led to a significant exodus of investors from the market. Additionally, the high cost of capital, ongoing geopolitical tensions, and out bound consumer spending are expected to hinder economic growth in 2024. As a result, businesses have become cautious about expanding or entering into new leases, and residential demand has been dampened by increased borrowing costs.

However, despite these challenges, there is hope for a gradual recovery in the property market. As the economy stabilizes and consumer confidence improves, demand for retail and commercial spaces is expected to increase. Furthermore, if interest rates decrease, it could stimulate residential demand and encourage prospective buyers to reenter the market. While the timing and pace of the property market recovery remain uncertain, we maintain cautious optimism about its gradual revival in the future. The Group's primary focus remains on attracting high-quality tenants and ensuring a consistent flow of rental income. Going forward, we will maintain a cautious and prudent approach to real estate business development and financial positions, with the objective of delivering stable returns to our shareholders.

We acknowledge the impact of these factors on our financial performance and remain focused on implementing strategies to mitigate their effects. We sincerely appreciate the support and trust of our shareholders, business partners and employees.

## **INTERIM DIVIDEND**

The Board does not recommend any payment of an interim dividend for the six months ended 31 December 2023 (2022: Nil).

## **LIQUIDITY, FINANCIAL RESOURCES AND GEARING**

As at 31 December 2023, the Group's gearing ratio was 0.3305 (30 June 2023: 0.3215), 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 and time deposit with original maturities over three months. The cash and cash equivalents of HK\$61,637,000 (30 June 2023: HK\$97,101,000) 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\$128,618,000 (30 June 2023: HK\$122,007,000). Bank loans denominated in Hong Kong Dollar and US Dollar were approximately HK\$1,045,997,000 (30 June 2023: HK\$1,058,377,000). 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 equivalents as at 31 December 2023 were mainly due to the payment of the finance costs and partial repayment of bank loans.

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 2023, the Group's bank loans denominated in Hong Kong Dollar of HK\$1,027,897,000 (30 June 2023: HK\$1,036,213,000) 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 an indirectly owned subsidiary 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\$18,100,000 (30 June 2023: HK\$22,164,000) 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 2023, the Company has provided guarantees to the extent of HK\$853,902,000 (30 June 2023: HK\$863,695,000) 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 2023. 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 2023, the Group employs a total of approximately 478 employees (30 June 2023: 502) 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 2023, 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 2023.

## **CORPORATE GOVERNANCE PRACTICES**

The Company adopted all the Code Provisions set out in the Corporate Governance Code contained in Appendix C1 to the Listing Rules and has complied with all the applicable Code Provisions throughout the six months ended 31 December 2023 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. Victor Chan") is an Executive Director and the Chairman of the Company. Mr. Victor Chan currently strategizes the direction of the Group and 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. Victor Chan is also responsible for ensuring that all directors of the Company are properly briefed on issues arising at Board meetings and that all directors of the Company 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 2023. 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 C3 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 2023.

## **AUDIT COMMITTEE**

The Audit Committee of the Company currently comprises five 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 2023. 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, 26 February 2024

*As at the date of this announcement, Mr. Chan Wai Lap, Victor, Ms. Cheng Siu Yin, Shirley, Ms. Chan Wai Kei, Vicki, Ms. Chan Mei Kei, Alice and Mr. Wong Edward Gwon-hing are executive directors; Mr. Yu Shiu Tin, Paul, BBS, MBE, JP, Mr. Chan Ping Kuen, Derek, Mr. Sze Irons, BBS, JP, Mr. Cheung Chi Fai, Frank and Mr. Yam Tat Wing are independent non-executive directors.*