



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

INTERIM REPORT 2020/2021
二零二零至二零二一年中期報告

(Stock Code: 00513)
(股份代號: 00513)

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(In the case of inconsistency, the English shall prevail over the Chinese text)

The board of directors (the “Board”) of Continental Holdings Limited (the “Company”) announces the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2020 together with the comparative figures for the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | | Unaudited | |
|---|--------------|-----------------------------|------------------------------|
| | | Six months ended | |
| | | 31 December | |
| | | 2020 | 2019 |
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| Revenue | 4 | 289,241 | 286,211 |
| Cost of sales | | <u>(221,460)</u> | <u>(208,774)</u> |
| Gross profit | | 67,781 | 77,437 |
| Selling and distribution costs | | (9,028) | (10,687) |
| Administrative expenses | | (44,264) | (59,659) |
| Other operating income | | 6,518 | 3,166 |
| Change in fair value of financial assets at fair value through profit or loss | | 780 | (601) |
| Finance costs | 5 | (2,384) | (3,627) |
| Share of results of joint ventures | | (1) | (26) |
| Share of results of an associate | | <u>(137)</u> | <u>(90)</u> |
| Profit before income tax | 6 | 19,265 | 5,913 |
| Income tax expense | 7 | (27) | (2) |
| Profit for the period | | <u>19,238</u> | <u>5,911</u> |
| Other comprehensive income for the period, net of tax | | | |
| Items that may be subsequently reclassified to profit or loss: | | | |
| Exchange differences on translation of foreign operations | | 41,465 | (7,506) |
| Items that will not be subsequently reclassified to profit or loss: | | | |
| Change in fair value of financial assets at fair value through other comprehensive income | | <u>2,892</u> | <u>(2,590)</u> |
| Other comprehensive income for the period, net of tax | | <u>44,357</u> | <u>(10,096)</u> |
| Total comprehensive income for the period | | <u><u>63,595</u></u> | <u><u>(4,185)</u></u> |

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

| | | Unaudited | |
|--|--------------|-------------------------|-----------------|
| | | Six months ended | |
| | | 31 December | |
| | | 2020 | 2019 |
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| Profit for the period attributable to: | | | |
| Owners of the Company | | 17,805 | 6,788 |
| Non-controlling interests | | 1,433 | (877) |
| | | <u>19,238</u> | <u>5,911</u> |
| Total comprehensive income for the period attributable to: | | | |
| Owners of the Company | | 62,162 | (3,308) |
| Non-controlling interests | | 1,433 | (877) |
| | | <u>63,595</u> | <u>(4,185)</u> |
| | | HK cent | HK cent |
| Earnings per share for profit attributable to the owners of the Company | | | |
| | <i>9</i> | | |
| Basic | | <u>0.26</u> | <u>0.1</u> |
| Diluted | | <u>0.26</u> | <u>0.1</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | Unaudited At 31 December 2020 <i>HK\$'000</i> | Audited At 30 June 2020 <i>HK\$'000</i> |
|--|--------------|--|--|
| | <i>Notes</i> | | |
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 52,004 | 48,652 |
| Right-of-use assets | | 47,124 | 47,641 |
| Investment properties | 10 | 1,637,992 | 1,564,100 |
| Goodwill | | 8,124 | 8,124 |
| Intangible assets | | 8,224 | 8,222 |
| Mining right | 11 | 646,393 | 594,773 |
| Interests in associates | 12 | 32,268 | 32,405 |
| Interests in joint ventures | 13 | 1,973 | 1,973 |
| Financial assets at fair value through other comprehensive income | | 41,653 | 15,750 |
| Long-term receivables | | – | – |
| Deferred tax assets | | 5,762 | 5,762 |
| | | 2,481,517 | 2,327,402 |
| | | 2,481,517 | 2,327,402 |
| Current assets | | | |
| Property under development | 14 | 322,921 | 318,763 |
| Inventories | | 217,086 | 220,522 |
| Trade receivables | 15 | 121,707 | 92,687 |
| Prepayments, deposits and other receivables | | 15,403 | 15,382 |
| Financial assets at fair value through profit or loss | | 11,786 | 13,201 |
| Cash and cash equivalents | | 423,523 | 468,521 |
| | | 1,112,426 | 1,129,076 |
| | | 1,112,426 | 1,129,076 |
| Current liabilities | | | |
| Trade payables | 16 | (68,919) | (74,010) |
| Other payables and accruals | | (53,203) | (44,460) |
| Contract liabilities | | (417) | (475) |
| Bank and other loans | 17 | (805,084) | (751,663) |
| Lease liabilities | | (3,680) | (3,976) |
| Due to joint ventures | 13 | (696) | (696) |
| Due to non-controlling interests | 18 | (34,145) | (29,340) |
| Derivative financial instruments | | (145) | – |
| Provision for tax | | (2,061) | (1,998) |
| | | (968,350) | (906,618) |
| | | (968,350) | (906,618) |
| Net current assets | | 144,076 | 222,458 |
| Total assets less current liabilities | | 2,625,593 | 2,549,860 |

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

| | | Unaudited | Audited |
|---|-----------|-------------------------|-------------------------|
| | | At 31 December | At 30 June |
| | | 2020 | 2020 |
| <i>Notes</i> | | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Non-current liabilities | | | |
| Lease liabilities | | (13,847) | (15,397) |
| Due to related companies | <i>19</i> | (32,494) | (30,550) |
| Loan from a controlling shareholder | <i>20</i> | (4,768) | (4,388) |
| Deferred tax liabilities | | (144,614) | (133,250) |
| | | (195,723) | (183,585) |
| Net assets | | <u>2,429,870</u> | <u>2,366,275</u> |
| EQUITY | | | |
| Share capital | <i>21</i> | 560,673 | 560,673 |
| Reserves | | 1,681,072 | 1,618,910 |
| Equity attributable to the owners of the Company | | 2,241,745 | 2,179,583 |
| Non-controlling interests | | 188,125 | 186,692 |
| Total equity | | <u>2,429,870</u> | <u>2,366,275</u> |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | Unaudited | |
|--|-------------------------|-----------------|
| | Six months ended | |
| | 31 December | |
| | 2020 | 2019 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Net cash used in operating activities | (6,831) | (9,911) |
| Net cash used in investing activities | (91,846) | (51,594) |
| Net cash generated from/(used in) financing activities | 55,649 | (11,609) |
| Decrease in cash and cash equivalents | (43,028) | (73,114) |
| Cash and cash equivalents at 1 July | 468,521 | 621,380 |
| Effect of foreign exchange rate changes, net | (1,970) | (930) |
| Cash and cash equivalents at 31 December | <u>423,523</u> | <u>547,336</u> |
| Analysis of balances of cash and cash equivalents: | | |
| Cash and bank balances | <u>423,523</u> | <u>547,336</u> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited
Six months ended 31 December
Equity attributable to the owners of the Company

| | Share capital | Share option reserve | Non-distributable reserve | Other reserve | Special reserve | Capital contribution reserve | Exchange fluctuation reserve | Assets revaluation reserve | FV/TOCI reserve | Retained profits | Total | Non-controlling interests | Total equity |
|---|------------------|----------------------|---------------------------|------------------|------------------|------------------------------|------------------------------|----------------------------|------------------|------------------|------------------|---------------------------|------------------|
| | <i>HK\$ '000</i> | <i>HK\$ '000</i> | <i>HK\$ '000</i> | <i>HK\$ '000</i> | <i>HK\$ '000</i> | <i>HK\$ '000</i> | <i>HK\$ '000</i> | <i>HK\$ '000</i> | <i>HK\$ '000</i> | <i>HK\$ '000</i> | <i>HK\$ '000</i> | <i>HK\$ '000</i> | <i>HK\$ '000</i> |
| Balance at 1 July 2020 | 560,673 | 6,609 | 273,606 | (5,610) | (2,103) | 28,567 | (33,436) | 36,385 | 2,477 | 1,312,415 | 2,179,583 | 186,692 | 2,366,275 |
| Profit for the period | - | - | - | - | - | - | - | - | - | 17,805 | 17,805 | 1,433 | 19,238 |
| Other comprehensive income: | | | | | | | | | | | | | |
| Change in fair value of financial assets at fair value through other comprehensive income | - | - | - | - | - | - | - | - | 2,892 | - | 2,892 | - | 2,892 |
| Exchange differences on translation of foreign operations | - | - | - | - | - | - | 41,465 | - | - | - | 41,465 | - | 41,465 |
| Total comprehensive income | - | - | - | - | - | - | 41,465 | - | 2,892 | 17,805 | 62,162 | 1,433 | 63,595 |
| Balance at 31 December 2020 | 560,673 | 6,609 | 273,606 | (5,610) | (2,103) | 28,567 | 8,029 | 36,385 | 5,369 | 1,330,220 | 2,241,745 | 188,125 | 2,429,870 |
| Balance at 1 July 2019 | 560,673 | 6,409 | 273,606 | (5,610) | (2,103) | 28,567 | (15,855) | 36,385 | 11,917 | 1,344,834 | 2,238,793 | 183,638 | 2,422,431 |
| 2019 final dividend (Note 4) | - | - | - | - | - | - | - | - | - | (17,078) | (17,078) | - | (17,078) |
| Transaction with Owners | - | - | - | - | - | - | - | - | - | (17,078) | (17,078) | - | (17,078) |
| Acquisition of subsidiaries | - | - | - | - | - | - | - | - | - | - | - | 5,595 | 5,595 |
| Profit for the period | - | - | - | - | - | - | - | - | - | 6,788 | 6,788 | (877) | 5,911 |
| Other comprehensive income: | | | | | | | | | | | | | |
| Change in fair value of financial assets at fair value through other comprehensive income | - | - | - | - | - | - | - | - | (2,590) | - | (2,590) | - | (2,590) |
| Exchange differences on translation of foreign operations | - | - | - | - | - | - | (7,506) | - | - | - | (7,506) | - | (7,506) |
| Total comprehensive income | - | - | - | - | - | - | (7,506) | - | (2,590) | 6,788 | (3,308) | (877) | (4,185) |
| Balance at 31 December 2019 | 560,673 | 6,409 | 273,606 | (5,610) | (2,103) | 28,567 | (23,391) | 36,385 | 9,327 | 1,334,544 | 2,218,407 | 188,356 | 2,406,763 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) on the historical cost basis except for the investment properties and certain financial assets, which are measured at fair values.

The accounting policies and basis of preparation adopted in the preparation of the condensed consolidated interim financial statements are consistent with those used in the Group’s annual financial statements for the year ended 30 June 2020.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements of the Group for the year ended 30 June 2020. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The financial information relating to the year ended 30 June 2020 that is included in the condensed consolidated interim financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) (the “Companies Ordinance”) is as follows:

The Company has delivered the financial statements for the year ended 30 June 2020 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) New amended standards adopted by the Group

In the current interim period, the Group has applied, for the first time, the following new and revised HKFRSs and amendments which are relevant to and effective for the Group's interim financial statements for interim period beginning on 1 July 2020, issued by the HKICPA.

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

The adoption of the new and amended HKFRSs in the current interim period, has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated interim financial statements.

(b) New standards and amendments to standards issued but are not yet effective

The following new and revised HKFRSs, potentially relevant to the Group's financial statements, that have been issued, but are not yet effective in the financial period of which the condensed consolidated interim financial statements were prepared, have not been early adopted by the Group.

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

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

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

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

3. SEGMENT INFORMATION

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

The chief operating decision-maker has been identified as the Company's executive directors. The executive directors have identified the Group's four (2019: four) business lines as operating segments.

3. SEGMENT INFORMATION (CONTINUED)

The Group has identified the following reportable segments:

- Design, manufacturing, marketing and trading of fine jewellery and diamonds;
- Property investment and development;
- Mining operation; and
- Investment

Each of these operating segments is managed separately as each of the product and business lines requires different resources as well as marketing approaches. All inter-segment transfers, if any, are carried out at arm's length prices.

| | Unaudited | | | | | | | | | |
|--|---|----------|--|----------|------------------|----------|------------|----------|--------------|---------|
| | Six months ended 31 December | | | | | | | | | |
| | Design, manufacturing, marketing and trading of fine jewellery and diamonds | | Property investment and development | | Mining operation | | Investment | | Consolidated | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| HK\$'000 | | HK\$'000 | | HK\$'000 | | HK\$'000 | | HK\$'000 | | |
| Segment Revenue: | | | | | | | | | | |
| Sales to/revenue from external parties | 284,401 | 276,099 | 2,633 | 2,447 | - | - | 2,207 | 7,665 | 289,241 | 286,211 |
| Segment results | 26,461 | 14,393 | (2,880) | (3,524) | (1,653) | (2,186) | 163 | 4,175 | 22,091 | 12,858 |
| Unallocated expenses | | | | | | | | | (1,171) | (3,318) |
| Finance costs | | | | | | | | | (1,655) | (3,627) |
| Profit before income tax | | | | | | | | | 19,265 | 5,913 |

4. REVENUE

Revenue from the Group's principal activities during the period is as follows:

| | Unaudited | |
|---------------------------------------|------------------|----------------|
| | Six months ended | |
| | 31 December | |
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| Revenue from contracts with customers | | |
| Sale of goods | 284,401 | 276,099 |
| Revenue from other sources | | |
| Rental income | 2,633 | 2,447 |
| Interest income | 1,854 | 5,395 |
| Dividend income from investments | 353 | 2,270 |
| | 289,241 | 286,211 |

5. FINANCE COSTS

| | Unaudited Six months ended 31 December | |
|---|--|------------------|
| | 2020 HK\$'000 | 2019 HK\$'000 |
| Interest charges on: | | |
| Bank and other loans | 6,933 | 12,815 |
| Interest on lease liabilities | 438 | 130 |
| Imputed interest expenses arising from amount due to a related company | 729 | 685 |
| | <u>8,100</u> | <u>13,630</u> |
| Total borrowing costs | | |
| Less: Interests capitalised in | | |
| – investment properties (note 10) | (4,327) | (8,047) |
| – property under development (note 14) | (1,389) | (1,956) |
| | <u>2,384</u> | <u>3,627</u> |

6. PROFIT BEFORE INCOME TAX

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

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

* Amount included in cost of sales

7. INCOME TAX EXPENSE

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

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

Hong Kong profits tax has been provided at the rate of 16.5% (2019:16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

8. DIVIDENDS

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

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

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

9. EARNINGS PER SHARE

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

| | Unaudited Six months ended 31 December | |
|---|--|-------------------------|
| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
| Profit attributable to the owners of the Company | <u>17,805</u> | <u>6,788</u> |
| | 2020 | 2019 |
| | Number of shares | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 6,831,182,580 | 6,831,182,580 |
| Effect of dilutive potential ordinary shares in respect of share options | <u>—</u> | <u>—</u> |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | <u>6,831,182,580</u> | <u>6,831,182,580</u> |

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

For the six months ended 31 December 2020 and 2019, the computation of diluted earnings per share did not assume the exercise of share option as they were anti-dilutive.

10. INVESTMENT PROPERTIES

| | Unaudited At 31 December 2020 <i>HK\$'000</i> | Audited At 30 June 2020 <i>HK\$'000</i> |
|--|---|--|
| Opening carrying amount | 1,564,100 | 1,511,200 |
| Additions | 69,565 | 42,513 |
| Interest capitalised (<i>note 5</i>) | 4,327 | 15,644 |
| Loss from fair value adjustments | – | (5,257) |
| | <hr/> | <hr/> |
| Closing carrying amount | 1,637,992 | 1,564,100 |
| | <hr/> <hr/> | <hr/> <hr/> |

As at 31 December 2020, the Group's investment properties with carrying amount of HK\$1,637,992,000 (30 June 2020: HK\$1,564,100,000) were pledged to secure certain bank borrowings granted to the Group (note 17).

11. MINING RIGHT

| | Unaudited At 31 December 2020 <i>HK\$'000</i> | Audited At 30 June 2020 <i>HK\$'000</i> |
|---------------------------------------|---|--|
| Opening net carrying amount | 594,773 | 598,387 |
| Reversal of impairment for the period | – | 17,592 |
| Exchange realignment | 51,620 | (21,206) |
| | <hr/> | <hr/> |
| Closing net carrying amount | 646,393 | 594,773 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Gross carrying amount | 998,312 | 918,588 |
| Accumulated amortisation | (4,519) | (4,158) |
| Accumulated provision for impairment | (347,400) | (319,657) |
| | <hr/> | <hr/> |
| Net carrying amount | 646,393 | 594,773 |
| | <hr/> <hr/> | <hr/> <hr/> |

12. INTERESTS IN ASSOCIATES

| | Unaudited At 31 December 2020 <i>HK\$'000</i> | Audited At 30 June 2020 <i>HK\$'000</i> |
|--------------------------|---|--|
| Share of net assets | 36,166 | 36,303 |
| Provision for impairment | (3,898) | (3,898) |
| | <u>32,268</u> | <u>32,405</u> |

There was no movement in the provision for impairment in respect of amounts due from associates during the six month ended 31 December 2020 (30 June 2020: Nil).

13. INTERESTS IN JOINT VENTURES

| | Unaudited At 31 December 2020 <i>HK\$'000</i> | Audited At 30 June 2020 <i>HK\$'000</i> |
|-----------------------|---|--|
| Share of net assets | <u>1,973</u> | <u>1,973</u> |
| Due to joint ventures | <u>(696)</u> | <u>(696)</u> |

The amounts due are unsecured, interest-free and repayable on demand.

14. PROPERTY UNDER DEVELOPMENT

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

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

As at 31 December 2020, the Group's property under development with aggregate net carrying amounts of approximately HK\$322,921,000 (30 June 2020: HK\$318,763,000) were pledged to secure general banking facilities granted to the Group (note 17).

15. TRADE RECEIVABLES

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

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

| | 0-30 days <i>HK\$'000</i> | 31-60 days <i>HK\$'000</i> | 61-90 days <i>HK\$'000</i> | Over 90 days <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|---|--|--|--|---------------------------------|
| Unaudited balance at 31 December 2020 | <u>33,253</u> | <u>50,259</u> | <u>25,528</u> | <u>12,667</u> | <u>121,707</u> |
| Audited balance at 30 June 2020 | <u>16,928</u> | <u>10,222</u> | <u>3,562</u> | <u>61,975</u> | <u>92,687</u> |

16. TRADE PAYABLES

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

| | 0-30 days <i>HK\$'000</i> | 31-60 days <i>HK\$'000</i> | 61-90 days <i>HK\$'000</i> | Over 90 days <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|---------------------------------|----------------------------------|----------------------------------|------------------------------------|--------------------------|
| Unaudited balance at 31 December 2020 | <u>19,695</u> | <u>17,492</u> | <u>13,477</u> | <u>18,255</u> | <u>68,919</u> |
| Audited balance at 30 June 2020 | <u>24,050</u> | <u>3,424</u> | <u>8,074</u> | <u>38,462</u> | <u>74,010</u> |

17. BANK AND OTHER LOANS

At 31 December 2020, the Group's bank and other loans is as follows:

| | Unaudited At 31 December 2020 <i>HK\$'000</i> | Audited At 30 June 2020 <i>HK\$'000</i> |
|--|--|--|
| Current Liabilities | | |
| Portion of bank and other loans due for repayment within one year | | |
| – Guaranteed | 15,000 | 15,000 |
| – Secured and guaranteed | 738,062 | 62,291 |
| – Unsecured and unguaranteed | <u>4,782</u> | <u>4,405</u> |
| | 757,844 | 81,696 |
| Portion of bank and other loans due for repayment after one year which contain a repayable on demand clause | | |
| – Secured and guaranteed | <u>47,240</u> | <u>669,967</u> |
| | <u>805,084</u> | <u>751,663</u> |
| At 31 December 2020, the bank and other loans were scheduled to repay as follows: | | |
| Repayable within one year | 757,844 | 81,696 |
| Repayable in the second year | 5,489 | 636,604 |
| Repayable in the third to fifth year, inclusive | <u>41,751</u> | <u>33,363</u> |
| | <u>805,084</u> | <u>751,663</u> |

17. BANK AND OTHER LOANS (CONTINUED)

At 31 December 2020, the Group's banking facilities were secured/guaranteed by the followings:

- (a) legal charges over the Group's investment properties, property under development, certain property, plant and equipment and right-of-use assets;
- (b) certain intangible assets, inventories, trade receivable and cash and cash equivalents;
- (c) corporate guarantees executed by the Company; and
- (d) ordinary shares of certain indirectly owned subsidiaries of the Company.

The bank and other loans of the Group denominated in Hong Kong Dollar of HK\$774,855,000 (30 June 2020: HK\$719,289,000) and US Dollar in the equivalent amount of HK\$30,229,000 (30 June 2020: HK\$32,374,000) have floating interest rates ranging from 1.80 % to 2.72 % (30 June 2020: 1.00% to 3.14%) per annum.

18. DUE TO NON-CONTROLLING INTERESTS

| | Unaudited At 31 December 2020 HK\$'000 | Audited At 30 June 2020 HK\$'000 |
|----------------------------------|---|---|
| Current liabilities | | |
| Due to non-controlling interests | <u><u>34,145</u></u> | <u><u>29,340</u></u> |

The amounts due are unsecured, interest free and has no fixed term of repayment.

19. DUE TO RELATED COMPANIES

| | Unaudited At 31 December 2020 HK\$'000 | Audited At 30 June 2020 HK\$'000 |
|--------------------------------|---|---|
| Non-current liabilities | | |
| Due to related companies | <u><u>32,494</u></u> | <u><u>30,550</u></u> |

Amount due to related companies are unsecured, interest-free and not repayable within the next twelve months from the reporting date, in which, the carrying amount of HK\$29,693,000 was calculated using a market interest rate of 4.75% per annum.

20. LOAN FROM A CONTROLLING SHAREHOLDER

| | Unaudited At 31 December 2020 <i>HK\$'000</i> | Audited At 30 June 2020 <i>HK\$'000</i> |
|-------------------------------------|---|--|
| Non-current liabilities | | |
| Loan from a controlling shareholder | <u>4,768</u> | <u>4,388</u> |

As at 31 December 2020, loan of RMB4,000,000 (equivalent to approximately HK\$4,768,000) (30 June 2020: RMB4,000,000 (equivalent to approximately HK\$4,388,000)) is advanced from Dr. Chan Sing Chuk, Charles (“Dr. Chan”) and is unsecured, interest-free and due for repayment on 25 October 2023.

21. SHARE CAPITAL

| | Number of ordinary shares | Total <i>HK\$'000</i> |
|--------------------------------------|--|---------------------------------|
| Issued and fully paid: | | |
| At 30 June 2020 and 31 December 2020 | <u>6,831,182,580</u> | <u>560,673</u> |

There were no movements in share capital during the six months ended 31 December 2020.

22. SHARE OPTION SCHEME

The Company adopted a share option scheme on 13 July 2010 (the “2010 Share Option Scheme”), which has been expired on 12 July 2020. The Company has adopted a new share option scheme on 22 December 2020 (the “2020 Share Option Scheme”). Details of the outstanding share options under the 2010 Share Option Scheme are as follows. No share option has been granted under the 2020 Share Option Scheme since it has been adopted.

As at 31 December 2020

| Date of grant | Exercisable period | Exercise price per share <i>HK\$</i> | Number of share options | | | |
|-----------------|------------------------------------|---|--------------------------------|---------------------------|-----------------------------|--------------------------|
| | | | At the beginning of the period | Granted during the period | Exercised during the period | At the end of the period |
| 19 June 2014 | 19 June 2014 to 18 June 2024 | 0.138 | 20,000,000 | – | – | 20,000,000 |
| 25 July 2014 | 25 July 2014 to 24 July 2024 | 0.121 | 10,000,000 | – | – | 10,000,000 |
| 7 July 2015 | 7 July 2015 to 6 July 2025 | 0.245 | 40,000,000 | – | – | 40,000,000 |
| 3 November 2016 | 3 November 2016 to 2 November 2026 | 0.149 | 40,000,000 | – | – | 40,000,000 |
| 22 June 2020 | 22 June 2020 to 21 June 2030 | 0.052 | 12,000,000 | – | – | 12,000,000 |
| | | | 122,000,000 | – | – | 122,000,000 |

As at 30 June 2020

| Date of grant | Exercisable period | Exercise price per share <i>HK\$</i> | Number of share options | | | |
|-----------------|------------------------------------|---|------------------------------|-------------------------|---------------------------|------------------------|
| | | | At the beginning of the year | Granted during the year | Exercised during the year | At the end of the year |
| 19 June 2014 | 19 June 2014 to 18 June 2024 | 0.138 | 20,000,000 | – | – | 20,000,000 |
| 25 July 2014 | 25 July 2014 to 24 July 2024 | 0.121 | 10,000,000 | – | – | 10,000,000 |
| 7 July 2015 | 7 July 2015 to 6 July 2025 | 0.245 | 40,000,000 | – | – | 40,000,000 |
| 3 November 2016 | 3 November 2016 to 2 November 2026 | 0.149 | 40,000,000 | – | – | 40,000,000 |
| 22 June 2020 | 22 June 2020 to 21 June 2030 | 0.052 | – | 12,000,000 | – | 12,000,000 |
| | | | 110,000,000 | 12,000,000 | – | 122,000,000 |

22. SHARE OPTION SCHEME (CONTINUED)

No share options were granted and exercised during the six months ended 31 December 2020 (2019: Nil).

Weighted average exercise price of outstanding share options is HK\$0.167 (30 June 2020: HK\$0.167) and the weighted average remaining contractual life of outstanding share options is approximately 5.5 years (30 June 2020: 6 years).

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The following table gives information about how the fair value of these financial assets and liabilities are determined, as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 : quoted prices (unadjusted) in active market for identical assets;
- Level 2 : inputs other than quoted prices included within Level 1 that are observable for the instruments and derivatives, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 : inputs for the instruments that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial assets and liabilities is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement. The financial assets and liabilities measured at fair value in the condensed consolidated statement of financial position are grouped into the fair value hierarchy as follows:

| | Level 1 HK\$'000 | Level 2 HK\$'000 | Level 3 HK\$'000 | Total HK\$'000 |
|--|---------------------|---------------------|---------------------|-------------------|
| As at 31 December 2020 | | | | |
| Financial assets at fair value through other comprehensive income | | | | |
| – Equity investments listed in Hong Kong | 18,873 | – | – | 18,873 |
| – Equity investments listed in overseas | 3,588 | – | – | 3,588 |
| – Unlisted equity investments in overseas | – | 144 | – | 144 |
| – Bonds listed in Hong Kong | 7,952 | – | – | 7,952 |
| – Bonds listed in overseas | 11,096 | – | – | 11,096 |
| Financial assets at fair value through profit or loss | | | | |
| – Equity securities listed in Hong Kong | 4,254 | – | – | 4,254 |
| – Bonds listed in overseas | 7,532 | – | – | 7,532 |
| – Derivative financial instruments | – | (145) | – | (145) |
| | <u>53,295</u> | <u>(1)</u> | <u>–</u> | <u>53,294</u> |

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

| | Level 1 <i>HK\$'000</i> | Level 2 <i>HK\$'000</i> | Level 3 <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|----------------------------|----------------------------|----------------------------|--------------------------|
| As at 30 June 2020 | | | | |
| Financial assets at fair value through other comprehensive income | | | | |
| – Equity investments listed in Hong Kong | 14,463 | – | – | 14,463 |
| – Equity investments listed in overseas | 1,143 | – | – | 1,143 |
| – Unlisted equity investments in overseas | – | 144 | – | 144 |
| Financial assets at fair value through profit or loss | | | | |
| – Equity securities listed in Hong Kong | 5,769 | – | – | 5,769 |
| – Bonds listed in overseas | 7,432 | – | – | 7,432 |
| | <u>28,807</u> | <u>144</u> | <u>–</u> | <u>28,951</u> |

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (30 June 2020: Nil).

24. CAPITAL COMMITMENTS

| | Unaudited At 31 December 2020 <i>HK\$'000</i> | Audited At 30 June 2020 <i>HK\$'000</i> |
|----------------------------------|--|--|
| Contracted but not provided for: | | |
| Investment properties | <u>249,495</u> | <u>318,551</u> |

25. LEASE ARRANGEMENTS

As lessor

The Group leases certain properties (note 10) under lease arrangements, with leases negotiated for term of one to three years. None of the leases include contingent rentals. At 31 December 2020, the Group had total future minimum lease receivables under non-cancellable leases with its tenants falling due as follows:

| | Unaudited At 31 December 2020 <i>HK\$'000</i> | Audited At 30 June 2020 <i>HK\$'000</i> |
|--|--|--|
| Within one year | 4,849 | 4,999 |
| After one year but within two years | 2,400 | 2,227 |
| After two years but within three years | 752 | 678 |
| | <u>8,001</u> | <u>7,904</u> |

26. RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in these condensed consolidated interim financial statements, during the interim period, the Group entered into the following related party transactions:

- (a) During the six months ended 31 December 2020, imputed interest expenses of HK\$729,000 (2019: HK\$685,000) were incurred to a related company of which Dr. Chan is a director and key management personnel.
- (b) Compensation of key management personnel.

Included in employee benefit expenses are key management personnel compensation and comprise the following:

| | Unaudited | |
|------------------------------|--------------------------|-------------------|
| | Six months ended | |
| | 31 December | |
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| Short term employee benefits | 3,889 | 5,393 |
| Post-employment benefits | 213 | 213 |
| | <hr/> 4,102 <hr/> | <hr/> 5,606 <hr/> |

27. EVENTS AFTER THE REPORTING DATE

(1) Disposal of a Property

On 7 January 2021, a wholly owned subsidiary of the Company, had entered into a sale and purchase agreement for the disposal of a property at Guangzhou Free Trade Zone, Guangdong Province, the PRC, at a consideration of RMB3,300,000 (equivalent to approximately HK\$3,934,000). The transaction is expected to be completed by early March 2021.

(2) Acquisition of a Real Property

On 4 February 2021, the Group had entered into a preliminary sale and purchase agreement (the "Agreement") with an independent third party relating to acquisition of the entire issued share capital and the shareholder's loan of a company, which principal assets are Shop A on the Ground Floor, including the Yard A thereof, Shop B on the Ground Floor, Offices A, B, C, D, E, F & G on the 1st Floor, and Office H on the 1st Floor, including the Flat Roof appurtenant thereto, Hart Avenue Court, Nos. 19-23 Hart Avenue, Kowloon, with a gross floor area of approximately 5,000 sq. ft., at a total consideration of HK\$65,000,000, in accordance with the terms of the Agreement (the "Acquisition"). The Acquisition constitutes a discloseable transaction for the Company and the completion date shall be 31 May 2021. Details of the Acquisition were set out in the announcement and supplemental announcement of the Company dated 5 February 2021 and 10 February 2021 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

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

BUSINESS REVIEW AND PROSPECTS

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

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

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

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

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

PROSPECTS

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

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

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

INTERIM DIVIDEND

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

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

As at 31 December 2020, the Group's gearing ratio was 0.1624 (30 June 2020: 0.1344), which is calculated on net debt divided by total equity plus net debt. Net debt is calculated as the sum of bank and other borrowings less cash and cash equivalents. The cash and cash equivalents of HK\$423,523,000 (30 June 2020: HK\$468,521,000) which were mainly denominated in Hong Kong Dollar, US Dollar, Renminbi and British Pound. Other borrowings in respect of amounts due to joint ventures, amounts due to related companies, loan from a controlling shareholder, amounts due to non-controlling interests and lease liabilities were approximately of HK\$89,630,000 (30 June 2020: HK\$84,347,000). Bank and other loans denominated in Hong Kong Dollar and US Dollar were approximately HK\$805,084,000 (30 June 2020: HK\$751,663,000).

PLEDGE OF ASSETS

As of 31 December 2020, the Group's bank loans denominated in Hong Kong Dollar of HK\$774,855,000 (30 June 2020: HK\$719,289,000) are secured by the Group's certain property, plant and equipment, certain right-of-use assets, investment properties, property under development, pledged by ordinary shares of certain subsidiaries of the Company and guaranteed by corporate guarantees executed by the Company. Whereas, a bank loan denominated in US Dollar in the equivalent amount of HK\$25,447,000 (30 June 2020: HK\$27,969,000) is secured by all the assets of a subsidiary of the Company and guaranteed by corporate guarantees executed by the Company.

CONTINGENT LIABILITIES

As at 31 December 2020, the Company has provided guarantees to the extent of HK\$645,082,000 (30 June 2020: HK\$607,158,000) with respect to bank loans to its subsidiaries. Under the guarantees, the Company would be liable to pay the banks if the banks are unable to recover the loans. At the reporting date, no provision for the Company's obligation under the guarantee contracts has been made as the directors considered that it was unlikely the repayment of the loans would be in default.

CAPITAL STRUCTURE

All the Group's borrowings are denominated in Hong Kong Dollar, US Dollar and Renminbi. Interest is determined with reference to the Hong Kong Interbank Offered Rate or Prime Rate for Hong Kong Dollar borrowings, London Interbank Offered Rate for US Dollar borrowings and the benchmark lending rate of the People's Bank of China for Renminbi borrowings. The Group also made use of foreign exchange forward contracts in order to minimise exchange rate risk as a result of the fluctuation in British Pound. There was no change to the Group's capital structure during the six months ended 31 December 2020. In light of the current financial position of the Group and provided that there is no unforeseeable circumstance, the management does not anticipate the need to change the capital structure.

EVENTS AFTER REPORTING PERIOD

(1) Disposal of a Property

On 7 January 2021, a wholly owned subsidiary of the Company, had entered into a sale and purchase agreement for the disposal of a property at Guangzhou Free Trade Zone, Guangdong Province, the PRC, at a consideration of RMB3,300,000 (equivalent to approximately HK\$3,934,000). The transaction is expected to be completed by early March 2021.

(2) Acquisition of a Real Property

On 4 February 2021, the Group had entered into a preliminary sale and purchase agreement (the “Agreement”) with an independent third party relating to acquisition of the entire issued share capital and the shareholder’s loan of a company, which principal assets are Shop A on the Ground Floor, including the Yard A thereof, Shop B on the Ground Floor, Offices A, B, C, D, E, F & G on the 1st Floor, and Office H on the 1st Floor, including the Flat Roof appurtenant thereto, Hart Avenue Court, Nos. 19 – 23 Hart Avenue, Kowloon, with a gross floor area of approximately 5,000 sq. ft., at a total consideration of HK\$65,000,000, in accordance with the terms of the Agreement (the “Acquisition”). The Acquisition constitutes a discloseable transaction for the Company and the completion date shall be 31 May 2021. Details of the Acquisition were set out in the announcement and supplemental announcement of the Company dated 5 February 2021 and 10 February 2021 respectively.

ADVANCE FROM A CONTROLLING SHAREHOLDER

As at 31 December 2020, loans in the total amount of RMB4,000,000 (equivalent to approximately HK\$4,768,000) was advanced from Dr. Chan Sing Chuk, Charles (“Dr. Chan”). Further details were set out in note 20 to the condensed consolidated interim financial statements.

NUMBER OF EMPLOYEES, REMUNERATION POLICIES AND SHARE OPTION SCHEME

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

As at 31 December 2020, 132,000,000 share options were granted to certain directors and employees of the Company at an exercise price of HK\$0.138, HK\$0.121, HK\$0.245, HK\$0.149 or HK\$0.052 each subject to the terms of the 2010 Share Option Scheme. 10,000,000 share options have been exercised during the year ended 30 June 2015 since the grant of the 2010 Share Option Scheme. The 2010 Share Option Scheme was expired on 12 July 2020. Therefore, the Company has adopted a new share option scheme on 22 December 2020 (the “2020 Share Option Scheme”). No share option has been granted under the 2020 Share Option Scheme since it has been adopted.

As at 31 December 2020, the following share options granted under the 2010 Share Option Scheme of the Company were outstanding:

| Name of Grantee | Date of Grant (dd/mm/yyyy) | Exercisable period (dd/mm/yyyy) | Exercise Price per Share (HK\$) | Closing price per Share immediately before the date of grant (HK\$) | Number of share options | | | |
|------------------------------|-------------------------------|---------------------------------------|--|--|------------------------------------|---------------------------------|-----------------------------------|---|
| | | | | | Balance as at 1 July 2020 | Granted during the period | Exercised during the period | Balance as at 31 December 2020 |
| Mr. Chan Wai Lap, Victor | 19/06/2014 | 19/06/2014 – 18/06/2024 | 0.138 | 0.138 | 10,000,000 | – | – | 10,000,000 |
| | 07/07/2015 | 07/07/2015 – 06/07/2025 | 0.245 | 0.200 | 10,000,000 | – | – | 10,000,000 |
| | 03/11/2016 | 03/11/2016 – 02/11/2026 | 0.149 | 0.150 | 10,000,000 | – | – | 10,000,000 |
| Ms. Chan Wai Kei, Vicki | 19/06/2014 | 19/06/2014 – 18/06/2024 | 0.138 | 0.138 | 10,000,000 | – | – | 10,000,000 |
| | 07/07/2015 | 07/07/2015 – 06/07/2025 | 0.245 | 0.200 | 10,000,000 | – | – | 10,000,000 |
| | 03/11/2016 | 03/11/2016 – 02/11/2026 | 0.149 | 0.150 | 10,000,000 | – | – | 10,000,000 |
| Mr. Yam Tat Wing | 07/07/2015 | 07/07/2015 – 06/07/2025 | 0.245 | 0.200 | 10,000,000 | – | – | 10,000,000 |
| | 03/11/2016 | 03/11/2016 – 02/11/2026 | 0.149 | 0.150 | 10,000,000 | – | – | 10,000,000 |
| Mr. Wong Edward Gwon-hing | 25/07/2014 | 25/07/2014 – 24/07/2024 | 0.121 | 0.120 | 10,000,000 | – | – | 10,000,000 |
| | 07/07/2015 | 07/07/2015 – 06/07/2025 | 0.245 | 0.200 | 10,000,000 | – | – | 10,000,000 |
| | 03/11/2016 | 03/11/2016 – 02/11/2026 | 0.149 | 0.150 | 10,000,000 | – | – | 10,000,000 |
| Other Employees | 22/06/2020 | 22/06/2020 – 21/06/2030 | 0.052 | 0.051 | 12,000,000 | – | – | 12,000,000 |
| | | | | | 122,000,000 | – | – | 122,000,000 |
| | | | | | 122,000,000 | – | – | 122,000,000 |

Save as disclosed above, no other options under the 2010 Share Option Scheme were outstanding at the beginning or at the end of the period ended 31 December 2020 and no other options were granted, exercised, cancelled or lapsed at any time during the period.

EXPOSURE TO FINANCIAL RISK AND RELATED HEDGES

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

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2020.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, the interests and short positions of the Directors and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register maintained by the Company under Section 352 of Part XV of the SFO or as otherwise notified to the Company and Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as set out below:

1. Interests in the Company

| Name of directors | Number of ordinary shares of the Company | | | | Percentage of the Company's issued share capital |
|---|--|---------------------------|------------------------|---------------|--|
| | Personal interest | Corporate interest | Underlying interest | Total | |
| Chan Wai Lap, Victor ("Mr. Victor Chan") | 2,700,000 | – | 30,000,000 (Note 2) | 32,700,000 | 0.48% |
| Chan Sing Chuk, Charles ("Dr. Chan") | – | 5,063,395,220 (Note 1) | – | 5,063,395,220 | 74.12% |
| Cheng Siu Yin, Shirley ("Ms. Cheng") | – | 5,063,395,220 (Note 1) | – | 5,063,395,220 | 74.12% |
| Chan Wai Kei, Vicki ("Ms. Vicki Chan") | – | – | 30,000,000 (Note 2) | 30,000,000 | 0.44% |
| Chan Ping Kuen, Derek | 200,000 | – | – | 200,000 | 0.003% |
| Yam Tat Wing | 2,400,000 | – | 20,000,000 (Note 2) | 22,400,000 | 0.33% |
| Wong Edward Gwon-hing | – | – | 30,000,000 (Note 2) | 30,000,000 | 0.44% |

Notes:

- Such interests are held by Tamar Investments Group Limited, which is a company owned as to 35% by Dr. Chan and 35% by Ms. Cheng. Dr. Chan, Ms. Cheng and Mr. Victor Chan are directors of Tamar Investments Group Limited.
- These interests represented the interests in underlying shares of the Company in respect of share options granted to the Directors.

2. Interests in associated corporation

Tamar Investments Group Limited

| Name of Directors | Number of ordinary shares of the associated corporation | | | Total | Percentage of the issued share capital of the associated corporation |
|-------------------------|---|--------------------|---------------------|-------|--|
| | Personal interest | Corporate interest | Underlying interest | | |
| Chan Wai Lap, Victor | 16 | – | – | 16 | 16% |
| Chan Sing Chuk, Charles | 35 | – | – | 35 | 35% |
| Cheng Siu Yin, Shirley | 35 | – | – | 35 | 35% |
| Chan Wai Kei, Vicki | 7 | – | – | 7 | 7% |

Except as disclosed above, at the reporting date, none of the Directors or their respective associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2020, no person, other than Mr. Victor Chan, Dr. Chan, Ms. Cheng and Ms. Vicki Chan, whose interests are set out in the section “Directors’ interests and short positions in shares, underlying shares and debentures” above, had registered an interest in 5% or more of the issued share capital of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CORPORATE GOVERNANCE PRACTICES

The Company adopted all the Code Provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules and has complied with all the applicable Code Provisions throughout the six months ended 31 December 2020 except for the following deviations:

1. Code Provision A.2.1

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

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

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

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

2. Code Provision A.4.1

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

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

3. Code Provision A.6.7

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

4. Code Provision C.2.5

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

The Company does not have an internal audit function during the six months ended 31 December 2020. Taking into account the size and complexity of the operations of the Group, the Company considers that the existing organisation structure and the close supervision of the management could provide sufficient internal control and risk management for the Group. The audit committee of the Board regularly reviews the effectiveness of the internal control systems and risk management of the Group. The Board would review the need to set up an internal audit function on an annual basis.

Save as disclosed above, the Company considers that sufficient measures have been taken to ensure that the corporate governance practices of the Company are in line with the Code Provisions.

DISCLOSURE PURSUANT TO RULE 13.51B OF THE LISTING RULES

The remuneration packages of the following directors have been revised after taking consideration of their responsibilities and the prevailing market rates:

With effect from 1 January 2021, the monthly remunerations of Dr. Chan Sing Chuk, Charles and Ms. Cheng Siu Yin, Shirley have been revised to HK\$100,000 and HK\$100,000 respectively.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. The Company has made specific enquiry with all directors and all of them have confirmed that they have complied with the required standards as set out in the Model Code during the six months ended 31 December 2020.

AUDIT COMMITTEE

The Audit Committee of the Company comprises four Independent Non-executive Directors of the Company.

The Audit Committee has discussed the Group's accounting policies and basis adopted, the financial control, risk management and internal control systems of the Group and has reviewed the unaudited consolidated interim financial statements for the six months ended 31 December 2020. The Audit Committee has approved the unaudited consolidated interim financial statements.

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

Hong Kong, 25 February 2021