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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 2023

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 2023 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 2023

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Revenue	<i>3</i>	455,608	603,926
Cost of sales		(389,355)	(458,813)
Gross profit		66,253	145,113
Selling and distribution costs		(20,639)	(15,495)
Administrative expenses		(115,133)	(117,410)
Other income, other gains and losses		7,392	249
Reversal of impairment loss on trade receivables and other receivables, net		4,785	270
Change in fair value of investment properties		(27,797)	98,485
Reversal of impairment loss/(Impairment loss) on property, plant and equipment		419	(6,347)
Reversal of impairment loss/(Impairment loss) on mining right		22,728	(81,838)
Finance costs	<i>4</i>	(34,281)	(5,182)
Share of results of joint ventures		(2)	(1)
Share of results of associates		(6,633)	313

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(Loss)/Profit before income tax	5	(102,908)	18,157
Income tax (expense)/credit	6	<u>(12,501)</u>	<u>20,305</u>
(Loss)/Profit for the year		<u>(115,409)</u>	<u>38,462</u>
Other comprehensive income, net of tax			
Items that may be subsequently reclassified to profit or loss:			
Change in fair value of debt instruments at fair value through other comprehensive income		(373)	(392)
Reclassified to profit or loss upon disposal of debt financial instruments at fair value through other comprehensive income		460	(108)
Exchange differences on translation of foreign operations		(30,577)	(11,540)
Items that will not be subsequently reclassified to profit or loss:			
Change in fair value of equity instruments at fair value through other comprehensive income		<u>(872)</u>	<u>(5,915)</u>
Other comprehensive income for the year, net of tax		<u>(31,362)</u>	<u>(17,955)</u>
Total comprehensive income for the year		<u>(146,771)</u>	<u>20,507</u>
(Loss)/Profit for the year attributable to:			
Owners of the Company		(98,286)	12,142
Non-controlling interests		<u>(17,123)</u>	<u>26,320</u>
		<u>(115,409)</u>	<u>38,462</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		(129,766)	(5,621)
Non-controlling interests		<u>(17,005)</u>	<u>26,128</u>
		<u>(146,771)</u>	<u>20,507</u>
		<i>HK cents</i>	<i>HK cents</i>
(Loss)/Earnings per share for (loss)/profit attributable to the owners of the Company			
	8		
– Basic		(14.39)	1.78
– Diluted		<u>(14.39)</u>	<u>1.78</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	<i>Notes</i>	2023	2022
		<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		27,072	30,251
Right-of-use assets		38,295	41,049
Investment properties		2,078,100	2,092,900
Goodwill		8,124	8,124
Intangible assets		8,291	8,300
Mining right		477,531	494,940
Interests in associates		23,562	30,195
Interests in joint ventures		1,039	1,041
Financial assets at fair value through other comprehensive income		24,492	34,630
Financial assets at fair value through profit or loss		10,048	10,860
Deferred tax assets		1,023	2,728
		<u>2,697,577</u>	<u>2,755,018</u>
Current assets			
Properties under development		657,777	632,485
Inventories		183,173	209,081
Trade receivables	<i>9</i>	64,591	108,755
Prepayments, deposits and other receivables		15,262	11,790
Financial assets at fair value through other comprehensive income		2,308	–
Financial assets at fair value through profit or loss		6,854	3,887
Time deposit with original maturities over three months		6,406	–
Cash and cash equivalents		90,695	144,008
		<u>1,027,066</u>	<u>1,110,006</u>

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current liabilities			
Trade payables	<i>10</i>	(75,679)	(106,595)
Other payables and accruals		(71,040)	(57,916)
Contract liabilities		(354)	(268)
Bank loans	<i>11</i>	(854,387)	(884,621)
Lease liabilities		(4,179)	(4,168)
Loan from a controlling shareholder		(4,306)	–
Due to related companies		(8,859)	(6,877)
Due to joint ventures		(1,036)	(1,036)
Financial liabilities at fair value through profit or loss		(18)	–
Provision for tax		(2,304)	(2,301)
		(1,022,162)	(1,063,782)
Net current assets		4,904	46,224
Total assets less current liabilities		2,702,481	2,801,242
Non-current liabilities			
Bank loans	<i>11</i>	(203,990)	(142,800)
Lease liabilities		(12,111)	(11,550)
Due to non-controlling interests		(63,529)	(56,275)
Due to related companies		(27,987)	(32,624)
Loan from a controlling shareholder		–	(4,686)
Deferred tax liabilities		(108,931)	(106,941)
		(416,548)	(354,876)
Net assets		2,285,933	2,446,366
EQUITY			
Share capital		560,673	560,673
Reserves		1,519,064	1,662,492
Equity attributable to the owners of the Company		2,079,737	2,223,165
Non-controlling interests		206,196	223,201
Total equity		2,285,933	2,446,366

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 2023 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 2022 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 2023 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 revised HKFRSs – effective from 1 July 2022

The Group has adopted the following revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for annual periods beginning on or after 1 July 2022.

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to HKFRSs	Annual Improvements to HKFRSs 2018-2020 Cycle

The adoption of these amended HKFRSs has no material impact on the Group’s consolidated financial statements.

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 consolidated 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 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the "2020 Amendments") ^{2,4}
Amendments to HKAS 1	Non-current Liabilities with Covenants (the "2022 Amendments") ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 7 and HKFRS 7 Financial Instruments: Disclosures	Supplier Finance Arrangements ²
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction ¹
Amendments to HKAS 21	Lack of Exchangeability ³
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
HKFRS 17 and the related amendments	Insurance Contracts ¹

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

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

³ *Effective for annual periods beginning on or after 1 January 2025*

⁴ *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*

⁵ *No mandatory effective date yet determined by available for adoption*

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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue from contracts with customers		
Timing of revenue recognition for sales of goods		
– at a point in time	434,936	592,199
Revenue from other sources		
Rental income	15,659	8,329
Interest income	3,035	1,293
Dividend income from investments	1,978	2,105
	<u>455,608</u>	<u>603,926</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	64,591	108,755
Contract liabilities	<u>354</u>	<u>268</u>

As at 30 June 2022, the contract liabilities mainly related to the advance consideration received from customers which has been recognised as revenue for the year ended 30 June 2023.

As at 30 June 2023, the advance consideration received from customers of HK\$354,000 (2022: HK\$268,000) represents unfulfilled performance obligation under the Group's existing 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.

3. REVENUE AND SEGMENT INFORMATION (Continued)

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. These four business lines are:

- Design, manufacturing, marketing and trading of fine jewellery and diamonds (the "Jewellery Business")
- Property investment and development
- Mining operation
- Investment

(a) Business segment

	Jewellery Business		Property investment and development		Mining operation		Investment		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	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	<u>434,936</u>	<u>592,199</u>	<u>15,659</u>	<u>8,329</u>	<u>-</u>	<u>-</u>	<u>5,013</u>	<u>3,398</u>	<u>455,608</u>	<u>603,926</u>
Segment results	<u>2,741</u>	<u>35,568</u>	<u>(115,373)</u>	<u>92,958</u>	<u>13,826</u>	<u>(98,912)</u>	<u>1,169</u>	<u>(6,259)</u>	<u>(97,637)</u>	<u>23,355</u>
Unallocated expenses									(2,530)	(2,205)
Finance costs									<u>(2,741)</u>	<u>(2,993)</u>
(Loss)/Profit before income tax									<u>(102,908)</u>	<u>18,157</u>

3. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Business segment (Continued)

	Jewellery Business		Property investment and development		Mining operation		Investment		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	290,968	367,714	2,766,125	2,760,847	512,929	534,667	55,929	55,025	3,625,951	3,718,253
Cash and cash equivalents									90,695	144,008
Time deposit with original maturities over three months									6,406	-
Deferred tax assets									1,023	2,728
Unallocated corporate assets									568	35
Total assets									<u>3,724,643</u>	<u>3,865,024</u>
Segment liabilities	104,684	125,513	122,879	113,799	30,773	34,640	5,593	2,361	263,929	276,313
Bank loans									1,058,377	1,027,421
Loan from a controlling shareholder									4,306	4,686
Provision for tax									2,304	2,301
Deferred tax liabilities									108,931	106,941
Unallocated corporate liabilities									863	996
Total liabilities									<u>1,438,710</u>	<u>1,418,658</u>

3. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Business segment (Continued)

	Jewellery Business		Property investment and development		Mining operation		Investment		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	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	(3,557)	(3,705)	-	-	(348)	(432)	-	-	(3,905)	(4,137)
Depreciation of right-of-use assets	(4,743)	(4,754)	-	-	(1,159)	(1,261)	-	-	(5,902)	(6,015)
Change in fair value of										
investment properties	-	-	(27,797)	98,485	-	-	-	-	(27,797)	98,485
Fair value (loss)/gain on financial assets at fair value through profit or loss	(579)	205	-	-	-	-	(1,720)	(5,347)	(2,299)	(5,142)
Loss on disposal of debt instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	(460)	(108)	(460)	(108)
(Loss)/Gain on disposal of property, plant and equipment and right-of-use assets	(70)	33	-	-	-	-	-	-	(70)	33
Write-down of properties under development	-	-	(49,859)	-	-	-	-	-	(49,859)	-
Share of results of joint ventures	-	-	(2)	(1)	-	-	-	-	(2)	(1)
Share of result of associates	-	-	(6,633)	313	-	-	-	-	(6,633)	313
Reversal of impairment loss/ (Impairment loss) on mining right	-	-	-	-	22,728	(81,838)	-	-	22,728	(81,838)
Reversal of impairment loss/ (Impairment loss) on property, plant and equipment	-	-	-	-	419	(6,347)	-	-	419	(6,347)
Provision for inventories	(507)	(7,388)	-	-	-	-	-	-	(507)	(7,388)
Reversal of impairment loss on trade and other receivables, net	4,785	270	-	-	-	-	-	-	4,785	270
Interest income	-	-	-	-	-	-	3,035	1,293	3,035	1,293
Interest expenses	(713)	(782)	(29,534)	-	(1,293)	(1,407)	-	-	(31,540)	(2,189)
Gain on debt modification on amount due to a related company	-	-	-	-	1,293	1,407	-	-	1,293	1,407
Additions to non-current segment assets	1,600	3,461	77,184	56,479	-	24	-	-	78,784	59,964

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	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong (place of domicile)	39,502	38,422
North America (<i>note a</i>)	172,309	276,690
Europe and Middle East (<i>note b</i>)	229,204	274,604
Other locations	14,593	14,210
	<u>455,608</u>	<u>603,926</u>
Total	<u><u>455,608</u></u>	<u><u>603,926</u></u>

	Non-current assets	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong (place of domicile)	2,110,194	2,129,359
North America (<i>note a</i>)	26,233	27,747
United Kingdom	3,527	3,869
Mainland China	522,060	545,825
	<u>2,662,014</u>	<u>2,706,800</u>
Total	<u><u>2,662,014</u></u>	<u><u>2,706,800</u></u>

Notes:

(a) principally included United States and Canada

(b) principally included Saudi Arabia, United Kingdom, Sweden, Spain, Netherlands and Norway

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 of the Company 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 a major customer, which amounted to 10% or more of the Group's revenue, is set out below:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer A*	<u>53,321</u>	<u>86,697</u>

* *The revenue from Customer A was all derived by the segment engaging in the Jewellery Business.*

4. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest charges on:		
Bank loans	44,064	14,778
Interest on lease liabilities	692	782
Imputed interest expenses arising from amount due to a related company	<u>1,293</u>	<u>1,407</u>
Total borrowing costs:	46,049	16,967
<i>Less:</i> interests capitalised in		
– investment properties	(1,007)	(9,636)
– properties under development	<u>(10,761)</u>	<u>(2,149)</u>
	<u>34,281</u>	<u>5,182</u>

5. (LOSS)/PROFIT BEFORE INCOME TAX

	2023	2022
	HK\$'000	HK\$'000
The Group's (loss)/profit before income tax is arrived at after charging/(crediting):		
Cost of inventories sold	338,990	451,425
Depreciation of property, plant and equipment	3,905	4,137
Depreciation of right-of-use assets	5,902	6,015
Auditor's remuneration	1,220	1,200
Short-term leases charges	–	77
Low-value assets leases charges	830	1,300
Provision for inventories*	507	7,388
Fair value loss on financial assets at fair value through profit or loss	2,299	5,142
Net foreign exchange loss	4,407	3,298
Loss/(Gain) on disposal of property, plant and equipment and right-of-use-assets	70	(33)
Gain on debt modification on amount due to a related company	(1,293)	(1,407)
Write-down of properties under development*	49,859	–
Direct operating expenses arising from investment properties that generate rental income	3,480	185
Direct operating expenses arising from investment properties that do not generate rental income	421	391
	<u>421</u>	<u>391</u>

* *Provision for inventories and write-down of properties under development for the year were included in "cost of sales" on the face of the consolidated statement of profit or loss and other comprehensive income.*

6. INCOME TAX EXPENSE/(CREDIT)

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 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.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax		
Hong Kong	301	312
Overseas	–	32
Over provision in prior years	<u>(133)</u>	<u>(116)</u>
	168	228
Deferred tax		
Current year	<u>12,333</u>	<u>(20,533)</u>
Total income tax expense/(credit)	<u><u>12,501</u></u>	<u><u>(20,305)</u></u>

7. DIVIDENDS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Final dividend paid in respect of the prior year of HK2 cents (2022: HK2 cents) per share	<u><u>13,662</u></u>	<u><u>13,662</u></u>

The Board does not recommend any payment of dividend in respect of the year ended 30 June 2023.

At the board meeting held on 23 September 2022, the directors of the Company resolved to recommend a final dividend of HK2.00 cents per ordinary share. The proposed dividend had not been recognised as a dividend payable as at 30 June 2022, but reflected as an appropriation of retained profits for the year ended 30 June 2022.

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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(Loss)/Profit attributable to the owners of the Company for the purpose of basic (loss)/earnings per share	<u>(98,286)</u>	<u>12,142</u>
	Number of shares	
	2023	2022
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	683,118,258	683,118,258
Effect of dilutive potential ordinary shares in respect of – Share option (<i>note (i)</i>)	<u>–</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	<u>683,118,258</u>	<u>683,118,258</u>

Note:

- (i) For the year ended 30 June 2023, the calculation of basic loss per share attributable to the owners of the Company was based on loss for the year attributable to the owners of the Company of HK\$98,286,000 (2022: profit of HK\$12,142,000) and on weighted average number of 683,118,258 (2022: 683,118,258) ordinary shares during the year.

For the years ended 30 June 2023 and 2022, 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 – 30 days	42,073	54,018
31 – 60 days	15,579	35,779
61 – 90 days	4,600	12,996
Over 90 days	<u>2,339</u>	<u>5,962</u>
	<u>64,591</u>	<u>108,755</u>

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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 – 30 days	29,790	53,237
31 – 60 days	14,213	23,999
61 – 90 days	5,270	7,718
Over 90 days	<u>26,406</u>	<u>21,641</u>
	<u>75,679</u>	<u>106,595</u>

11. BANK LOANS

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current liabilities		
Portion of bank loans due for repayment within one year		
– Guaranteed	15,000	15,000
– Secured and guaranteed	<u>126,029</u>	<u>750,396</u>
	141,029	765,396
Portion of bank loans due for repayment after one year which contain a repayable on demand clause		
– Secured and guaranteed	<u>713,358</u>	<u>119,225</u>
	<u>854,387</u>	<u>884,621</u>
Non-current liabilities		
Portion of bank loans due for repayment after one year		
– Secured and guaranteed	<u>203,990</u>	<u>142,800</u>

At 30 June 2023, the bank loans were scheduled to repay as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Bank loans:		
Repayable within one year	141,029	765,396
Repayable in the second year	240,694	219,179
Repayable in the third to fifth year, inclusive	<u>676,654</u>	<u>42,846</u>
	<u>1,058,377</u>	<u>1,027,421</u>

11. BANK 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 loans of the Group denominated in HK\$ of HK\$1,036,213,000 (2022: HK\$998,962,000) and US\$ in the equivalent amount of HK\$22,164,000 (2022: HK\$28,459,000) have floating interest rates ranging from 1.86% to 8.25% (2022: 1.21% to 4.75%) per annum.

12. EVENT AFTER THE REPORTING PERIOD

There are no other significant event after the reporting period up to the date of this announcement.

BUSINESS REVIEW AND MANAGEMENT DISCUSSION AND ANALYSIS

For the fiscal year ended 30 June 2023, the Group's consolidated revenue recorded a decrease of approximately HK\$148.3 million or 24.56 % from last year's HK\$603.9 million to HK\$455.6 million. During the year, loss attributable to owners of the Company was HK\$98.3 million as compared to last year's profit of HK\$12.1 million. The loss for the year was mainly resulting from (i) decrease in revenue and gross profit of approximately HK\$148.3 million and approximately HK\$78.9 million respectively, the substantial decrease in gross profit was mainly attributable to the write-down of approximately HK\$49.9 million for properties under development affected by the current property market conditions, (ii) recognition of loss of approximately HK\$27.8 million arising from the change in fair value of investment properties for the fiscal year as compared to a gain of approximately HK\$98.5 million in previous fiscal year, and (iii) increase in finance cost of approximately HK\$29.1 million as significant portion of such finance costs was not capitalised as part of the property development costs but being recorded directly as expenses in the current year after the completion of "One Continental" in July 2022 and increase in interest rate during the year under review. The basic loss per share was HK14.39 cent (2022: basic earnings per share of HK1.78 cent).

The financial year 2023 has been another period of broad and sustained uncertainty. We continue to see re-adjustment in working patterns and consumer behaviour following the Covid-19 pandemic. Major economies are facing the challenge of interest rate hiking, rising inflation and compounding cost-of-living pressures. Geopolitical uncertainty remains elevated, and the conflict in Ukraine continues. A downturn in the economies and the disruption of business conditions impacted consumer's willingness to purchase and adversely affected consumer confidence. In certain key markets, such as the United States and the United Kingdom, we are seeing decline in retail traffic as well as a dampened sell through rate among our customers. As a result, the buying in take has become weak, thus impacting our business.

Consequently, the Group's revenue from jewellery segment recorded a decrease of approximately HK\$157.3 million or 26.6 % from last year's HK\$592.2 million to HK\$434.9 million for the year ended 30 June 2023. Jewellery segment recorded a profit of approximately HK\$2.7 million for the year ended 30 June 2023 as compared to last year's profit of approximately HK\$35.6 million. Such decrease in profit was mainly attributable to the decrease in revenue and unavoidable fixed operating expenses.

In property, revenue from rental income during the year amounted to approximately HK\$15.7 million, representing an increase of HK\$7.4 million from the corresponding year of 2022 of HK\$8.3 million. The increase in revenue was mainly because more units were leased out at One Continental during the year. 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, the leasing market has been anticipating an improvement in overall investment sentiment, and the Group managed to secure additional quality tenants during the 1st half of 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 has acquired six properties located at No. 164-164A Boundary Street, Kowloon, with a site area of approximately 5,054 sq.ft. and a developable gross floor area of approximately 25,270 sq.ft.. Demolition of the old building has been completed, and the land is planned to be redeveloped 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 let and generating a stable rental income to the Group during the year.

In the mining segment, operation at Hongzhuang Gold Mine was minimised. The Company was focused on the exploration at the north eastern of Yuanling. Meanwhile, we will continue developing new shaft and re-visiting the old shaft in the Yuanling mine site. No revenue was recorded for the year 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 year under review.

BUSINESS OUTLOOK

Ushering into Q3 2023 with a number of adverse factors including persistently high inflation and unresolved geopolitical tension, the Group expects to see a continuous challenging macro backdrop in the second half of 2023 with a modest recovery in 2024. To keep ahead, our strategy is to build strong relationships globally with select customers. As part of the long-term strategy, we strive to look for opportunities in providing cost effective products and services while monitoring the effects of the global macroeconomic environment, regulatory matters including the imposition of taxes & duties and geopolitical tensions. In addition, as international trade shows have largely returned to the same formats as before 2020, the Group will continue to explore and expand the customer database to drive future growth.

Though jewellery segment remains challenging, we are providing more value added services from helping customers and retailers to migrate from offline to more online marketing support. We continue to work with them not just as a product solutions provider but a personalised business partner in providing retail support in growing their business locally and regionally, while maintaining our position as preferred supplier.

The real estate market in Hong Kong faced challenges in financial year of 2023 due to rising interest rates and a slower economic recovery in China. This had a negative impact on the residential, investment, and land sectors. However, there was a notable improvement in the retail sector following the reopening of borders in February. Throughout the first half of 2023, our focus remained on securing high-quality tenants, which resulted in consistent rental income and enhanced the value of the Group's real estate portfolio. Looking ahead to the second half of 2023, The Group will adopt a prudent approach in terms of real estate business development and financial positions, aiming to provide stable returns to shareholders.

REVERSAL OF IMPAIRMENT LOSS/(IMPAIRMENT LOSS) ON MINING RIGHT AND PROPERTY, PLANT AND EQUIPMENT

During the year ended 30 June 2023, the directors of the Company appointed an independent professional valuer, BMI Appraisals Limited, to perform a valuation with respect to Hongzhuang Gold Mine situated at Henan Province, China. Based on the valuation of recoverable amount of Hongzhuang Gold Mine, reversal of impairment loss on mining right and property, plant and equipment amounting to HK\$22,728,000 (2022: impairment loss of HK\$81,838,000) and HK\$419,000 (2022: impairment loss of HK\$1,553,000) respectively was recognized as the result, which primarily due to the change of market gold price during the year ended 30 June 2023.

The fair value of Hongzhuang Gold Mine was estimated based on the Market Based Approach with reference to comparable transactions, in which such approach was consistent with mining right valuation as at 30 June 2022.

The key inputs used in the valuation were the consideration-to-resources multiples obtained from comparable transactions, the adjusted contained gold metal based on the technical review report prepared by SRK Consulting China Limited under Chinese standard.

The Chinese standard resources estimates as reported by SRK Consulting China Limited were risk with uncertainty. The estimated fair value of the Hongzhuang Gold Mine has been assigned a lower or no credit to those resources with high resources risks.

As at 30 June 2023, the directors of the Company also conducted an impairment assessment on certain of the Group's property, plant and equipment under Yuanling mine site based on the estimation of discount cash flow of current stage of mining explorations and gold price as at 30 June 2023. Accordingly, no reversal of impairment loss or impairment loss of property, plant and equipment (2022: impairment loss HK\$4,794,000) was recognized and included in the consolidated statement of profit or loss and other comprehensive income.

All the above-mentioned reversal of impairment loss on mining right and property, plant and equipment was included in the Group's mining segment in the reportable and operating segment of the Group.

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 2023:

Subsidiary	Mine field	Area (<i>km</i> ²)	Reporting date	Type of mining operation	Gold resources (<i>t</i>)	Reporting Standard	Gold grade (<i>g/t</i>)
Henan Multi-Resources Mining Company Limited*	Hongzhuang	1.09	30 June 2023	Underground	10.73	PRC 122b	5.58
					5.46	PRC 332	1.89
					24.66	PRC 333	4.46
	Yuanling	4.57	30 June 2023	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 2023, the Group's gearing ratio was 0.3215 (2022: 0.2903), which is calculated on net debt divided by total equity plus net debt. Net debt is calculated as the sum of bank and other borrowings less cash and cash equivalents and time deposit with original maturities over three months. The cash and cash equivalents and time deposit with original maturities over three months of HK\$97,101,000 (2022: HK\$144,008,000) which were mainly denominated in Hong Kong Dollar, US Dollar, Renminbi and British Pound. Other borrowings in respect of amounts due to joint ventures, amounts due to related companies, loan from a controlling shareholder, amounts due to non-controlling interests and lease liabilities were approximately of HK\$122,007,000 (2022: HK\$117,216,000). Bank loans denominated in HK\$ and US\$ were approximately HK\$1,058,377,000 (2022: HK\$1,027,421,000). Details of pledge of assets in respect of bank loans are set out in the section PLEDGE OF ASSETS.

The decrease in the Group's cash and cash equivalent and the increase in bank loans as at 30 June 2023 were mainly due to the payment of the finance costs and construction costs for the projects at Cheung Wah Street, Wan Chai Road and Boundary Street. In line with the Group's prudent financial management, the directors of the Company considered that the Group has sufficient working capital to meet its ongoing operational requirements.

PLEDGE OF ASSETS

As of 30 June 2023, the Group's bank loans denominated in HK\$ of HK\$1,036,213,000 (2022: HK\$998,962,000) are secured by the Group's certain property, plant and equipment, investment properties, certain right-of-use assets, properties under development, pledged by ordinary shares of certain 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\$22,164,000 (2022: HK\$28,459,000) is secured by all the assets of a subsidiary of the Company and guaranteed by corporate guarantees executed by the Company.

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 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 2023. 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 AND REMUNERATION POLICIES

The Group employs a total of approximately 502 employees 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 of the Company, the Company have 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 30 June 2023, there were options for 12,200,000 shares were valid and outstanding under the 2010 Share Option Scheme.

CONTINGENT LIABILITIES

As at 30 June 2023, the Company has provided guarantees to the extent of HK\$863,695,000 (2022: HK\$837,742,000) with respect to bank loans to its subsidiaries. Under the guarantees, the Company would be liable to pay the banks if the banks are unable to recover the loans. At the reporting date, no provision for the Company's obligation under the guarantee contracts has been made as the directors of the Company considered that it was unlikely the repayment of the loans would be in default.

CAPITAL COMMITMENTS

At 30 June 2023, the Group had outstanding capital commitment of approximately HK\$15,858,000 (2022: HK\$48,667,000), which was mainly the capital commitment for the investment property 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 Renminbi and will take appropriate actions when necessary.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 30 June 2023 (2022: HK2.00 cents per share).

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the “AGM”) will be held on Tuesday, 12 December 2023 and the Notice of AGM will be published and despatched in the manner as required by 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 Thursday, 7 December 2023 to Tuesday, 12 December 2023, 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 of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 6 December 2023.

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

Ms. Cheng Siu Yin, Shirley, mother of Mr. Chan Wai Lap, Victor, is the managing director of the Company. She is responsible for the day-to-day management and marketing activities of the Group.

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

2. Code Provision D.2.5

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

The Company does not have an internal audit function for the year ended 30 June 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.

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 2023.

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 2023 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 2023 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 and consequently no opinion or assurance conclusion 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, 26 September 2023

As at the date of this announcement, Mr. Chan Wai Lap, Victor, Ms. Cheng Siu Yin, Shirley, Ms. Chan Wai Kei, Vicki, and Mr. Wong Edward Gwon-hing are 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.