



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

INTERIM REPORT 2015
二零一五年中期報告

(Stock Code: 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 2014 together with the comparative figures for the corresponding period in 2013 as follows.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Unaudited Six months ended 31 December	
		2014 HK\$'000	2013 HK\$'000
Revenue	4	407,842	445,537
Cost of sales		<u>(353,133)</u>	<u>(385,391)</u>
Gross profit		54,709	60,146
Selling and distribution costs		(10,142)	(5,887)
Administrative expenses		(49,588)	(48,364)
Other operating income		372	145
Change in fair value of investment property	10	334,493	–
Gain on disposal of property		28,255	–
Impairment loss of available-for-sale financial assets		(4,834)	(2,077)
Change in fair value of financial assets at fair value through profit or loss		2,163	2,107
Income arising from amortising the financial guarantee liabilities		1,341	1,240
Share-based compensation		(470)	–
Finance costs	5	(6,716)	(6,196)
Share of results of joint ventures		<u>(3,018)</u>	<u>(3,534)</u>
Profit/(Loss) before income tax	6	346,565	(2,420)
Income tax credit/(expense)	7	212	(1,287)
Profit/(Loss) for the period		<u>346,777</u>	<u>(3,707)</u>
Other comprehensive income for the period, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale financial assets, net		(4,509)	(3,129)
Reclassification from equity to profit or loss on impairment of available-for-sale financial assets		4,834	2,077
Exchange difference on translation of foreign operations, associates and joint ventures		5,525	19,266
Other comprehensive income for the period, net of tax		<u>5,850</u>	<u>18,214</u>
Total comprehensive income for the period		<u><u>352,627</u></u>	<u><u>14,507</u></u>

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

		Unaudited	
		Six months ended	
		31 December	
	<i>Notes</i>	2014	2013
		HK\$'000	HK\$'000
Profit/(Loss) for the period attributable to:			
Owners of the Company		346,836	(3,936)
Non-controlling interests		(59)	229
		<u>346,777</u>	<u>(3,707)</u>
Total comprehensive income for the period attributable to:			
Owners of the Company		352,686	14,278
Non-controlling interests		(59)	229
		<u>352,627</u>	<u>14,507</u>
Dividends	8	<u>–</u>	<u>–</u>
Earnings/(Loss) per share for profit/(loss) attributable to the owners of the Company during the period			
– Basic	9	<u>HK 5.89 cents</u>	<u>HK(0.077) cent</u>
– Diluted		<u>HK 5.45 cents</u>	<u>HK(0.077) cent</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited At 31 December 2014	Audited At 30 June 2014
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		113,955	115,940
Land use rights		39,375	40,083
Investment property	10	426,880	581,000
Mining right	11	1,052,124	1,052,432
Interests in associates		–	–
Interests in joint ventures	12	708,656	573,224
Available-for-sale financial assets		23,784	28,294
Deferred tax assets		6,109	6,109
		2,370,883	2,397,082
		2,370,883	2,397,082
Current assets			
Property under development	13	513,257	–
Inventories		235,894	257,922
Trade receivables	14	126,841	105,054
Prepayments, deposits and other receivables		29,775	14,023
Financial assets at fair value through profit or loss		16,472	14,309
Due from a joint venture		165	169
Cash and cash equivalents		52,358	78,124
		974,762	469,601
		974,762	469,601
Current liabilities			
Trade payables	15	(144,474)	(135,354)
Other payables and accruals		(57,819)	(36,357)
Bank loans	16	(449,568)	(411,126)
Obligation under finance leases		(213)	(212)
Due to related companies	17	(3,087)	(2,330)
Convertible note	18	–	(4,924)
Financial guarantee liabilities		(3,084)	(2,481)
Provision for tax		(3,269)	(4,291)
		(661,514)	(597,075)
		(661,514)	(597,075)
Net current assets/(liabilities)		313,248	(127,474)
		313,248	(127,474)
Total assets less current liabilities		2,684,131	2,269,608

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

		Unaudited At 31 December 2014	Audited At 30 June 2014
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities			
Obligation under finance leases		(429)	(345)
Due to related companies	17	(79,391)	(76,774)
Loan from a controlling shareholder	19	(153,040)	(95,037)
Financial guarantee liabilities		(5,654)	(5,789)
Deferred tax liabilities		(245,328)	(245,437)
		<u>(483,842)</u>	<u>(423,382)</u>
Net assets		<u>2,200,289</u>	<u>1,846,226</u>
EQUITY			
Share capital	20	560,048	442,555
Reserves		1,646,196	1,409,567
		<u>2,206,244</u>	<u>1,852,122</u>
Equity attributable to the owners of the Company		2,206,244	1,852,122
Non-controlling interests		(5,955)	(5,896)
		<u>2,200,289</u>	<u>1,846,226</u>
Total equity		<u>2,200,289</u>	<u>1,846,226</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 31 December	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Net cash generated from operating activities	8,583	1,669
Net cash used in investing activities	(125,412)	(9,865)
Net cash generated from financing activities	98,066	24,936
(Decrease)/Increase in cash and cash equivalents	(18,763)	16,740
Cash and cash equivalents at 1 July	78,124	37,911
Effect of foreign exchange rate changes, net	(7,003)	1,187
Cash and cash equivalents at 31 December	<u>52,358</u>	<u>55,838</u>
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	<u>52,358</u>	<u>55,838</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Issued capital <i>HKS'000</i>	Share premium account <i>HKS'000</i>	Share option reserve <i>HKS'000</i>	Non-distributable reserve <i>HKS'000</i>	Other reserve <i>HKS'000</i>	Capital contribution reserve <i>HKS'000</i>	Convertible note equity reserve <i>HKS'000</i>	Exchange fluctuation reserve <i>HKS'000</i>	Investment revaluation reserve <i>HKS'000</i>	Retained profits <i>HKS'000</i>	Total <i>HKS'000</i>	Non-controlling interests <i>HKS'000</i>	Total equity <i>HKS'000</i>
Balance at 30 June 2014 and 1 July 2014	442,555	-	2,114	273,606	(5,397)	20,935	116,034	80,672	4,326	917,277	1,852,122	(5,896)	1,846,226
Convertible note conversion to shares (Note 19)	116,034	-	-	-	-	-	(116,034)	-	-	-	-	-	-
Shares issued upon conversion of share options	1,459	-	(493)	-	-	-	-	-	-	-	966	-	966
Recognition of share-based compensation	-	-	470	-	-	-	-	-	-	-	470	-	470
Transaction with owners	560,048	-	2,091	273,606	(5,397)	20,935	-	80,672	4,326	917,277	1,853,558	(5,896)	1,847,662
Profit for the period	-	-	-	-	-	-	-	-	-	346,836	346,836	(59)	346,777
Other comprehensive income:													
Exchange differences on translation of foreign operations, associates and joint ventures	-	-	-	-	-	-	-	5,525	-	-	5,525	-	5,525
Change in fair value available-for-sale financial assets, net	-	-	-	-	-	-	-	-	(4,509)	-	(4,509)	-	(4,509)
Reclassification from equity to profit or loss on impairment of available-for-sale financial assets	-	-	-	-	-	-	-	-	4,834	-	4,834	-	4,834
Total comprehensive income	-	-	-	-	-	-	-	5,525	325	346,836	352,686	(59)	352,627
Balance at 31 December 2014	560,048	-	2,091	273,606	(5,397)	20,935	-	86,197	4,651	1,264,113	2,206,244	(5,955)	2,200,289
Balance at 30 June 2013 and 1 July 2013	51,107	391,448	-	273,606	(5,397)	12,066	116,034	83,290	2,612	866,697	1,791,463	(6,055)	1,785,408
Loss for the period	-	-	-	-	-	-	-	-	-	(3,936)	(3,936)	229	(3,707)
Other comprehensive income:													
Exchange differences on translation of foreign operations, associates and joint ventures	-	-	-	-	-	-	-	19,266	-	-	19,266	-	19,266
Change in fair value of available-for-sale financial assets, net	-	-	-	-	-	-	-	-	(3,129)	-	(3,129)	-	(3,129)
Reclassification from equity to profit or loss on impairment of available-for-sale financial assets	-	-	-	-	-	-	-	-	2,077	-	2,077	-	2,077
Total comprehensive income	-	-	-	-	-	-	-	19,266	(1,052)	(3,936)	14,278	229	14,507
Balance at 31 December 2013	51,107	391,448	-	273,606	(5,397)	12,066	116,034	102,556	1,560	862,761	1,805,741	(5,826)	1,799,915

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited 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”).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 and liabilities, 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 2014.

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 2014, issued by the HKICPA.

Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non – Financial Assets
Amendments to HKAS 39	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Interpretation 21	Levies

The application of the above amendments to HKFRSs in the current interim period, except as described below, has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated interim financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010 – 2012 Cycle ²
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011 – 2013 Cycle ¹
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012 – 2014 Cycle ³
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ³
HKFRS 9 (2014)	Financial Instruments ⁵
HKFRS 14	Regulatory Deferral Accounts ³
HKFRS 15	Revenue from Contracts with Customers ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ³
Amendments to HKAS 27	Separate Financial Statements – Equity Method in Separate Financial Statements ³
Disclosure Initiative (Amendments to HKAS 1)	Presentation of Financial Statements ³

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors are not yet in a position to quantify the effects on the Group's financial statements.

¹ Effective for annual periods beginning on or after 1 July 2014

² Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

³ Effective for annual periods beginning on or after 1 January 2016

⁴ Effective for annual periods beginning on or after 1 January 2017

⁵ Effective for annual periods beginning on or after 1 January 2018

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 (2013: four) business lines as operating segments.

The Group has identified the following reportable segments:

- Design, manufacturing, marketing and trading of fine jewellery and diamonds;
- Property investment;
- 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		Mining operation		Investment		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000		
Segment Revenue:										
Sales to/revenue from external parties	<u>398,706</u>	<u>438,552</u>	<u>-</u>	<u>-</u>	<u>8,877</u>	<u>6,468</u>	<u>259</u>	<u>517</u>	<u>407,842</u>	<u>445,537</u>
Segment results	<u>31,481</u>	<u>15,108</u>	<u>334,173</u>	<u>(358)</u>	<u>(6,769)</u>	<u>(8,012)</u>	<u>(2,607)</u>	<u>689</u>	<u>356,278</u>	<u>7,427</u>
Share-based compensation									(470)	-
Unallocated expenses									(850)	(1,357)
Income arising from amortising the financial guarantee liabilities									1,341	1,240
Finance costs									(6,716)	(6,196)
Share of results of joint ventures									(3,018)	(3,534)
Profit/(Loss) before income tax									<u>346,565</u>	<u>(2,420)</u>

4. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts and dividend income from investments.

An analysis of the Group's revenue is as follows:

	Unaudited Six months ended 31 December	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Sale of goods	398,706	438,552
Sale of gold ores	8,877	6,468
Dividend income from investments	259	517
	<u>407,842</u>	<u>445,537</u>

5. FINANCE COSTS

	Unaudited Six months ended 31 December	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Interest charges on:		
Bank loans wholly repayable within five years	5,429	4,558
Interest expenses on loan from a controlling shareholder	862	720
Finance charges on obligation under finance leases	16	27
Imputed interest expenses arising from amounts due to related companies	2,600	2,853
Imputed interest expenses on convertible notes	71	161
	<u>8,978</u>	<u>8,319</u>
Total borrowing costs	8,978	8,319
Less: bank loan interest capitalised in investment property and property under development	(2,262)	(2,123)
	<u>6,716</u>	<u>6,196</u>

6. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(Loss) before income tax is arrived at after charging/(crediting):

	Unaudited Six months ended 31 December	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Cost of inventories sold	353,133	385,391
Depreciation of property, plant and equipment	3,726	4,451
Amortisation of land use rights	733	738
Amortisation of mining right	893	787
Minimum lease payments under operating leases on land and buildings	2,940	2,499
Provision for trade receivables	1,100	1,157
Net foreign exchange loss/(gain)	2,065	(2,770)
Fair value (gain)/loss on derivative financial instruments		
– forward currency contracts	(75)	35
Written off of property, plant and equipment	–	555
Gain on disposal of property, plant and equipment	(84)	(14)
	<u> </u>	<u> </u>

7. INCOME TAX (CREDIT)/EXPENSE

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

	Unaudited Six months ended 31 December	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Current tax		
Hong Kong	337	491
People's Republic of China	366	374
	<u> </u>	<u> </u>
	703	865
(Over)/Under-provision in prior years		
Hong Kong	(669)	201
	<u> </u>	<u> </u>
	(669)	201
Deferred tax – current period	(246)	221
	<u> </u>	<u> </u>
Total income tax (credit)/expense	<u> </u>	<u> </u>
	(212)	1,287

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2014 (2013: HK\$Nil).

9. EARNINGS/(LOSS) PER SHARE

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

	Unaudited Six months ended 31 December	
	2014	2013
	HK\$'000	HK\$'000
Profit/(loss) attributable to the owners of the Company	346,836	(3,936)
Imputed interest expenses on convertible notes	71	–
	<hr/>	<hr/>
Profit/(loss) attributable to the owners of the Company before imputed interest expenses on convertible notes	<u>346,907</u>	<u>(3,936)</u>

	Unaudited Six months ended 31 December	
	2014	2013
	Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	5,884,002,377	5,110,656,270
Effect of dilutive potential ordinary shares in respect of convertible notes	473,323,721	–
Effect of dilutive potential ordinary shares in respect of share options	3,635,093	–
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	<u>6,360,961,191</u>	<u>5,110,656,270</u>

The calculation of basic earnings per share is based on the profit of HK\$346,836,000 attributable to the owners of the Company for the six months ended 31 December 2014 (2013: Loss of HK\$3,936,000) and on the weighted average of 5,884,002,377 (2013: 5,110,656,270) ordinary shares in issue during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares granted under the Company's share option scheme and the number of dilutive potential ordinary share granted in relation to the convertible notes.

9. EARNINGS/(LOSS) PER SHARE (CONTINUED)

For the six months ended 31 December 2014, the amount of the diluted earnings per share was based on the profit for the period attributable to owners of the Company of HK\$346,836,000 and adjusted to reflect the imputed interest expenses on the convertible notes, after adjustments to reflect the effect of deemed exercise or conversion of convertible note of Tamar Investments Group Limited (“Tamar Investments”), which was HK\$346,907,000 and on the adjusted weighted average of 6,360,961,191 ordinary shares outstanding during the period.

For the six months ended 31 December 2013, the convertible note has an anti-dilutive effect on the basic loss per share and was ignored in the calculation of dilution loss per share. Therefore, the basic and diluted loss per share calculations were equal.

10. INVESTMENT PROPERTY

	Unaudited At 31 December 2014 HK\$'000	Audited At 30 June 2014 HK\$'000
Fair Value		
Opening carrying amount	581,000	543,500
Additions	16,312	18,694
Bank loan interest capitalised	1,775	4,262
Net gain from fair value adjustments	334,493	14,544
Transfer to property under development (<i>Note 13</i>)	(506,700)	–
	<hr/>	<hr/>
Closing carrying amount	426,880	581,000
	<hr/> <hr/>	<hr/> <hr/>

The Group’s investment property is located at No. 236-242 Des Voeux Road Central, Hong Kong and is measured using the fair value model. During the reporting period, the Board considers it appropriate to lease out a portion of the investment property and sell a portion of the property. In this connection, a pre-sale press briefing was held on 26 November 2014 and thereby a portion of the investment property was reclassified to the “property under development” because there is a change in use, evidenced by commencement of selling the property.

A property valuation has been carried out by LCH (Asia-Pacific) Surveyors Limited (“LCH”), an independent firm of chartered surveyors, in respect of the Group’s investment property as at 31 December 2014. The valuation was based on re-development basis by adopting the residual method. The residual method is determined by deducting the estimated total cost of the development including costs of construction, professional fee, finance cost, associated cost and an allowance for developer’s risk and profit from the gross development value. The Group’s investment property was valued at HK\$426,880,000 as at 31 December 2014, which represented and recorded an increase in fair value of HK\$334,493,000 in the statement of profit or loss for the period.

On 26 November 2014, the Group reclassified a portion of the investment property revalued at the fair value of HK\$506,700,000 at the date by LCH, on re-development basis by adopting the residual method. Details are set out in note 13.

11. MINING RIGHT

	Unaudited At 31 December 2014 HK\$'000	Audited At 30 June 2014 HK\$'000
Opening net carrying amount	1,052,432	1,050,495
Amortisation charge for the period	(893)	(1,074)
Exchange realignment	585	3,011
	<hr/>	<hr/>
Closing net carrying amount	1,052,124	1,052,432
	<hr/> <hr/>	<hr/> <hr/>
Gross carrying amount	1,055,090	1,054,505
Accumulated amortisation	(2,966)	(2,073)
	<hr/>	<hr/>
Net carrying amount	1,052,124	1,052,432
	<hr/> <hr/>	<hr/> <hr/>

12. INTERESTS IN JOINT VENTURES

	Unaudited At 31 December 2014 HK\$'000	Audited At 30 June 2014 HK\$'000
Share of net assets	164,241	159,419
Deemed capital contribution to a joint venture [#]	14,215	12,405
Loan to a joint venture	530,200	401,400
	<hr/>	<hr/>
	708,656	573,224
	<hr/> <hr/>	<hr/> <hr/>

The loan to a joint venture is unsecured, interest-free and not repayable within twelve months from the reporting date.

[#] *The balance represented the deemed capital contribution to a wholly-owned subsidiary of a joint venture, representing the fair value of the financial guarantee contracts provided by the Company to a bank for the banking facilities entered into by that company. The aggregate fair value of the financial guarantee contracts at the reporting date of approximately RMB11,316,000 (equivalent to approximately HK\$14,215,000), representing a deemed capital contribution to a joint venture, has been adjusted to the carrying amount of the interests in joint venture simultaneously.*

13. PROPERTY UNDER DEVELOPMENT

	Unaudited At 31 December 2014 HK\$'000
Carrying amount as at 1 July 2014	–
Transfer from investment property as at 26 November 2014 (<i>Note 10</i>)	506,700
Additions	6,070
Bank loan interest capitalised	487
	<hr/>
Carrying amount as at 31 December 2014	513,257
	<hr/> <hr/>

The portion of investment property of HK\$506,700,000 was reclassified as property under development because its use has been changed as evidence by commencement of development with a view to sales in accordance with HKAS 40 “investment property”.

14. 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:

	Current	31-60 days	61-90 days	Over	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>90 days</i>	<i>HK\$'000</i>
				<i>HK\$'000</i>	
Unaudited balance at 31 December 2014	19,876	45,086	27,129	34,750	126,841
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Audited balance at 30 June 2014	33,837	21,366	23,752	26,099	105,054
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

15. TRADE PAYABLES

An ageing analysis of the trade payables at the reporting date is as follows:

	Current <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 2014	<u>44,704</u>	<u>27,824</u>	<u>18,608</u>	<u>53,338</u>	<u>144,474</u>
Audited balance at 30 June 2014	<u>43,621</u>	<u>35,866</u>	<u>19,021</u>	<u>36,846</u>	<u>135,354</u>

16. BANK LOANS

At 31 December 2014, the Group's bank loans are as follows:

	Unaudited 31 December 2014 <i>HK\$'000</i>	Audited 30 June 2014 <i>HK\$'000</i>
Portion of loans from banks due for repayment within one year		
– Guaranteed	65,016	77,425
– Secured and guaranteed	<u>381,700</u>	<u>125,000</u>
	446,716	202,425
Portion of loans from banks due for repayment after one year which contain a repayable on demand clause		
– Guaranteed	2,852	4,601
– Secured and guaranteed	<u>–</u>	<u>204,100</u>
	2,852	208,701
	<u>449,568</u>	<u>411,126</u>
The repayment schedule of bank loans is as follows:		
– within one year	446,716	202,425
– in second year	2,852	207,340
– in third to fifth year, inclusive	<u>–</u>	<u>1,361</u>
	449,568	411,126

16. BANK LOANS (CONTINUED)

At 31 December 2014, the Group's banking facilities were secured/guaranteed by the followings:

- (a) legal charges over the Group's investment property, property under development, certain leasehold land and buildings and land use right;
- (b) corporate guarantees executed by the Company;
- (c) ordinary shares of an indirect wholly-owned subsidiary of the Company; and
- (d) guarantees from the Government of the Hong Kong Special Administrative Region, under the Special Loan Guarantee.

The bank loans of the Group denominated in HK\$ of HK\$443,898,000 (30 June 2014: HK\$402,941,000) have floating interest rates ranging from 1.23% to 2.75% (30 June 2014: 1.46% to 2.46%) per annum. The RMB bank loans of HK\$5,670,000 (30 June 2014: HK\$8,185,000) have floating interest rates at 7% (30 June 2014: 7%) per annum.

17. DUE TO RELATED COMPANIES

	Unaudited 31 December 2014 HK\$'000	Audited 30 June 2014 HK\$'000
Current liabilities		
Due to related companies (<i>note (a)</i>)	<u><u>3,087</u></u>	<u><u>2,330</u></u>
Non-current liabilities		
Due to related companies (<i>note (b)</i>)	<u><u>79,391</u></u>	<u><u>76,774</u></u>

Notes:

- (a) Amount due to related companies are unsecured, interest-free and due for repayment within one year.
- (b) Amount due to related companies are unsecured, interest-free and not repayable within the next twelve months from the reporting date. The carrying amounts were calculated using market interest rates of 6.15% and 7.17% per annum.

18. CONVERTIBLE NOTE

On 12 October 2011, the Company issued a convertible note with principal amount of HK\$325,000,000 (the “Convertible Note”) to Tamar Investments as part of the consideration for the acquisition of Big Bonus Limited and its subsidiaries (“Big Bonus Group”). The Convertible Note was issued at coupon interest rate of 1.5% per annum which will be matured 3 years from the date of issue with a right to convert 1,710,526,310 shares of the Company at a conversion price of HK\$0.19 per conversion share. The initial recognition of fair value of the Convertible Note of HK\$127,619,000 was valued by independent professional valuer, BMI Appraisals Limited.

During the period, the Company received a conversion notice from Tamar Investments in respect of conversion of the Convertible Note issued by the Company. As a result of the conversion, the Company has issued and allotted a total 1,710,526,310 conversion shares on 10 October 2014.

The carrying values of the derivative component, liability component and equity component of the Convertible Note are as follows:

	Redemption option	Liability component	Equity component	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net carrying amounts at				
30 June 2013 and 1 July 2013	7	(9,874)	(116,034)	(125,901)
Imputed interest expenses	–	(326)	–	(326)
Repayment during the year	–	5,276	–	5,276
Fair value change	(7)	–	–	(7)
	<hr/>	<hr/>	<hr/>	<hr/>
Net carrying amounts at				
30 June 2014 and 1 July 2014	–	(4,924)	(116,034)	(120,958)
Imputed interest expenses	–	(71)	–	(71)
Repayment during the period	–	4,995	–	4,995
Conversion to share capital	–	–	116,034	116,034
	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 December 2014	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

19. LOAN FROM A CONTROLLING SHAREHOLDER

	Unaudited At 31 December 2014 HK\$'000	Audited At 30 June 2014 HK\$'000
Current liabilities		
Loan from a controlling shareholder	—	—
Non-current liabilities		
Loan from a controlling shareholder	153,040	95,037

As at 31 December 2014, loans in the total amount of HK\$148,000,000 are advanced from Dr. Chan Sing Chuk, Charles (“Dr. Chan”). The loans are unsecured, interest-bearing at 1.5% per annum. The loans in the principle amount of HK\$90,000,000, HK\$50,000,000 and HK\$8,000,000 are repayable on 30 September 2017, 5 October 2017 and 30 October 2017 respectively.

Another loan of RMB4,000,000 (equivalent to approximately HK\$5,040,000) is also advanced from Dr. Chan and is unsecured, interest-free and due for repayment on 25 October 2017.

20. SHARE CAPITAL

	Number of ordinary shares	Total HK\$'000
Issued and fully paid:		
At 30 June 2014	5,110,656,270	442,555
Shares issued upon conversion of convertible note (<i>Note (a)</i>)	1,710,526,310	116,034
Shares issued upon exercise of share options (<i>Note (b)</i>)	7,000,000	1,459
At 31 December 2014	6,828,182,580	560,048

Notes:

- (a) On 9 October 2014, Tamar Investments has given written notice to the Company to exercise the conversion rights of the Convertible Note. As such, the Company has issued 1,710,526,310 conversion shares on 10 October 2014.
- (b) During the period, a total of 7,000,000 shares were issued to a director of the Company pursuant to the exercise of share options under the 2010 share option scheme of the Company (the “Scheme”). Details of movement are set out in note 21.

21. SHARE OPTIONS

Details of the outstanding share options under the Scheme held by the directors of the Company during the period ended 31 December 2014 are as follows:

Date of grant (dd/mm/yyyy)	Exercisable period	Exercise price per share HK\$	At the beginning of the period	Number of share options		
				Grant during the period	Exercise during the period	At the end of the period
19/06/2014	19/06/2014 – 18/06/2024	0.138	30,000,000	–	(7,000,000)	23,000,000
25/07/2014	25/07/2014 – 24/07/2024	0.121	–	10,000,000	–	10,000,000
			<u>30,000,000</u>	<u>10,000,000</u>	<u>(7,000,000)</u>	<u>33,000,000</u>

During the period ended 31 December 2014, 7,000,000 share options were exercised pursuant to the Scheme.

Weighted average exercise price of outstanding share options is HK\$0.133 (2014: HK\$0.138) and the weighted average remaining contractual life of outstanding share options is 9.5 years.

On 25 July 2014, the Company granted 10,000,000 share options to a director, with exercise price of HK\$0.121 per share under the Scheme. The closing share price immediately preceding the date of grant was HK\$0.12.

The following table lists the key inputs to the Binomial Option Pricing Model, which is valued by an independent professional valuer, LCH, used for calculating the fair value of the share options granted during the period ended 31 December 2014:

Date of grant	25 July 2014
Share price	HK\$0.12
Exercise price	HK\$0.121
Annualised volatility	61%
Expected life of the share options	10 years
Risk-free rate	1.97%
Expected dividend yield	0%

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The following table gives information about how the fair values of these financial assets 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, 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).

	Group			
	Level 1	Level 2	Level 3	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 31 December 2014				
Available-for-sale financial assets				
– Equity securities listed in Hong Kong	14,087	–	–	14,087
– Equity securities listed in overseas	5,467	–	–	5,467
Listed securities held for trading:				
– Equity securities listed in Hong Kong	16,472	–	–	16,472
	<u>36,026</u>	<u>–</u>	<u>–</u>	<u>36,026</u>

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

	Group			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
As at 30 June 2014				
Available-for-sale financial assets				
– Equity securities listed in Hong Kong	13,444	–	–	13,444
– Equity securities listed in overseas	10,619	–	–	10,619
Listed securities held for trading:				
– Equity securities listed in Hong Kong	14,309	–	–	14,309
	<u>38,372</u>	<u>–</u>	<u>–</u>	<u>38,372</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 2014: Nil).

23. CAPITAL COMMITMENTS

	Unaudited At 31 December 2014 HK\$'000	Audited At 30 June 2014 HK\$'000
Contracted but not provided for:		
Property, plant and equipment	763	2,402
Properties under future development expenditure and related cost	54,839	–
Properties under development classified as investment property	28,513	103,227
Properties under development classified under investment property undertaken by joint ventures attributable to the Group	69,488	160,208
	<u>153,603</u>	<u>265,837</u>

24. OPERATING LEASE COMMITMENTS

As lessee

The Group leases certain shops, office properties and staff quarters under operating lease arrangements. Leases (including contingent rental) are negotiated at fixed rate or with reference to level of business and terms ranging from one to three years. At 31 December 2014, the Group had total future aggregate minimum lease payments under non-cancellable operating leases falling were due as follows:

	Unaudited At 31 December 2014 HK\$'000	Audited At 30 June 2014 HK\$'000
Within one year	3,793	3,535
In the second to fifth years, inclusive	2,976	4,401
	<u>6,769</u>	<u>7,936</u>

25. 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 2014, imputed interest expenses of HK\$71,000 (2013: HK\$161,000) were incurred and payable to Tamar Investments, which is beneficially owned by Dr. Chan, in relation to the convertible note issuance for the acquisition of Big Bonus Group.
- (b) During the six months ended 31 December 2014, imputed interest expenses of HK\$2,600,000 (2013: HK\$2,853,000) were incurred to a related company of which Dr. Chan is a director and key management personnel.
- (c) During the six months ended 31 December 2014, interest expenses of HK\$862,000 (2013: HK\$720,000) were payable to Dr. Chan in relation to the loan from a controlling shareholder.
- (d) 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 2014 HK\$'000	2013 HK\$'000
Short term employee benefits	6,759	6,621
Post-employment benefits	247	239
	<u>7,006</u>	<u>6,860</u>

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

The Group consolidated revenue for the six months ended 31 December 2014 recorded a decline of approximately 8.5% from last interim period of HK\$445,537,000 to HK\$407,842,000. During the period under review, profit attributable to equity owners of the Company was HK\$346,836,000, as compared to the last interim loss of HK\$3,936,000. The substantial profit was mainly due to unrealised fair value gain on the investment property amounted to HK\$334,493,000 (2013: HK\$ Nil). Basic earnings per share was HK5.89 cents for the six months ended 31 December 2014 (2013: Basic loss per share of HK0.077 cent).

BUSINESS REVIEW AND PROSPECTS

In the period under review, the Group's revenue on trading of fine jewellery and diamond business recorded a decrease of approximately HK\$39,846,000 or 9% from HK\$438,552,000 for the six months ended 31 December 2013 to HK\$398,706,000 for the corresponding period in 2014. Such decrease was mainly resulted from a drop in our diamond polishing business. Meanwhile, for jewellery export, sales remained the same as previous year despite the continued weak market condition. The overall global markets were challenging, but our Group has strengthened our relationships with key customers, and secured more core programs and collections last year. In 2015, we foresee the USA markets will slowly pick up while Europe will remain weak. For China, we believe market will remain soft, in the coming year, the Group intends to cautiously explore retailing opportunities in Mainland China. We hope that by diversifying geographically, it will enable our Group to maintain stable growth in the jewellery segment in the future.

As for property investment, the Group is maintaining two development projects in Hong Kong and the PRC. In Hong Kong, the project is located at No. 236-242 Des Voeux Road Central and the foundation work has been completed. Following which is the construction of the superstructure. About 40% of the reinforcement concrete frame of the superstructure has now been completed. The project occupies a site area of approximately 302 sq.m., which will be developed into 29-storey high commercial, shop and retail premises with a gross floor area of approximately 4,523 sq.m. The completion is expected in the mid year of 2016. The Group's original intention was to develop the property for the rental income for long term investment purposes. In view of the booming property market, the Board considers it appropriate to lease out a portion of the property and sell a portion of the property. In this connection, a pre-sale press briefing was held on 26 November 2014. Market response was positive and formal sale and purchase agreements have been signed for three floors at an aggregate consideration of HK\$133,500,000 during the reporting period. The Board believes that the proceeds of the sales can be better utilised by the Group which will positively strengthen the liquidity of the Group.

In the PRC, the Group has a 50% interest through a joint venture holding two parcels of land with a total area of approximately 18,101 sq.m. and total gross floor area of approximately 98,881 sq.m. in Yangpu District of Shanghai (上海楊浦區) in the PRC. The land parcels have been developed into an eleven-floored shopping mall with over 500 parking spaces. The superstructure of the property – “**Bauhinia Square**” is completed and the interior decoration is targeted to be completed in the first half of 2015. Leasing activities are actively underway and we foresee selective tenants moving in mid 2015 and soft opening by the end of the year.

In mining, although the trial production in the Hongzhuang Gold Mine has been continuing, the pace has slowed down due to reducing residue ore volume recovered from the old shafts. Based on the results of the initial explorative drilling works from the last quarter of 2013, follow up enhanced drilling program has commenced in the second half of 2014. Further exploration to delineate the ore body, increase the geological confidence and feasibility studies will continue. Moreover, the decline of the gold price had impacted the financial performance of the mining sector, resulting in a loss recorded.

PROSPECTS

In the long run, the Group is still confident in growing on the jewellery business while the global financial environment is becoming stabilized. We expect the consumers will gradually regain their confidence and will eventually boost the jewellery consumption. Going forward, the management will continue to explore more growth opportunities for the Group. Meanwhile, we anticipate both property projects will start generating income for the Group in the coming year.

IMPAIRMENT LOSS OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

At 31 December 2014, the Group held an equity interest in Macarthur Minerals Limited (“MMS”), MMS is an Australian company listed on the Toronto Stock Exchange in Canada. The Group holds the interest in MMS as for long term investment and accounted for as a non-current asset “available-for-sale financial assets”.

During the reporting period, the fair value of MMS was determined to be impaired on the basis of significant and prolonged decline in its fair value below cost. Accordingly, impairment loss of HK\$4,834,000 (31 December 2013: HK\$2,077,000) was recognized in the consolidated statement of profit or loss and other comprehensive income. The impairment loss was considered to be an exceptional item and did not have any effect on the Group’s cash flows.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2014 (2013: HK\$Nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, the Group had a gearing ratio of 0.22 (30 June 2014: 0.22), which is calculated on net debt divided by total equity plus net debt. Net debt is calculated as the sum of bank borrowings and other borrowings less cash and cash equivalents. Total cash and cash equivalents were HK\$52,358,000 (30 June 2014: HK\$78,124,000) which were mainly denominated in Hong Kong Dollar, US Dollar and British Pound. Bank loans were HK\$449,568,000 (30 June 2014: HK\$411,126,000), which were mainly denominated in Hong Kong Dollar and Renminbi. Other borrowings in respect of amount due to related companies and loan from a controlling shareholder were approximately of HK\$235,518,000 (30 June 2014: HK\$179,065,000). The bank loans are secured by first legal charges over the Group's investment property, property under development, certain leasehold land and buildings, land use right and guaranteed by corporate guarantees executed by the Company.

PLEDGE OF ASSETS

As at 31 December 2014, the Group's investment property, property under development, certain leasehold land and buildings and land use right with an aggregate net carrying value of HK\$958,447,000 (30 June 2014: HK\$600,579,000) were pledged to certain banks to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

The Company has provided guarantees amounting to HK\$581,500,000 (30 June 2014: HK\$577,500,000) with respect to bank loans to its subsidiaries. Under the guarantees, the Company would be liable to pay the banks if the banks are unable to recover the loans. At the reporting date, no provision for the Company's obligation under the guarantee contract has been made as the directors considered that it was unlikely the repayment of the loans would be in default. Guarantees to the extent of RMB335,000,000 (equivalent to approximately HK\$422,066,500) (30 June 2014: HK\$295,912,000) was given by the Company in favour of a bank in respect of the term loan facilities granted to a subsidiary of a joint venture of the Company.

CAPITAL STRUCTURE

On 10 October 2014, the Company issued and allotted a total of 1,710,526,310 conversion shares to Tamar Investments upon conversion of convertible note into shares.

As at 31 December 2014, 40,000,000 share options were granted by the Company under its share option scheme to eligible persons (the "Grantee") to subscribe for the ordinary shares of the Company. As at the date of this report, 7,000,000 share options were exercised. Details of the share option scheme were disclosed in the Company's circular dated 25 June 2010.

Due to the conversion of convertible note and issue of shares upon exercise of share options, the number of issued shares and total share capital of the Company has increased from 5,110,656,270 to 6,828,182,580 and HK\$442,555,000 to HK\$560,048,000 respectively during the reporting period.

NOTIFIABLE TRANSACTIONS

1. FACILITY AGREEMENT WITH A JOINT VENTURE

On 28 August 2014, Master Gold Development Limited (“Master Gold”), a wholly-owned subsidiary of the Company, as the lender entered into a facility agreement with Wealth Plus Developments Limited (“Wealth Plus”), a joint venture of the Company as the borrower, for providing a facility in the amount of HK\$78,000,000. The facility will be used as working capital for the development of “Bauhinia Square” in Shanghai. The details of the facility agreement were set out in the announcement of the Company dated 28 August 2014.

2. PROVISION OF GUARANTEE IN FAVOUR OF A BANK

On 30 October 2014, the Company, as guarantor, entered into a new guarantee agreement to guarantee up to 50% of an additional term loan facility granted by a bank to a subsidiary of a joint venture of the Company (“JV Subsidiary”).

The JV Subsidiary entered into a supplemental facility agreement (the “Supplemental Facility Agreement”) with a bank to provide an additional RMB200,000,000 facility (“New Facility”) to an existing term loan facility of RMB470,000,000. As a result, the Company was required to provide additional guarantee of RMB100,000,000 (equivalent to approximately HK\$126,000,000), representing up to 50% of the new facility, to secure for the due and punctual performance of all obligations of the JV subsidiary under the Supplemental Facility Agreement. The details of the provision of guarantee were set out in the announcement of the Company dated 30 October 2014.

ADVANCE FROM A CONTROLLING SHAREHOLDER

As at 31 December 2014, loans in the total amount of HK\$153,040,000 were advanced from Dr. Chan Sing Chuk, Charles (“Dr. Chan”). Further details were set out in note 18 to the condensed consolidated interim financial statements.

DISPOSAL OF ASSET

On 28 July 2014, Continental Jewellery (Mfg.) Limited, a wholly owned subsidiary of the Company, had entered into a sale and purchase agreement for the disposal of a property at Unit P, 2/F, Kaiser Estate Phase 3, 11 Hok Yuen Street, Hunghom, Kowloon, Hong Kong at a consideration of HK\$28,888,000. The transaction was completed on 29 August 2014 and gain on disposal amounted to approximately HK\$28,254,000.

EVENTS AFTER THE REPORTING PERIOD

Investment in a company engaged in diamond related business

On 15 January 2015, a subsidiary of the Company entered into a subscription agreement to subscribe for 55,556 shares in the equity interest of a target company (“Target Company”) representing approximately 5% of the issued share capital of the Target Company at a consideration of US\$1,000,000 (equivalent to approximately to HK\$7,754,000). The Target Company is mainly engaged in hardware and software technologies relating to diamonds, diamond packaging and diamond marketing developed business.

NUMBER OF EMPLOYEES, REMUNERATION POLICIES AND SHARE OPTION SCHEMES

As at 31 December 2014, the Group employed a total of approximately 1,076 employees (30 June 2014: 1,035) with the majority in the PRC. The Group’s remuneration to its employees is largely based on common industrial practice. The Company has adopted a share option scheme on 13 July 2010, under which the Company may grant options to eligible persons including directors and employees.

On 25 July 2014, the Company granted 10,000,000 share options to Mr. Wong Edward Gwon-hing, an executive director of the Company, at an exercise price of HK\$0.121 per share.

As at 31 December 2014, 40,000,000 share options have been granted to certain directors of the Company at an exercise price of HK\$0.138 or HK\$0.121 per share subject to the terms of the Company’s share option scheme. 7,000,000 share options have been exercised since the grant of the share options. Details of movement of the share options are set out below:

Name of Grantee	Date of Grant (dd/mm/yyyy)	Exercisable period	Exercise Price per Share (HK\$)	Number of share options			Balance as at 31 December 2014
				Balance as at 1 July 2014	Granted during the period	Exercise during the period	
Mr. Chan Wai Lap, Victor	19/06/2014	19/06/2014 – 18/06/2024	0.138	10,000,000	–	–	10,000,000
Ms. Chan Wai Kei, Vicki	19/06/2014	19/06/2014 – 18/06/2024	0.138	10,000,000	–	–	10,000,000
Mr. Yam Tat Wing	19/06/2014	19/06/2014 – 18/06/2024	0.138	10,000,000	–	(7,000,000)	3,000,000
Mr. Wong Edward Gwon-hing	25/07/2014	25/07/2014 – 24/07/2024	0.121	–	10,000,000	–	10,000,000
				<u>30,000,000</u>	<u>10,000,000</u>	<u>(7,000,000)</u>	<u>33,000,000</u>

The closing prices of the shares immediately before 19 June 2014 and 25 July 2014, being the date of grant of the above options during the period were HK\$0.138 and HK\$0.120 respectively.

The fair value of the options granted during the period under review was priced according to Binomial option pricing model and was shown in note 21 to the condensed consolidated interim financial statements on page 21.

Save as disclosed above, no other options under the Scheme were outstanding at the beginning or at the end of the period ended 31 December 2014 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 is 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. The risk of foreign exchange fluctuations is minimal. During the period, the Group made use of the foreign exchange forward contracts 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 exposure and will take appropriate action when necessary. During the six months ended 31 December 2014, the Group has entered into certain foreign exchange forward contracts.

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 2014.

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

As at 31 December 2014, 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:

Name of directors	Number of ordinary shares of the Company					Percentage of the Company's issued share capital
	Personal interest	Corporate interest	Family interest	Underlying interest	Total	
Chan Sing Chuk, Charles	-	5,063,395,220 <i>(Note 1)</i>	-	-	5,063,395,220	74.15%
Cheng Siu Yin, Shirley	-	5,063,395,220 <i>(Note 1)</i>	-	-	5,063,395,220	74.15%
Chan Ping Kuen, Derek	200,000	-	-	-	200,000	0.003%
Chan Wai Lap, Victor	2,700,000	-	-	10,000,000 <i>(Note 2)</i>	12,700,000	0.19%
Chan Wai Kei, Vicki	-	-	-	10,000,000 <i>(Note 2)</i>	10,000,000	0.15%
Yam Tat Wing	4,800,000	-	250,000 <i>(Note 3)</i>	3,000,000 <i>(Note 2)</i>	8,050,000	0.12%
Wong Edward Gwon-hing	-	-	-	10,000,000 <i>(Note 2)</i>	10,000,000	0.15%

Notes:

- Such interests are held by Tamar Investments, which is a company wholly owned by Dr. Chan and Ms. Cheng Siu Yin, Shirley.
- These interests represented the interests in underlying shares of the Company in respect of share options granted to the directors.
- The 250,000 shares were held by Ms. Chan Siu Ying, Agnes, who is the spouse of Mr. Yam Tat Wing, an executive director of the Company.

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 2014, no person, other than Dr. Chan and Ms. Cheng Siu Yin, Shirley, 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.

CONTINUING DISCLOSURE REQUIREMENTS UNDER 13.20 AND 13.22 OF THE LISTING RULES IN RELATION TO FINANCIAL ASSISTANCE TO AFFILIATED COMPANIES

Based on the disclosure obligations under Rules 13.20 and 13.22 of the Listing Rules, the financial assistance, which was made by the Group, continued to exist as at 31 December 2014. The financial assistance, in aggregate, represent approximately 28.5% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules.

The amounts of the financial assistance as at 31 December 2014 were set out below:

Name of the entities	Attributable interest held by the Group	Shareholder’s loan or Advances HK\$	Corporate Guarantee HK\$	Aggregate Financial Assistance HK\$
Wealth Plus Developments Limited (“Wealth Plus”) and its subsidiary	50%	530,200,000 (Note 1)	422,066,500 (Note 2)	952,266,500

Notes:

1. The shareholder’s loan or advances had been granted as working capital for the development of the construction site located in Yangpu District, of Shanghai in the PRC. The outstanding shareholder’s loan or advances is interest free, unsecured and has no fixed repayment term.
2. Total guarantees to the extent of RMB335,000,000 (equivalent to approximately HK\$422,066,500) was given by the Company in favour of a bank in respect of a term loan facility granted to a subsidiary of Wealth Plus. The guarantee period last for five years from the date of the drawdown.

In accordance with the requirement under Rule 13.22 of the Listing Rules, the combined unaudited statement of financial position of the joint venture and the Group's attributable interests in these affiliated companies based on their latest financial statements available are presented below:

	Combined unaudited statement of financial position <i>HK\$'000</i>	Group's attributable interest <i>HK\$'000</i>
Non-current assets	2,094,219	1,047,110
Current assets	199,133	99,567
Current liabilities	(148,659)	(74,330)
Non-current liabilities	(1,787,794)	(893,897)
	<hr/>	<hr/>
Net assets	356,899	178,450
	<hr/> <hr/>	<hr/> <hr/>

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 2014 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 should be separate and should not be performed by the same individual. The Company does not have a separate chairman and chief executive and Dr. Chan currently holds both positions. The Board believes that vesting the roles of chairman and chief executive in the same person provides the Group with strong and consistent leadership in the development and execution of long-term strategies.

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. The non-executive director and independent non-executive directors of the Company do not have a specific term of appointment but are subject to retirement by rotation and re-election at the Company's Annual General Meeting 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 subject to retirement by rotation at least once in every three years and re-election.

3. Code Provision A.4.3

Under Code Provision A.4.3, if an independent non-executive director serves more than nine years, his further appointment should be subject to a separate resolution to be approved by shareholders of the Company.

Mr. Yu Shiu Tin, Paul, has served as an independent non-executive director for more than nine years since 25 April 2005. In accordance with the Articles of Association of the Company, Mr. Yu retired from office by rotation at the 2014 Annual General Meeting (the “2014 AGM”) and offered himself for re-election at the 2014 AGM. An ordinary resolution was passed at the 2014 AGM to approve the appointment of Mr. Yu as an independent non-executive director of the Company.

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 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 2014.

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 and internal control process of the Group and has reviewed the unaudited consolidated interim financial statements for the six months ended 31 December 2014. The Audit Committee has approved the unaudited consolidated interim financial statements.

On behalf of the Board
Continental Holdings Limited
Chan Sing Chuk, Charles
Chairman

Hong Kong, 27 February 2015