



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

INTERIM REPORT 2016
二零一六年中期報告

(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 2015 together with the comparative figures for the corresponding period in 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Unaudited	
		Six months ended	
		31 December	
		2015	2014
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	308,268	407,842
Cost of sales		(256,241)	(353,133)
		<hr/>	<hr/>
Gross profit		52,027	54,709
Selling and distribution costs		(6,792)	(10,142)
Administrative expenses		(48,440)	(49,588)
Other operating income		464	372
Change in fair value of investment property		–	334,493
Gain on disposal of property		–	28,255
Impairment loss on available-for-sale financial assets		(457)	(4,834)
Change in fair value of financial assets at fair value through profit or loss		(1,653)	2,163
Income arising from amortising the financial guarantee liabilities		1,543	1,341
Share-based compensation		(2,390)	(470)
Finance costs	5	(7,837)	(6,716)
Share of results of joint ventures		(3,804)	(3,018)
		<hr/>	<hr/>
(Loss)/Profit before income tax	6	(17,339)	346,565
Income tax credit	7	212	212
		<hr/>	<hr/>
(Loss)/Profit for the period		(17,127)	346,777
		<hr/>	<hr/>
Other comprehensive income for the period, net of tax			
Items that may be subsequently reclassified to profit or loss:			
Change in fair value of available-for-sale financial assets, net		(912)	(4,509)
Reclassification from equity to profit or loss on impairment of available-for-sale financial assets		457	4,834
Exchange differences on translation of foreign operations, associates and joint ventures		(82,362)	5,525
		<hr/>	<hr/>
Other comprehensive income for the period, net of tax		(82,817)	5,850
		<hr/>	<hr/>
Total comprehensive income for the period		(99,944)	352,627
		<hr/> <hr/>	<hr/> <hr/>

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

		Unaudited	
		Six months ended	
		31 December	
		2015	2014
	<i>Notes</i>	HK\$'000	HK\$'000
(Loss)/Profit for the period attributable to:			
Owners of the Company		(17,250)	346,836
Non-controlling interests		123	(59)
		<u>(17,127)</u>	<u>346,777</u>
Total comprehensive income for the period attributable to:			
Owners of the Company		(100,067)	352,686
Non-controlling interests		123	(59)
		<u>(99,944)</u>	<u>352,627</u>
(Loss)/Earnings per share for (loss)/profit attributable to the owners of the Company during the period			
– Basic	9	<u>HK(0.25) cents</u>	<u>HK5.89 cents</u>
– Diluted		<u>HK(0.25) cents</u>	<u>HK5.45 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited At 31 December 2015	Audited At 30 June 2015
Notes		HK\$'000	HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
		98,382	104,255
		36,089	38,784
	10	458,258	446,040
	11	709,137	751,427
		–	–
	12	813,772	748,386
		20,138	21,052
		5,932	5,932
		2,141,708	2,115,876
		2,141,708	2,115,876
Current assets			
	13	569,994	546,497
		209,156	218,483
	14	113,924	116,380
		21,736	38,431
		4,373	6,026
		111	–
		157	155
		59,584	55,641
		979,035	981,613
		979,035	981,613
Current liabilities			
	15	(127,011)	(140,397)
		(75,942)	(68,797)
	16	(524,053)	(468,634)
		(369)	(359)
	17	(92,925)	(3,099)
		–	(16)
		(3,086)	(3,086)
		(3,428)	(4,762)
		(826,814)	(689,150)
		(826,814)	(689,150)
Net current assets		152,221	292,463
		152,221	292,463
Total assets less current liabilities		2,293,929	2,408,339

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

		Unaudited	Audited
		At 31 December	At 30 June
		2015	2015
<i>Notes</i>		HK\$'000	HK\$'000
Non-current liabilities			
		(883)	(1,070)
Obligation under finance leases			
Due to related companies	<i>17</i>	(83,165)	(82,161)
Financial guarantee liabilities		(2,572)	(4,115)
Loan from a controlling shareholder	<i>18</i>	(146,276)	(153,060)
Deferred tax liabilities		(160,516)	(169,862)
		<u>(393,412)</u>	<u>(410,268)</u>
Net assets		<u>1,900,517</u>	<u>1,998,071</u>
EQUITY			
Share capital	<i>19</i>	560,673	560,673
Reserves		1,345,851	1,443,528
		<u>1,906,524</u>	<u>2,004,201</u>
Equity attributable to the owners of the Company		(6,007)	(6,130)
Non-controlling interests		<u>1,900,517</u>	<u>1,998,071</u>
Total equity		<u>1,900,517</u>	<u>1,998,071</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended	
	31 December	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	13,396	8,583
Net cash used in investing activities	(147,650)	(125,412)
Net cash generated from financing activities	138,816	98,066
Increase/(Decrease) in cash and cash equivalents	4,562	(18,763)
Cash and cash equivalents at 1 July	55,641	78,124
Effect of foreign exchange rate changes, net	(619)	(7,003)
Cash and cash equivalents at 31 December	59,584	52,358
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	59,584	52,358

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	Capital contribution reserve	Convertible note equity reserve	Exchange fluctuation reserve	Investment revaluation reserve	Retained profits	Total	Non-controlling interests	Total equity
	<i>HKS' 000</i>	<i>HKS' 000</i>	<i>HKS' 000</i>	<i>HKS' 000</i>	<i>HKS' 000</i>	<i>HKS' 000</i>	<i>HKS' 000</i>	<i>HKS' 000</i>	<i>HKS' 000</i>	<i>HKS' 000</i>	<i>HKS' 000</i>	<i>HKS' 000</i>
Balance at 30 June 2015 and 1 July 2015	560,673	1,879	273,606	(5,397)	20,935	-	88,872	4,785	1,058,848	2,004,201	(6,130)	1,998,071
Recognition of share-based compensation	-	2,390	-	-	-	-	-	-	-	2,390	-	2,390
Transactions with owners	560,673	4,269	273,606	(5,397)	20,935	-	88,872	4,785	1,058,848	2,006,591	(6,130)	2,000,461
Loss for the period	-	-	-	-	-	-	-	-	(17,250)	(17,250)	123	(17,127)
Other comprehensive income:												
Change in fair value of available-for-sale financial assets, net	-	-	-	-	-	-	-	(912)	-	(912)	-	(912)
Reclassification from equity to profit or loss on impairment of available-for-sale financial assets	-	-	-	-	-	-	-	457	-	457	-	457
Exchange differences on translation of foreign operations, associates and joint ventures	-	-	-	-	-	-	(82,362)	-	-	(82,362)	-	(82,362)
Total comprehensive income	-	-	-	-	-	-	(82,362)	(455)	(17,250)	(100,067)	123	(99,944)
Balance at 31 December 2015	560,673	4,269	273,606	(5,397)	20,935	-	6,510	4,330	1,041,598	1,906,524	(6,007)	1,900,517
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	116,034	-	-	-	-	(116,034)	-	-	-	-	-	-
Shares issued upon conversion of share options	1,459	(493)	-	-	-	-	-	-	966	-	-	966
Recognition of share-based compensation	-	470	-	-	-	-	-	-	470	-	-	470
Transactions 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:												
Change in fair value of 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
Exchange differences on translation of foreign operations, associates and joint ventures	-	-	-	-	-	-	5,325	-	-	5,325	-	5,325
Total comprehensive income	-	-	-	-	-	-	5,325	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

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”).

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 2015.

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 2015. 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 Hong Kong Financial Reporting Standards (“HKFRSs”).

The financial information relating to the year ended 30 June 2015 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 2015 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

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

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 January 2016

² Effective for annual periods beginning on or after 1 January 2018

³ No mandatory effective date yet determined but is available for early adoption

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 (2014: four) business lines as operating segments.

Certain comparative figures on the measurement of the segment results have been restated to conform to the current period's presentation.

3. SEGMENT INFORMATION (CONTINUED)

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	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	
	(restated)		(restated)		(restated)				(restated)	
Segment Revenue:										
Sales to/revenue from external parties	<u>308,129</u>	398,706	–	–	–	8,877	139	259	<u>308,268</u>	<u>407,842</u>
Segment results	<u>8,984</u>	36,097	<u>(2,671)</u>	331,482	<u>(8,597)</u>	(9,589)	<u>(2,164)</u>	(2,607)	<u>(4,448)</u>	355,383
Share-based compensation									(2,390)	(470)
Unallocated expenses									(1,304)	(850)
Income arising from amortising the financial guarantee liabilities									1,543	1,341
Finance costs									(6,936)	(5,821)
Share of results of joint ventures									<u>(3,804)</u>	<u>(3,018)</u>
(Loss)/Profit before income tax									<u>(17,339)</u>	<u>346,565</u>

4. REVENUE

Revenue 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	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Sale of goods	308,129	398,706
Sale of gold ores	–	8,877
Dividend income from investments	139	259
	<u>308,268</u>	<u>407,842</u>

5. FINANCE COSTS

	Unaudited Six months ended 31 December	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest charges on:		
Bank loans	5,984	5,429
Interest expenses on loan from a related company	608	–
Interest expenses on loan from a controlling shareholder	1,082	862
Finance charges on obligation under finance leases	33	16
Imputed interest expenses arising from amounts due to related companies	2,729	2,600
Imputed interest expenses on convertible notes	–	71
	<u>10,436</u>	<u>8,978</u>
Total borrowing costs	10,436	8,978
Less: bank loan interest capitalised in investment property and property under development	(2,599)	(2,262)
	<u>7,837</u>	<u>6,716</u>

6. (LOSS)/PROFIT BEFORE INCOME TAX

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

	Unaudited Six months ended 31 December	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Cost of inventories sold	256,241	353,133
Depreciation of property, plant and equipment	3,932	3,726
Amortisation of land use rights	702	733
Amortisation of mining right	–	893
Minimum lease payments under operating leases on land and buildings	3,117	2,940
Provision for trade receivables	811	1,100
Net foreign exchange loss	517	2,065
Fair value gain on derivative financial instruments		
– forward currency contracts	(189)	(75)
Written off of property, plant and equipment	120	–
Gain on disposal of property, plant and equipment	–	(84)
	<u> </u>	<u> </u>

7. INCOME TAX CREDIT

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

	Unaudited Six months ended 31 December	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current tax		
– Hong Kong	–	337
– People's Republic of China	(218)	366
	<u> </u>	<u> </u>
	(218)	703
Over-provision in prior years		
– Hong Kong	(206)	(669)
	<u> </u>	<u> </u>
	(206)	(669)
Deferred tax – current period	212	(246)
	<u> </u>	<u> </u>
	(212)	(212)
	<u> </u>	<u> </u>

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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 2015 (2014: Nil).

9. (LOSS)/EARNINGS PER SHARE

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

	Unaudited Six months ended 31 December	
	2015	2014
	HK\$'000	HK\$'000
(Loss)/Profit attributable to the owners of the Company	(17,250)	346,836
Imputed interest expenses on convertible note	–	71
	<hr/>	<hr/>
(Loss)/Profit attributable to owners of the Company before imputed interest expenses on convertible note	(17,250)	346,907
	<hr/> <hr/>	<hr/> <hr/>
	2015	2014
	Number of shares	
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	6,831,182,580	5,884,002,377
Effect of dilutive potential ordinary shares in respect of convertible note	–	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 (loss)/earnings per share	6,831,182,580	6,360,961,191
	<hr/> <hr/>	<hr/> <hr/>

The calculation of basic loss per share is based on the loss of HK\$17,250,000 attributable to the owners of the Company for the six months ended 31 December 2015 (2014: Profit of HK\$346,836,000) and on the weighted average of 6,831,182,580 (2014: 5,884,002,377) ordinary shares in issue during the period.

For the six months ended 31 December 2015, the outstanding share options of the Company has not been included in the computation of diluted loss per share, as the effect of exercise of the Company's outstanding share options is anti-dilutive. Therefore, the basic and diluted loss per share calculations are equal.

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

For the six months ended 31 December 2014, 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.

10. INVESTMENT PROPERTY

	Unaudited At 31 December 2015 HK\$'000	Audited At 30 June 2015 HK\$'000
Carrying amount as at 1 July 2015	446,040	581,000
Additions	11,329	35,699
Bank loan interest capitalised	889	2,587
Net gain from fair value adjustments	–	333,454
Transfer to property under development (Note 13)	–	(506,700)
	<u>458,258</u>	<u>446,040</u>
Closing carrying amount	<u>458,258</u>	<u>446,040</u>

11. MINING RIGHT

	Unaudited At 31 December 2015 HK\$'000	Audited At 30 June 2015 HK\$'000
Opening net carrying amount	751,427	1,052,432
Amortisation charge for the period	–	(1,229)
Provision of impairment for the period	–	(304,707)
Exchange realignment	(42,290)	4,931
	<u>709,137</u>	<u>751,427</u>
Closing net carrying amount	<u>709,137</u>	<u>751,427</u>
Gross carrying amount	999,799	1,059,424
Accumulated amortisation and impairment	(290,662)	(307,997)
	<u>709,137</u>	<u>751,427</u>
Net carrying amount	<u>709,137</u>	<u>751,427</u>

Mining right is stated at cost less accumulated amortisation and any impairment losses and are amortised on the units-of-production method based on the total proven and probable mineral reserves of the ore mines. For the six months ended 31 December 2015, no amortisation was provided by the Group in relation to the mining right (30 June 2015: HK\$1,229,000).

12. INTERESTS IN JOINT VENTURES

	Unaudited At 31 December 2015 <i>HK\$'000</i>	Audited At 30 June 2015 <i>HK\$'000</i>
Share of net assets	158,701	203,965
Deemed capital contribution to a joint venture [#]	14,221	14,221
Loans to a joint venture	640,850	530,200
	<u>813,772</u>	<u>748,386</u>

The loans to a joint venture are unsecured, interest-free and have no fixed repayment terms.

[#] The balance represented the deemed capital contribution to a wholly-owned subsidiary of a joint venture, representing the fair value of the financial guarantee contract provided by the Company to a bank for the banking facility entered by that company.

13. PROPERTY UNDER DEVELOPMENT

	Unaudited At 31 December 2015 <i>HK\$'000</i>	Audited At 30 June 2015 <i>HK\$'000</i>
Carrying amount as at 1 July 2015	546,497	–
Transfer from investment property (<i>Note 10</i>)	–	506,700
Additions	21,787	37,747
Bank loan interest capitalised	1,710	2,050
	<u>569,994</u>	<u>546,497</u>

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 2015	<u>21,309</u>	<u>36,833</u>	<u>17,049</u>	<u>38,733</u>	<u>113,924</u>
Audited balance at 30 June 2015	<u>45,901</u>	<u>27,905</u>	<u>14,330</u>	<u>28,244</u>	<u>116,380</u>

15. TRADE PAYABLES

An ageing analysis of the trade payables at the reporting date 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 2015	<u>41,792</u>	<u>24,720</u>	<u>21,794</u>	<u>38,705</u>	<u>127,011</u>
Audited balance at 30 June 2015	<u>62,313</u>	<u>29,121</u>	<u>13,978</u>	<u>34,985</u>	<u>140,397</u>

16. BANK LOANS

At 31 December 2015, the Group's bank loans are as follows:

	Unaudited 31 December 2015 HK\$'000	Audited 30 June 2015 HK\$'000
Portion of loans from banks due for repayment within one year		
– Guaranteed	58,853	59,388
– Secured and guaranteed	465,200	408,098
	524,053	467,486
Portion of loans from banks due for repayment after one year which contain a repayable on demand clause		
– Guaranteed	–	1,148
	–	1,148
	524,053	468,634
The repayment schedule of bank loans is as follows:		
– within one year	524,053	467,486
– in second year	–	1,148
	524,053	468,634

At 31 December 2015, 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 rights;
- (b) assignment of rental and sales proceeds over the investment property and property under development;
- (c) corporate guarantees executed by the Company; and
- (d) ordinary shares of an indirect wholly-owned subsidiary of the Company.

The bank loans of the Group denominated in Hong Kong Dollars of HK\$524,053,000 (30 June 2015: HK\$466,736,000) have floating interest rates ranging from 1.14% to 4.06% (30 June 2015: 1.24% to 3.93%) per annum. As at 31 December 2015, the Group has no Renminbi bank loan (30 June 2015: HK\$1,898,000 at 6.38% per annum).

17. DUE TO RELATED COMPANIES

	Unaudited 31 December 2015 HK\$'000	Audited 30 June 2015 HK\$'000
Current liabilities		
Due to related companies (<i>note (a)</i>)	<u><u>92,925</u></u>	<u><u>3,099</u></u>
Non-current liabilities		
Due to related companies (<i>note (b)</i>)	<u><u>83,165</u></u>	<u><u>82,161</u></u>

Notes:

- (a) The amounts due to related companies are unsecured and due for repayment within the next twelve months from the reporting date, of which an amount of HK\$30,000,000 and HK\$60,000,000 with interest bearing at 2.1% and 2.4% per annum respectively, an amount of HK\$2,925,000 (equivalent to RMB2,450,000) is interest free.
- (b) Amounts due to related companies are unsecured, interest-free and not repayable within the next twelve months from the reporting date. The carrying amount was calculated using a market interest rate of 6.15% and 7.17% per annum.

18. LOAN FROM A CONTROLLING SHAREHOLDER

	Unaudited At 31 December 2015 HK\$'000	Audited At 30 June 2015 HK\$'000
Loan from a controlling shareholder	<u><u>146,276</u></u>	<u><u>153,060</u></u>

As at 31 December 2015, loans in the total amount of HK\$141,500,000 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\$1,500,000 are repayable on 30 September 2017, 5 October 2017 and 31 October 2017 respectively.

Another loan of RMB4,000,000 (equivalent to HK\$4,776,000) is also advanced from Dr. Chan and is unsecured, interest-free and due for repayment on 25 October 2017.

19. SHARE CAPITAL

	Number of ordinary shares	Total HK\$'000
Issued and fully paid:		
At 30 June 2015 and 31 December 2015	<u>6,831,182,580</u>	<u>560,673</u>

There were no movements in share capital during the six months ended 31 December 2015.

20. SHARE OPTIONS

Details of the outstanding share options under the Share Option Scheme (the "Scheme") of the Company adopted on 13 July 2010 are as follows:

As at 31 December 2015

Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options			
			At the beginning of the period	Grant during the period	Exercise 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
07 July 2015	07 July 2015 to 06 July 2025	0.245	–	40,000,000	–	40,000,000
			<u>30,000,000</u>	<u>40,000,000</u>	<u>–</u>	<u>70,000,000</u>

As at 30 June 2015

19 June 2014	19 June 2014 to 18 June 2024	0.138	30,000,000	–	(10,000,000)	20,000,000
25 July 2014	25 July 2014 to 24 July 2024	0.121	–	10,000,000	–	10,000,000
			<u>30,000,000</u>	<u>10,000,000</u>	<u>(10,000,000)</u>	<u>30,000,000</u>

20. SHARE OPTIONS (CONTINUED)

No share options were exercised during the six months ended 31 December 2015 (2014: 7,000,000 share options were exercised).

Weighted average exercise price of outstanding share options is HK\$0.197 (30 June 2015: HK\$0.132) and the weighted average remaining contractual life of outstanding share options is 8.5 years (30 June 2015: 9 years).

On 7 July 2015, the Company granted 40,000,000 share options to certain directors, with exercise price of HK\$0.245 per share under the Scheme. The closing share price immediately preceding the date of grant was HK\$0.170.

The following table lists the key inputs to the Binomial Option Pricing Model, which is valued by an independent professional valuer, LCH (Asia-Pacific) Surveyors Limited, used for calculating the fair value of the share options granted during the period ended 31 December 2015:

Date of grant	7 July 2015
Share price	HK\$0.170
Exercise price	HK\$0.245
Annualised volatility	64%
Expected life of the share options	10 years
Risk-free rate	1.87%
Expected dividend yield	0%

21. 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 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).

21. 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 31 December 2015				
Available-for-sale financial assets				
– Equity securities listed in Hong Kong	7,532	–	–	7,532
– Equity securities listed in overseas	623	–	–	623
Listed securities held for trading:				
– Equity securities listed in Hong Kong	4,373	–	–	4,373
Derivative financial instruments	–	111	–	111
	<u>12,528</u>	<u>111</u>	<u>–</u>	<u>12,639</u>
	<i>Level 1 HK\$'000</i>	<i>Level 2 HK\$'000</i>	<i>Level 3 HK\$'000</i>	<i>Total HK\$'000</i>
As at 30 June 2015				
Available-for-sale financial assets				
– Equity securities listed in Hong Kong	8,062	–	–	8,062
– Equity securities listed in overseas	1,006	–	–	1,006
Listed securities held for trading:				
– Equity securities listed in Hong Kong	6,026	–	–	6,026
Derivative financial instruments	–	(16)	–	(16)
	<u>15,094</u>	<u>(16)</u>	<u>–</u>	<u>15,078</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 2015: Nil).

22. CAPITAL COMMITMENTS

	Unaudited At 31 December 2015 HK\$'000	Audited At 30 June 2015 HK\$'000
Contracted but not provided for:		
Property, plant and equipment	1,031	509
Properties under development classified under investment property and property under development	4,834	35,176
Properties under development classified under investment property undertaken by joint ventures attributable to the Group	36,866	45,716
	<u>42,731</u>	<u>81,401</u>
Authorised but not contracted for:		
Properties under development classified under investment property and property under development	12,504	–
	<u>55,235</u>	<u>81,401</u>

23. 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, with an option to renew the leases and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords. At 31 December 2015, the Group had future aggregate minimum lease payments under non-cancellable operating leases falling due as follows:

	Unaudited At 31 December 2015 HK\$'000	Audited At 30 June 2015 HK\$'000
Within one year	3,774	4,009
In the second to fifth years, inclusive	1,021	2,498
	<u>4,795</u>	<u>6,507</u>

24. 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 2015, imputed interest expenses of HK\$2,729,000 (2014: HK\$2,600,000) were incurred to a related company of which Dr. Chan is a director and key management personnel.
- (b) During the six months ended 31 December 2015, interest expenses of HK\$608,000 (2014: Nil) were paid/payable to a related company of which Ms. Cheng Siu Yin, Shirley is a director and beneficial owner.
- (c) During the six months ended 31 December 2015, interest expenses of HK\$1,082,000 (2014: HK\$862,000) were paid/payable to Dr. Chan in relation to the loan from a controlling shareholder.
- (d) Included in other payable and accruals, an amount of HK\$2,564,000 (2014: HK\$4,995,000) was due to ultimate holding company, which is unsecured, interest-free and repayable on demand.
- (e) 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	
	2015	2014
	HK\$'000	HK\$'000
Short term employee benefits	6,817	6,759
Post-employment benefits	251	247
	7,068	7,006

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

The Group consolidated revenue for the six months ended 31 December 2015 recorded a decline of approximately 24.4% from last interim period of HK\$407,842,000 to HK\$308,268,000. During the period under review, loss attributable to equity owners of the Company was HK\$17,250,000, as compared to the last interim profit of HK\$346,836,000. The loss for this period was mainly due to the absence of significantly revaluation gain arising from change in fair value of investment property and a non-recurrent disposal gain on Group's property which was recorded in the last corresponding period amounting to HK\$334,493,000 and HK\$28,255,000 respectively. Basic loss per share was HK0.25 cents for the six months ended 31 December 2015 (2014: Basic earnings per share of HK5.89 cents).

BUSINESS REVIEW AND PROSPECTS

In the period under review, the Group's revenue on trading of fine jewellery and diamond polishing business has recorded a decrease of approximately HK\$90,577,000 or 22.7% from HK\$398,706,000 for the six months ended 31 December 2014 to HK\$308,129,000 for the corresponding period in 2015. Such decrease resulted mainly from a drop of diamond polishing business due to the softening of diamond market. Despite such decrease, our jewellery trading sales throughout the six months ended 31 December 2015 has maintained steady. Meanwhile, the Group also managed to achieve a slightly better margins through tighter cost controls and higher efficiencies in production. During the period, the jewellery segment remains volatile and challenging; particularly in Europe, the European debt crisis poses uncertainties and instabilities to the economic system. In view of a weak market outlook, the Group will continue its effort in enhancing brand image and focusing more on the new marketing initiatives in order to strengthen our competitive edge in the markets.

As for property investment, the Group is maintaining two projects in Hong Kong and the PRC. In Hong Kong, the project is located at No. 236-242 Des Voeux Road Central. 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 a 29-storey high commercial, shop and retail premises with a gross floor area of approximately 4,515 sq.m. The completion is expected by June 2016. As at today, formal sale and purchase agreements were signed for three floors.

In 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 97,307 sq.m. in Yangpu District of Shanghai (上海楊浦區) in the PRC. The land parcels has been developed into an eleven-floored shopping mall – “**Bauhinia Square**” with over 500 parking spaces. Bauhinia Square held a soft opening in December 2015. As of Chinese New Year, the mall has successfully leased out over 95% leasable retail space of which more than 85% of the space is opened for business. Rental income is collected on a monthly basis and we anticipate additional income to be generated from the car park once it is in full operation.

As regards mining operation, production was suspended in the Hongzhuang Gold Mine. All the previously reported gold resources in the Yuanling mine field had been exhausted. The preliminary exploration at the north eastern part of Yuanling site was completed. A potential new vein with promising grade had been identified during the exploration. Second phase of exploration to increase the geological confidence has commenced in August 2015.

PROSPECTS

Looking ahead to 2016, a modest and uneven recovery is expected to continue in the US; while the European markets will be very challenging and soft. The anticipated slowdown of China’s economy will also pose concerns and impacts to other countries around the world. In view of these challenges ahead, the Group will continue to implement cost control measures and to further enhance our sales and marketing efforts in order to maintain the overall performance. We expect the consumers will regain their confidence with the global financial environment when stabilized and will eventually boost the jewellery consumption. In property, with the completion of the joint venture project in Shanghai and the other project in Hong Kong nearing completion, we expect both property projects will contribute steady revenue to the Group in the longer term.

IMPAIRMENT LOSS OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

At 31 December 2015, the Group held an equity interest in Macarthur Minerals Limited (“MMS”), MMS is an Australian company listed on the TSX Venture Exchange in Canada. The Group holds the interest in MMS for long term investment and accounted for as a non-current asset as “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\$457,000 (31 December 2014: HK\$4,834,000) was recognised 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 2015 (2014: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, the Group had a gearing ratio of 0.29 (30 June 2015: 0.25), 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\$59,584,000 (30 June 2015: HK\$55,641,000) which were mainly denominated in Hong Kong Dollar, US Dollar, Renminbi and British Pound. Bank loans were HK\$524,053,000 (30 June 2015: HK\$468,634,000), which were mainly denominated in Hong Kong Dollar. Other borrowings in respect of amounts due to related companies and loan from a controlling shareholder were approximately of HK\$322,366,000 (30 June 2015: HK\$238,320,000). 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 2015, 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\$1,044,565,000 (30 June 2015: HK\$1,010,271,000) were pledged to certain banks to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

The Company has provided guarantees amounting to HK\$646,500,000 (30 June 2015: HK\$694,248,000) with respect to bank loans to its subsidiaries. Guarantees to the extent of RMB335,000,000 (equivalent to approximately HK\$399,957,000) (30 June 2015: RMB335,000,000 (equivalent to approximately HK\$423,809,000)) 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. Under the guarantees, the Company would be liable to pay the banks if the banks are unable to recover the loans. At the reporting date, no provision for the Company's obligation under the guarantee contract has been made as the directors considered that it was unlikely the repayment of the loans would be in default.

CAPITAL STRUCTURE

All the Group's borrowings are denominated in Hong Kong Dollar and Renminbi. Interest is determined on the basis of Hong Kong Interbank Offering Rate or Prime Rate for Hong Kong Dollar borrowings, and the benchmark lending rate of the People's Bank of China for Renminbi borrowings. The Group also made use of foreign exchange forward contracts in order to minimise exchange rate risk as a result of fluctuation in British Pound. There was no change to the Group's capital structure during the six months ended 31 December 2015. In light of the current financial position of the Group and provided there is no unforeseeable circumstance, the management does not anticipate the need to change the capital structure.

NOTIFIABLE TRANSACTIONS

FACILITY AGREEMENTS WITH A JOINT VENTURE

On 8 July 2015 and 13 November 2015, Master Gold Development Limited ("Master Gold"), a wholly-owned subsidiary of the Company, as the Lender entered into facility agreements with Wealth Plus Developments Limited ("Wealth Plus"), a joint venture of the Company as the borrower, for providing facilities upto HK\$50,000,000 and HK\$61,500,000. The facilities will be used as working capital for the development of "**Bauhinia Square**" in Shanghai. The details of the facility agreements were set out in the announcements and circular of the Company dated 8 July 2015, 13 November 2015 and 30 November 2015 respectively.

ADVANCE FROM A CONTROLLING SHAREHOLDER

As at 31 December 2015, loans in the total amount of HK\$146,276,000 are advanced from Dr. Chan Sing Chuk, Charles ("Dr. Chan"). Further details are set out in note 18 to the condensed consolidated interim financial statements.

NUMBER OF EMPLOYEES, REMUNERATION POLICIES AND SHARE OPTION SCHEME

As at 31 December 2015, the Group employed a total of approximately 991 employees (30 June 2015: 1,013) 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 7 July 2015, the Company granted 40,000,000 share options to certain directors at an exercise price of HK\$0.245 per share. Since the adoption of the share option scheme and up to 31 December 2015, 80,000,000 share options have been granted to certain directors of the Company at an exercise price of HK\$0.138 or HK\$0.121 or HK\$0.245, of which, 10,000,000 share options have been exercised. As at 31 December 2015, the following share options granted under the share option scheme of the Company were outstanding:

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 2015
				Balance as at 1 July 2015	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
	07/07/2015	07/07/2015 – 06/07/2025	0.245	–	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
	07/07/2015	07/07/2015 – 06/07/2025	0.245	–	10,000,000	–	10,000,000
Mr. Yam Tat Wing	07/07/2015	07/07/2015 – 06/07/2025	0.245	–	10,000,000	–	10,000,000
Mr. Wong Edward Gwon-hing	25/07/2014	25/07/2014 – 24/07/2024	0.121	10,000,000	–	–	10,000,000
	07/07/2015	07/07/2015 – 06/07/2025	0.245	–	10,000,000	–	10,000,000
				<u>30,000,000</u>	<u>40,000,000</u>	<u>–</u>	<u>70,000,000</u>

The closing price of the Shares immediately before 19 June 2014, 25 July 2014 and 7 July 2015, being the date of grant of the above options granted during the period were HK\$0.138, HK\$0.120 and HK\$0.170 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 20 to the condensed consolidated interim financial statements on pages 19 and pages 20.

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 2015 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. During the period, the Group has entered into certain 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 in British Pound and recent fluctuation in Renminbi and will take appropriate action when necessary.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2015.

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

As at 31 December 2015, 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 Issuers (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	Underlying shares	Total	
Chan Sing Chuk, Charles	–	5,063,395,220 (Note 1)	–	5,063,395,220	74.12%
Cheng Siu Yin, Shirley	–	5,063,395,220 (Note 1)	–	5,063,395,220	74.12%
Chan Ping Kuen, Derek	200,000	–	–	200,000	0.003%
Chan Wai Lap, Victor	2,700,000	–	20,000,000 (Note 2)	22,700,000	0.332%
Chan Wai Kei, Vicki	–	–	20,000,000 (Note 2)	20,000,000	0.29%
Yam Tat Wing	2,400,000	–	10,000,000 (Note 2)	12,400,000	0.181%
Wong Edward Gwon-hing	–	–	20,000,000 (Note 2)	20,000,000	0.29%

Notes:

- Such interests are held by Tamar Investments Group Limited, 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.

Except as disclosed above, at the reporting date, none of the Directors or their respective associates had any personal, 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 2015, no person, other than Dr. Chan and Ms. Cheng Siu Yin, Shirley (Ms. Cheng), 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 2015. The financial assistance, in aggregate, represent approximately 33.4% 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 2015 were set out below:

Name of the entities	Attributable interest held by the Group	Shareholder’s loan or Advances <i>HK\$</i>	Corporate Guarantee <i>HK\$</i>	Aggregate Financial Assistance <i>HK\$</i>
Wealth Plus Developments Limited (“Wealth Plus”) and its subsidiary	50%	640,850,000 <i>(Note 1)</i>	399,957,000 <i>(Note 2)</i>	1,040,807,000

Notes:

1. The shareholder’s loan or advances had been granted as working capital for the development of an eleven-floored shopping mall – “Bauhinia Square” 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. A guarantee to the extent of RMB335,000,000 (equivalent to approximately HK\$399,957,000) 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 first drawdown on 16 November 2012.

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 consolidated 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	2,657,040	1,328,520
Current assets	48,860	24,430
Current liabilities	(203,916)	(101,958)
Non-current liabilities	(2,156,154)	(1,078,077)
	<hr/>	<hr/>
Net assets	<u>345,830</u>	<u>172,915</u>

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 2015 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.

Dr. Chan is the Chairman of the Company. Dr. Chan oversees the direction of the Group and also provides leadership for the Board. He ensures that the Board works effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. Dr. Chan is also responsible to ensure that all directors are properly briefed on issues arising at Board meetings and that all directors receive adequate information, which must be complete and reliable, in a timely manner. Dr. Chan is the husband of Ms. Cheng. Ms. Cheng is the Managing Director of the Company. She is responsible for day-to-day management and the marketing activities of the Group.

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

2. Code Provision A.4.1

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 ("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 E.1.2

Code Provision E.1.2 provides that Chairman of the Board should attend the AGM. Due to personal reason, Dr. Chan, the Chairman of the Board could not attend the AGM held on 27 November 2015 and Mr. Chan Wai Lap, Victor, an Executive Director of the Company chaired the AGM. All of the Executive Directors and Independent Non-executive Directors were present at the AGM and were available to answer questions.

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 2015.

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 controls and internal control systems of the Group and has reviewed the unaudited consolidated interim financial statements for the six months ended 31 December 2015. 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, 29 February 2016