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CONTINENTAL
HOLDINGS LIMITED
恒和珠寶集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00513)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2020

The board of directors (the "Board") of Continental Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 30 June 2020 together with comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Notes	**2020** *HK$'000*	2019 *HK$'000* (Represented)
Revenue	*3*	**420,315**	440,967
Cost of sales		**(328,284)**	(331,922)
Gross profit		**92,031**	109,045
Selling and distribution costs		**(18,920)**	(18,465)
Administrative expenses		**(111,444)**	(101,252)
Other operating income		**4,902**	3,845
Impairment loss on trade and other long-term receivables, net		**(12,534)**	(1,537)
Change in fair value of investment properties		**(5,257)**	37,432
Reversal of impairment loss on property, plant and equipment		**464**	–
Reversal of impairment loss on mining right		**17,592**	–
Share-based compensation		**(200)**	–
Gain on disposal of subsidiaries		**12,477**	1,684
Finance costs	*4*	**(7,301)**	(5,817)
Share of results of joint ventures		**(26)**	1,627
Share of results of an associate		**14,543**	(138)

	Notes	2020 HK$'000	2019 HK$'000 (Represented)
(Loss)/Profit before income tax	5	**(13,673)**	26,424
Income tax (expense)/credit	6	**(4,209)**	22,188
(Loss)/Profit for the year		**(17,882)**	48,612
Other comprehensive income, net of tax			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(17,551)**	(20,801)
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		**(9,440)**	2,425
Other comprehensive income for the year, net of tax		**(26,991)**	(18,376)
Total comprehensive income for the year		**(44,873)**	30,236
(Loss)/Profit for the year attributable to:			
Owners of the Company		**(15,341)**	43,679
Non-controlling interests		**(2,541)**	4,933
		(17,882)	48,612
Total comprehensive income for the year attributable to:			
Owners of the Company		**(42,332)**	25,303
Non-controlling interests		**(2,541)**	4,933
		(44,873)	30,236
		HK cent	*HK cent*
(Loss)/Earnings per share for (loss)/profit attributable to the owners of the Company	8		
– Basic		**(0.22)**	0.64
– Diluted		**(0.22)**	0.64

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	2020 HK$'000	2019 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**48,652**	52,995
Land use rights		**–**	29,871
Right-of-use assets		**47,641**	–
Investment properties		**1,564,100**	1,511,200
Goodwill		**8,124**	–
Intangible assets		**8,222**	–
Mining right		**594,773**	598,387
Interests in associates		**32,405**	17,862
Interests in joint ventures		**1,973**	1,999
Financial assets at fair value through other comprehensive income		**15,750**	20,023
Long-term receivables		**–**	–
Deferred tax assets		**5,762**	5,762
		2,327,402	2,238,099
Current assets			
Property under development		**318,763**	301,662
Inventories		**220,522**	165,415
Trade receivables	*9*	**92,687**	114,881
Prepayments, deposits and other receivables		**15,382**	20,372
Financial assets at fair value through profit or loss		**13,201**	13,424
Due from joint ventures		**–**	54
Cash and cash equivalents		**468,521**	621,380
		1,129,076	1,237,188

	Notes	2020 HK$'000	2019 HK$'000
Current liabilities			
Trade payables	*10*	**(74,010)**	(64,059)
Other payables and accruals		**(44,460)**	(50,682)
Contract liabilities		**(475)**	(1,227)
Bank and other loans	*11*	**(751,663)**	(743,575)
Obligation under finance leases		**–**	(35)
Lease liabilities		**(3,976)**	–
Due to joint ventures		**(696)**	–
Due to non-controlling interests		**(29,340)**	(21,671)
Provision for tax		**(1,998)**	(2,281)
		(906,618)	(883,530)
Net current assets		**222,458**	353,658
Total assets less current liabilities		**2,549,860**	2,591,757
Non-current liabilities			
Lease liabilities		**(15,397)**	–
Due to related companies		**(30,550)**	(31,669)
Loan from a controlling shareholder		**(4,388)**	(4,549)
Deferred tax liabilities		**(133,250)**	(133,108)
		(183,585)	(169,326)
Net assets		**2,366,275**	2,422,431
EQUITY			
Share capital		**560,673**	560,673
Reserves		**1,618,910**	1,678,120
Equity attributable to the owners of the Company		**2,179,583**	2,238,793
Non-controlling interests		**186,692**	183,638
Total equity		**2,366,275**	2,422,431

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

The financial information relating to the year ended 30 June 2020 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance, Cap. 622 (the "Companies Ordinance") is as follows:

The Company had delivered the financial statements for the year ended 30 June 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 30 June 2020 in due course.

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

2. ADOPTION OF HKFRSs

(a) Adoption of new or revised HKFRSs – effective 1 July 2019

The Group has adopted the following new or revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for annual periods beginning on or after 1 July 2019.

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 28	Long-term Interest in Associates and Joint Ventures
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 11, Joint Arrangements
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Tax
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs

The impact of the adoption of HKFRS 16 Leases have been summarised in below. The other new or amended HKFRSs that are effective from 1 July 2019 did not have any significant impact on the Group's accounting policies.

HKFRS 16 Leases

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 *Leases* ("HKAS 17"), HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* ("HK(IFRIC)-Int 4"), HK(SIC)-Int 15 *Operating Leases-Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. From a lessee's perspective, almost all leases are recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (v) of this note.

2. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new or revised HKFRSs – effective 1 July 2019 (Continued)

HKFRS 16 Leases (Continued)

(i) Impact of the adoption of HKFRS 16 (Continued)

The Group has applied HKFRS 16 using the cumulative effect approach and recognised the right-of-use asset at the amount equal to the lease liability, adjusted by the amount of any prepayments or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 30 June 2019. The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following tables summarised the impact of transition to HKFRS 16 on consolidated statement of financial position as of 30 June 2019 to that of 1 July 2019 as follows:

	HK$'000
Consolidated statement of financial position as at 1 July 2019	
Decrease in property, plant and equipment	(1,417)
Increase in right-of-use assets	32,933
Decrease in land use rights	(29,871)
Increase in lease liabilities (non-current)	722
Increase in lease liabilities (current)	958
Decrease in obligation under finance leases (current)	(35)

2. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new or revised HKFRSs – effective 1 July 2019 (Continued)

HKFRS 16 Leases (Continued)

(i) Impact of the adoption of HKFRS 16 (Continued)

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 30 June 2019 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at 1 July 2019:

	HK$'000
Operating lease commitments at 30 June 2019	3,577
Less: Commitments relating to leases exempt from capitalisation:	
– Short-term leases and other leases with remaining lease term ending on or before 30 June 2020	(1,869)
Less: Total future interest expenses	(63)
Present value of remaining lease payments, discounted using incremental borrowing rate at 1 July 2019	1,645
Add: Finance lease liabilities recognised as at 1 July 2019	35
Total lease liabilities recognised at 1 July 2019	1,680
Analysed as:	
Lease liabilities (non-current)	722
Lease liabilities (current)	958

The weighted average lessee's implicit interest rate and the incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position as at 1 July 2019 is 4.5%.

2. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new or revised HKFRSs – effective 1 July 2019 (Continued)

HKFRS 16 Leases (Continued)

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

(iii) Accounting as a leasee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the consolidated statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

2. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new or revised HKFRSs – effective 1 July 2019 (Continued)

HKFRS 16 Leases (Continued)

(iii) Accounting as a leasee (Continued)

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of an investment property, they are carried at fair value and for right-of-use asset that meets the definition of a leasehold land and buildings held for own use, they are carried at cost less any accumulated depreciation and amortisation.

For the Group, leasehold land and buildings that were held for rental or capital appreciation purpose would continue to be accounted for under HKAS 40 and would be carried at fair value. For leasehold land and buildings which is held for own use would continue to be accounted for under HKFRS 16 and would be carried at cost less any accumulated depreciation and amortisation. For right-of-use assets related to interests in leasehold land where interest in the land is held as inventory are carried at lower of cost and net realisable value. The adoption of HKFRS 16 therefore does not have any significant impact on these right-of-use assets. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

2. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new or revised HKFRSs – effective 1 July 2019 (Continued)

HKFRS 16 Leases (Continued)

(iii) Accounting as a leasee (Continued)

Lease liability (Continued)

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Accounting as a lessor

The Group has leased out its investment properties to a number of tenants. As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these financial statements.

(v) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised the right-of-use assets at the amount equal to the lease liabilities, adjusted by the amount of any prepayments related to that lease recongised in the consolidated statement of financial position as the date of initial application (1 July 2019). The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 July 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate or the implicit interest rate at 1 July 2019.

2. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new or revised HKFRSs – effective 1 July 2019 (Continued)

HKFRS 16 Leases (Continued)

(v) Transition (Continued)

The Group has elected to recognise all the right-of-use assets at 1 July 2019 for leases previously classified as operating leases, leasehold land and land use rights under HKAS 17 at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments related to that lease recognised in the consolidated statement of financial position immediately before the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 July 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; and (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 July 2019) and accounted for those leases as short-term leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4.

The Group has also leased majority of its motor vehicles and computer equipment which previously were classified as finance leases under HKAS 17. As the Group has elected to adopt the cumulative effect method over the adoption of HKFRS 16, for those finance leases under HKAS 17, the right-of-use assets and the corresponding lease liabilities at 1 July 2019 were the carrying amount of the lease assets and lease liabilities under HKAS 17 immediately before that date. For those leases, the Group has accounted for the right-of-use assets and the lease liabilities applying HKFRS 16 from 1 July 2019.

2. ADOPTION OF HKFRSs (Continued)

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

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[3]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 16	Covid-19 – Related Rent Concessions[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKAS 1	Classification of Liabilities as Current and Non-current[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]

[1] *Effective for annual periods beginning on or after 1 January 2020*

[2] *Effective for annual periods beginning on or after 1 June 2020*

[3] *Effective for annual periods beginning on or after 1 January 2022*

[4] *Effective for annual periods beginning on or after 1 January 2023*

[5] *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.*

The directors of the Company have performed an assessment on new standards, amendments and interpretations, and have concluded on a preliminary basis that these new standards and amendments would not have a significant impact on the Group's consolidated financial statements in subsequent years.

3. REVENUE AND SEGMENT INFORMATION

Revenue recognised during the year is as follows:

	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sale of goods	**403,043**	419,195
Revenue from other sources		
Rental income	**4,959**	3,623
Interest income	**9,618**	17,689
Dividend income from investments	**2,695**	460
	420,315	440,967

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

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**92,687**	114,881
Contract liabilities	**475**	1,227

As at 30 June 2019, the contract liabilities mainly relate to the advance consideration received from customers which has been recognised as revenue for the year ended 30 June 2020.

As at 30 June 2020, the advance consideration received from customers of HK$475,000 (2019: HK$1,227,000) represents unfulfilled performance obligation under the Group's exiting contracts. This amount represents revenue expected to be recognised in the future. The Group will recognise the expected revenue in future when performance obligation is completed, which is expected to occur within one year.

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

The chief operating decision-maker has been identified as the Company's executive directors. The executive directors have identified the Group's four business lines as operating segments.

3. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Business segment

	Design, manufacturing, marketing and trading of fine jewellery and diamonds		Property investment and development		Mining operation		Investment		Consolidated	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sales to/revenue from external parties	**403,043**	419,195	**4,959**	3,623	**–**	–	**12,313**	18,149	**420,315**	440,967
Segment results	**(20,649)**	5,216	**2,025**	24,306	**11,097**	(7,609)	**6,405**	13,121	**(1,122)**	35,034
Unallocated expenses									**(7,149)**	(4,180)
Share-based compensation									**(200)**	–
Finance costs									**(5,202)**	(4,430)
(Loss)/Profit before income tax									**(13,673)**	26,424

	Design, manufacturing, marketing and trading of fine jewellery and diamonds		Property investment and development		Mining operation		Investment		Consolidated	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**384,537**	341,399	**1,917,452**	1,813,192	**646,533**	652,664	**31,934**	35,405	**2,980,456**	2,842,660
Cash and cash equivalents									**468,521**	621,380
Deferred tax assets									**5,762**	5,762
Unallocated corporate assets									**1,739**	5,485
Total assets									**3,456,478**	3,475,287
Segment liabilities	**115,333**	89,920	**45,993**	31,539	**35,548**	40,291	**886**	70	**197,760**	161,820
Bank and other loans									**751,663**	743,575
Loan from a controlling shareholder									**4,388**	4,549
Provision for tax									**1,998**	2,281
Deferred tax liabilities									**133,250**	133,108
Unallocated corporate liabilities									**1,144**	7,523
Total liabilities									**1,090,203**	1,052,856

3. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Business segment (Continued)

	Design, manufacturing, marketing and trading of fine jewellery and diamonds		Property investment and development		Mining operation		Investment		Consolidated	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:										
Depreciation of property, plant and equipment	**(3,652)**	(4,159)	**–**	–	**(407)**	(588)	**–**	–	**(4,059)**	(4,747)
Depreciation of right-of-use assets	**(3,315)**	–	**–**	–	**(1,181)**	–	**–**	–	**(4,496)**	–
Amortisation of land use rights	**–**	(109)	**–**	–	**–**	(1,225)	**–**	–	**–**	(1,334)
Change in fair value of investment properties	**–**	–	**(5,257)**	37,432	**–**	–	**–**	–	**(5,257)**	37,432
Fair value loss on financial assets at fair value through profit or loss	**–**	–	**–**	–	**–**	–	**(223)**	(74)	**(223)**	(74)
Loss on disposal of property, plant and equipment	**(63)**	(25)	**–**	–	**–**	–	**–**	–	**(63)**	(25)
Write-off of property, plant and equipment	**(2)**	(50)	**–**	–	**–**	–	**–**	–	**(2)**	(50)
Share of results of joint ventures	**–**	1,593	**(26)**	34	**–**	–	**–**	–	**(26)**	1,627
Share of result of an associate	**–**	–	**14,543**	(138)	**–**	–	**–**	–	**14,543**	(138)
Reversal on impairment loss on mining right	**–**	–	**–**	–	**17,592**	–	**–**	–	**17,592**	–
Reversal on impairment loss on property, plant and equipment	**–**	–	**–**	–	**464**	–	**–**	–	**464**	–
Provision for inventories	**(2,912)**	(5,599)	**–**	–	**–**	–	**–**	–	**(2,912)**	(5,599)
Provision for trade receivables and other long-term receivables, net	**(12,534)**	(1,537)	**–**	–	**–**	–	**–**	–	**(12,534)**	(1,537)
Interest income	**–**	–	**–**	–	**–**	–	**9,618**	17,689	**9,618**	17,689
Interest expenses	**(778)**	–	**–**	–	**(1,321)**	(1,387)	**–**	–	**(2,099)**	(1,387)
Gain on debt modification on amount due to a related company	**–**	–	**–**	–	**1,318**	2,137	**–**	–	**1,318**	2,137
Additions to non-current segment assets	**7,021**	3,326	**42,513**	18,952	**–**	4	**–**	–	**49,534**	22,282

3. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Geographical information

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

	Revenue from external customers	
	2020	2019
	HK$'000	*HK$'000*
Hong Kong (place of domicile)	**38,237**	47,476
North America	**202,087**	200,472
Europe and Middle East	**173,870**	183,062
Other locations	**6,121**	9,957
Total	**420,315**	440,967

	Non-current assets	
	2020	2019
	HK$'000	*HK$'000*
Hong Kong (place of domicile)	**1,607,413**	1,535,813
North America	**30,631**	–
United Kingdom	**5,334**	5,266
Mainland China	**662,512**	671,235
Total	**2,305,890**	2,212,314

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

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

3. **REVENUE AND SEGMENT INFORMATION (Continued)**

(b) **Geographical information (Continued)**

Information about major customers

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

	2020	2019
	HK$'000	*HK$'000*
Customer A*	**15,784**[1]	52,660
Customer B*	**67,371**	38,133[2]

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

[1] *The corresponding revenue did not individually contribute over 10% of the Group's revenue during the year ended 30 June 2020. The disclosure of such is for illustration only.*

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

4. **FINANCE COSTS**

	2020	2019
	HK$'000	*HK$'000*
Interest charges on:		
Bank and other loans	**24,592**	19,466
Interest expenses on loan from ultimate holding company	**–**	3,497
Interest on lease liabilities	**778**	–
Finance charges on obligation under finance leases	**–**	4
Imputed interest expenses arising from amount due to a related company	**1,321**	1,387
Total borrowing costs	**26,691**	24,354
Less: interests capitalised in		
– investment properties	**(15,644)**	(17,416)
– property under development	**(3,746)**	(1,121)
	7,301	5,817

5. (LOSS)/PROFIT BEFORE INCOME TAX

	2020	2019
	HK$'000	*HK$'000*
The Group's (loss)/profit before income tax is arrived at after charging/(crediting):		
Cost of inventories sold	**290,473**	311,776
Depreciation of property, plant and equipment	**4,059**	4,747
Depreciation of right-of-use assets	**4,496**	–
Amortisation of land use rights	**–**	1,334
Auditor's remuneration	**1,370**	2,414
Minimum lease payments under operating leases on land and buildings under HKAS 17	**–**	3,615
Short-term leases charges	**305**	–
Low-value assets leases charges	**1,916**	–
Provision for inventories*	**2,912**	5,599
Fair value loss on financial assets at fair value through profit or loss	**223**	74
Net foreign exchange loss	**5,097**	3,909
Loss on disposal of property, plant and equipment	**63**	25
Government grants#	**–**	(118)
Gain on debt modification on amount due to a related company	**(1,318)**	(2,137)
Write-off of property, plant and equipment	**2**	50

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

\# *Government grants received during the year ended 30 June 2019 were mainly from 江門市蓬江區經濟促進局 for one of the Group's subsidiaries in respect of business activities carried on in this area. There are no unfulfilled conditions or contingencies related to these grants.*

During the year ended 30 June 2020, the Group has received government subsidies of HK$8,038,000 from government bodies in Hong Kong, the United Kingdom ("UK") and the United States of America ("USA") with regards to government support towards entities during the Coronavirus disease 2019 ("COVID-19") pandemic situation. The purpose of these government subsidies is to provide wage support to the subsidiaries in Hong Kong, UK and USA of the Group to retain employees and to provide financial support to the Group's operations during this period of economic uncertainty. The Group has utilised these grants received for compensating salary of HK$7,214,000 and utilities expenses of HK$824,000 from April to June 2020. There are no unfulfilled and other contingencies attaching to these government grants.

6. INCOME TAX EXPENSE/(CREDIT)

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 year. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2020	2019
	HK$'000	*HK$'000*
Current tax		
Hong Kong	**30**	70
Over provision in prior years	**(257)**	(22,186)
	(227)	(22,116)
Deferred tax		
Current year	**4,436**	(72)
Total income tax expense/(credit)	**4,209**	(22,188)

7. DIVIDENDS

	2020	2019
	HK$'000	*HK$'000*
Final dividend paid in respect of the prior year of HK0.25 cent (2019: HK0.5 cent) per shares	**17,078**	34,156

The director do not recommend any payment of dividends in respect of the year ended 30 June 2020.

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

8. (LOSS)/EARNINGS PER SHARE

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

	2020	2019
	HK$'000	*HK$'000*
(Loss)/Profit attributable to the owners of the Company for the purpose of basic (loss)/earnings per share	**(15,341)**	43,679

	Number of shares	
	2020	2019
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**6,831,182,580**	6,831,182,580
Effect of dilutive potential ordinary shares in respect of		
– Share option *(note (i))*	**–**	–
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	**6,831,182,580**	6,831,182,580

Notes:

(i) The calculation of basic loss per share attributable to the owners of the Company for the year ended 30 June 2020 was based on the loss for the year attributable to the owners of the Company of HK$15,341,000 (2019: profit for the year attributable to the owners of the Company of HK$43,679,000) and on weighted average of 6,831,182,580 (2019: 6,831,182,580) ordinary shares during the year.

For the year ended 30 June 2020 and 2019, the computation of diluted (loss)/earnings per share did not assume the exercise of share option as they were anti-dilutive.

9. TRADE RECEIVABLES

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

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

	2020	2019
	HK$'000	*HK$'000*
0 – 30 days	**16,928**	23,612
31 – 60 days	**10,222**	24,476
61 – 90 days	**3,562**	25,771
Over 90 days	**61,975**	41,022
	92,687	114,881

10. TRADE PAYABLES

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

	2020	2019
	HK$'000	*HK$'000*
0 – 30 days	**24,050**	21,156
31 – 60 days	**3,424**	12,566
61 – 90 days	**8,074**	5,736
Over 90 days	**38,462**	24,601
	74,010	64,059

11. BANK AND OTHER LOANS

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

	2020	2019
	HK$'000	*HK$'000*
Current liabilities		
Portion of bank and other loans due for repayment within one year		
– Guaranteed	**15,000**	15,000
– Secured and guaranteed	**62,291**	84,455
– Unsecured and unguaranteed	**4,405**	–
	81,696	99,455
Portion of banks and other loans due for repayment after one year which contain a repayable on demand clause		
– Secured and guaranteed	**669,967**	644,120
	751,663	743,575

At 30 June 2020, the bank and other loans were scheduled to repay as follows:

	2020	2019
	HK$'000	*HK$'000*
Bank and other loans:		
Repayable within one year	**81,696**	99,455
Repayable in the second year	**636,604**	4,616
Repayable in the third to fifth year, inclusive	**33,363**	639,504
	751,663	743,575

11. BANK AND OTHER LOANS (Continued)

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

The bank and other loans of the Group denominated in HK$ of HK$719,289,000 (2019: HK$743,575,000) and US$ in the equivalent amount of HK$32,374,000 (2019: Nil) have floating interest rates ranging from 1.00% to 3.14% (2019: 2.2% to 4.63%) per annum.

12. EVENTS AFTER THE REPORTING PERIOD

Since the outbreak of COVID-19 continues to spread around the world and its duration is still uncertain, a prolonged coronavirus pandemic may have an adverse impact on the Group's future financial performance, even though part of the impact has been reflected into the year ended 30 June 2020. The Group will continue to closely monitor the latest development of the outbreak of COVID-19 so as to adopt positive counter-measures to overcome any challenges arising and to assess the related impact to the Group on a continuous basis.

BUSINESS REVIEW AND MANAGEMENT DISCUSSION AND ANALYSIS

For the fiscal year ended 30 June 2020, the Group's consolidated revenue recorded a decrease of approximately HK$20.7 million or 4.7% from last year's HK$441.0 million to HK$420.3 million. During the year, loss attributable to owners of the Company was HK$15.3 million as compared to last year's profit of HK$43.7 million. The loss for the year was mainly due to (i) decrease in revenue and gross profit of approximately HK$20.7 million and approximately HK$17.0 million respectively; and (ii) recognition of loss of approximately HK$5.3 million arising from the change in fair value of investment properties for the fiscal year ended 30 June 2020 as compared to a gain of approximately HK$37.4 million in the pervious fiscal year. The basic loss per share was HK0.22 cent (2019: basic earnings per share of HK0.64 cent).

The financial year of 2020 under review has been one of the most challenging times as the Coronavirus ("COVID-19") pandemic severely affected the world economy and led the global trade to almost a standstill. The outbreak and the resultant quarantine measures imposed by countries around the world not only suppressed consumer demand but have also disrupted normal operations on a global scale. International tradeshows were cancelled due to severity and concerns over the spread of COVID-19. Overseas offices and retail stores in USA, United Kingdom, Europe and other countries were required to close and lock down for several months. Moreover, the prolonged trade tensions between China and USA also exerted significant pressure on international trade. As a result, the Group's revenue on trading of fine jewellery recorded a decrease of approximately HK$16.2 million or 3.9% from last year's HK$419.2 million to HK$403.0 million for the year ended 30 June 2020. The jewellery segment results decreased from last year's profit of approximately HK$5.2 million to a loss of approximately HK$20.6 million for the year ended 30 June 2020. Such loss was mainly attributable to the drop in revenue and unavoidable fixed operating expenses incurred during the lock down period. At the same time, the Group has also made necessary provision of impairment loss on trade receivables.

While the COVID-19 has significantly impacted the business trading environment, at the same time, it has also pushed ecommerce and online shopping to become one of fastest growing channels under many travel bans and social distancing policies worldwide. The Group has taken proactive steps in enhancing its digital marketing and ecommerce platform to further penetrate in this arena. Our overseas sales team has been communicating with our customers and offering new products through our newly developed B2B platform. Although result has yet to be seen, the responses from customers have been positive and the management strongly believes that the Group will become a stronger supplier and partner in the future.

In view of great market uncertainties and unprecedented impact, the Group has prudently streamlined its operations and deployed stringent cost control measures at all offices. However, recovery of consumer demand around the world is expected to take some time. Despite the fact that the newly acquired subsidiaries in USA have strengthened the Group's local presence and broadened the customer base, there will continue to be great challenges ahead. The overall market condition will likely to remain weak in the near term. Nevertheless, the Group will stay committed in achieving sustainable developments and providing quality services to maintain its competitiveness.

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 Group shall redevelop the land 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 foundation work has been completed in September 2019 and the superstructure work has commenced in October 2019. Despite of some minor delays in material supply, 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 demolition of the existing building has been completed in July 2019, and foundation works have commenced in September 2019. The expected completion date of the redevelopment is around the third quarter of 2022.

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

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

BUSINESS OUTLOOK

Going forward, the COVID-19 pandemic will continue to have significant impact to the Group's business in the coming year. The economic slowdown is expected to continue and the market recovery will be a long path. In such turbulent times, the management is mindful of the uncertainties and is staying vigilant and cautious. As the COVID-19 continues to unfold, the global trade will be fundamentally reshaped. Regional demand will likely increase, and the trade war between China and USA will also further promote local production and procurement. The Group believes that by strategically strengthening its market position in UK and USA, it will benefit from the market transformation by offering more local services and support in the long run.

Furthermore, with the completion of the acquisition of two US jewellery companies in 2019, the Group will further expand its market share and position in the online retail segment. The newly acquired companies operate an efficient drop shipping services which is crucial to online retailers. Once the economic situation recovers, the Group will be in a strengthened competitive position and ready to make the most of the opportunities ahead.

On the whole, the Group will continue to diversify the income streams from its property and investment segments. In the near future, the Group foresees more contribution from its existing commercial and residential redevelopment projects. The management is optimistic about the future growth and potential return of its businesses.

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

There has been no material change on the resources and/or reserves of the Group during the year. The following table shows the details of resources and/or reserves of the Group as at 30 June 2020:

Subsidiary	Mine field	Area	Reporting date	Type of mining operation	Gold resources	Reporting Standard	Gold grade
		(km^2)			*(t)*		*(g/t)*
Henan Multi-Resources Mining Company Limited*	Hongzhuang	1.09	30 June 2020	Underground	10.73	PRC 122b	5.58
					5.46	PRC 332	1.89
					24.66	PRC 333	4.46
	Yuanling	4.57	30 June 2020	Underground	–	PRC 122b	–
					–	PRC 333	–

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

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

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

As of 30 June 2020, the Group's gearing ratio was 0.1344 (2019: 0.0692), 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$468,521,000 (2019: HK$621,380,000) 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$84,347,000 (2019: HK$57,889,000). Bank and other loans denominated in HK$ and US$ were approximately HK$751,663,000 (2019: HK$743,575,000). For details of pledge of assets in respect of bank loans, please refer to the PLEDGE OF ASSETS section.

The decrease in the Group's cash and cash equivalent as at 30 June 2020 were mainly due to cash outflows from operating activities, acquisition of two US companies 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 30 June 2020, the Group's bank loans denominated in HK$ of HK$719,289,000 (2019: HK$743,575,000) are secured by the Group's certain property, plant and equipment, investment properties, certain right-of-use assets, property under development, pledged by ordinary shares of certain subsidiaries of the Company and guaranteed by corporate guarantees executed by the Company. Whereas, a bank loan denominated in US$ in the equivalent amount of HK$27,969,000 (2019: Nil) is secured by all the assets of a subsidiary of the Company and guaranteed by corporate guarantees executed by the Company.

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 contract in order to minimise exchange rate risk as a result of fluctuation in British Pound. There was no change to the Group's capital structure during the year ended 30 June 2020. In light of the current financial position of the Group and provided there is no unforeseeable circumstance, the management does not anticipate the need to change the capital structure.

NUMBER OF EMPLOYEES, REMUNERATION POLICIES AND SHARE OPTION SCHEME

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

CONTINGENT LIABILITIES

As at 30 June 2020, the Company has provided guarantees to the extent of HK$607,158,000 (2019: HK$611,275,000) with respect to bank loans to its subsidiaries. Under the guarantees, the Company would be liable to pay the banks if the banks are unable to recover the loans. At the reporting date, no provision for the Company's obligation under the guarantee contract has been made as the directors considered that it was unlikely the repayment of the loans would be in default.

CAPITAL COMMITMENTS

At 30 June 2020, the Group had outstanding capital commitments of approximately HK$318,551,000 (2019: HK$23,402,000), which was mainly the capital commitments for the investment properties undertaken by the Group.

EXPOSURE TO FINANCIAL RISK AND RELATED HEDGE

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

DIVIDENDS

The directors do not recommend the payment of a final dividend for the year ended 30 June 2020 (2019: HK0.25 cent per ordinary share).

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the “AGM”) will be held on Thursday, 3 December 2020 and the Notice of AGM will be published and despatched in the manner as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the Register of Members of the Company will be closed from Monday, 30 November 2020 to Thursday, 3 December 2020, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Friday, 27 November 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

AUDIT COMMITTEE

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

CORPORATE GOVERNANCE

The Company adopted all the Code Provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules and has complied with all the applicable Code Provisions throughout the year ended 30 June 2020 except for the following deviations:

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

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

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

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

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

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

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

   The Company does not have an internal audit function for the year ended 30 June 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 as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transaction by Directors of the Company. The Company has made specific enquiry with all Directors and all of them have confirmed that they have complied with the required standards as set out in the Model Code during the year ended 30 June 2020.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk under "Listed Company Information" and at the website www.continental.com.hk. The annual report for the year ended 30 June 2020 will be dispatched to the shareholders and will be available on the above websites in due course.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and related notes thereto for the year ended 30 June 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

ACKNOWLEDGEMENT

Finally, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our shareholders, customers and business partners for their continuous supports and trust, and extend my heartiest thanks and appreciation to our directors, to all staffs, for their relentless efforts, dedication and resilience during this challenging period. Looking ahead, we will continue our endeavor to overcome the future challenges and enhance the value of our business.

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

Hong Kong, 28 September 2020

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