



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

INTERIM REPORT 2017
二零一七年中期報告

(Stock Code: 00513)
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Contents

	<i>Pages</i>
Condensed consolidated statement of profit or loss and other comprehensive income	2
Condensed consolidated statement of financial position	5
Condensed consolidated statement of cash flows	7
Condensed consolidated statement of changes in equity	8
Notes to the condensed consolidated interim financial statements	9
Management discussion and analysis	29
Corporate governance and other information	38

(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 2016 together with the comparative figures for the corresponding period in 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Unaudited	
		Six months ended	
		31 December	
	<i>Notes</i>	2016	2015
		HK\$'000	HK\$'000
			(Restated)
Continuing operations			
Revenue	4	277,350	308,268
Cost of sales		<u>(236,268)</u>	<u>(256,241)</u>
Gross profit		41,082	52,027
Selling and distribution costs		(6,318)	(6,792)
Administrative expenses		(54,841)	(48,422)
Other operating income		6,667	464
Impairment loss on available-for-sale financial assets		(6,485)	(457)
Change in fair value of financial assets at fair value through profit or loss		403	(1,653)
Income arising from amortising the financial guarantee liabilities		2,878	1,543
Share-based compensation		(2,140)	(2,390)
Finance costs	5	(7,888)	(7,837)
Share of results of joint ventures		<u>(11,955)</u>	<u>(3,804)</u>
Loss before income tax	6	(38,597)	(17,321)
Income tax credit	7	<u>2,220</u>	<u>212</u>
Loss for the period from continuing operations		<u>(36,377)</u>	<u>(17,109)</u>
Discontinued operation			
Profit/(Loss) for the period from discontinued operation	8	<u>46,095</u>	<u>(18)</u>
Profit/(Loss) for the period		<u>9,718</u>	<u>(17,127)</u>

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

	Unaudited	
	Six months ended	
	31 December	
<i>Notes</i>	2016	2015
	HK\$'000	HK\$'000
		(Restated)
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	(147)	(912)
Reclassification from equity to profit or loss on impairment of available-for-sale financial assets	–	457
Exchange differences on translation of foreign operations, associates and joint ventures	<u>(51,405)</u>	<u>(82,362)</u>
Other comprehensive income for the period, net of tax	<u>(51,552)</u>	<u>(82,817)</u>
Total comprehensive income for the period	<u>(41,834)</u>	<u>(99,944)</u>
Profit/(Loss) for the period attributable to:		
Owners of the Company:		
Continuing operations	(36,524)	(17,232)
Discontinued operation	<u>46,095</u>	<u>(18)</u>
Non-controlling interests	<u>9,571</u>	<u>(17,250)</u>
	<u>147</u>	<u>123</u>
	<u>9,718</u>	<u>(17,127)</u>

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

		Unaudited	
		Six months ended	
		31 December	
	<i>Notes</i>	2016	2015
		HK\$'000	<i>HK\$'000</i>
			(Restated)
Total comprehensive income for the period attributable to:			
Owners of the Company		(41,981)	(100,067)
Non-controlling interests		147	123
		<u>(41,834)</u>	<u>(99,944)</u>
Earnings/(Loss) per share for profit/(loss) attributable to the owners of the Company during the period			
	<i>10</i>		
From continuing and discontinued operations			
Basic and diluted		<u>HK0.14 cents</u>	<u>HK(0.25) cents</u>
From continuing operations			
Basic and diluted		<u>HK(0.53) cents</u>	<u>HK(0.25) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited At 31 December 2016 <i>HK\$'000</i>	Audited At 30 June 2016 <i>HK\$'000</i>
<i>Notes</i>			
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		90,786	94,431
Land use rights		32,642	34,687
Investment property	11	–	472,930
Mining right	12	627,184	656,334
Interests in associates		–	–
Interests in joint ventures	13	700,557	708,636
Available-for-sale financial assets		15,759	22,393
Deferred tax assets		5,762	5,762
		1,472,690	1,995,173
		1,472,690	1,995,173
Current assets			
Property under development	14	–	576,843
Inventories		196,410	221,799
Trade receivables	15	108,534	93,231
Prepayments, deposits and other receivables		11,760	17,478
Financial assets at fair value through profit or loss		4,624	4,222
Derivative financial instruments		151	99
Due from joint ventures		51	167
Cash and cash equivalents		456,754	45,632
		778,284	959,471
		778,284	959,471
Current liabilities			
Trade payables	16	(88,697)	(126,705)
Other payables and accruals		(40,254)	(75,948)
Bank loans	17	(189,000)	(571,548)
Obligation under finance leases		(389)	(379)
Due to related companies	18	(2,622)	(2,744)
Financial guarantee liabilities		(6,929)	(3,411)
Loan from a controlling shareholder	19	(4,464)	–
Provision for tax		(6,849)	(2,298)
		(339,204)	(783,033)
		(339,204)	(783,033)
Net current assets		439,080	176,438
		439,080	176,438
Total assets less current liabilities		1,911,770	2,171,611
		1,911,770	2,171,611

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

		Unaudited At 31 December 2016 HK\$'000	Audited At 30 June 2016 HK\$'000
	<i>Notes</i>		
Non-current liabilities			
Obligation under finance leases		(494)	(691)
Due to related companies	18	(76,536)	(165,346)
Financial guarantee liabilities		(11,548)	(2,245)
Loan from a controlling shareholder	19	–	(131,670)
Deferred tax liabilities		(138,945)	(147,718)
		<u>(227,523)</u>	<u>(447,670)</u>
Net assets		<u>1,684,247</u>	<u>1,723,941</u>
EQUITY			
Share capital	20	560,673	560,673
Reserves		1,129,583	1,169,424
		<u>1,690,256</u>	<u>1,730,097</u>
Equity attributable to the owners of the Company		1,690,256	1,730,097
Non-controlling interests		(6,009)	(6,156)
		<u>1,684,247</u>	<u>1,723,941</u>
Total equity		<u>1,684,247</u>	<u>1,723,941</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended	
	31 December	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash (used in)/generated from operating activities	(77,320)	13,396
Net cash generated from/(used in) investing activities	1,093,243	(147,650)
Net cash (used in)/generated from financing activities	(599,758)	138,816
Increase in cash and cash equivalents	416,165	4,562
Cash and cash equivalents at 1 July	45,632	55,641
Effect of foreign exchange rate changes, net	(5,043)	(619)
Cash and cash equivalents at 31 December	<u>456,754</u>	<u>59,584</u>
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	<u>456,754</u>	<u>59,584</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Share capital HK\$'000	Share option reserve HK\$'000	Non-distributable reserve HK\$'000	Other reserve HK\$'000	Capital contribution reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Investment revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 July 2016	560,673	4,269	273,606	(5,397)	28,567	(21,386)	6,583	883,182	1,730,097	(6,156)	1,723,941
Recognition of share-based compensation	-	2,140	-	-	-	-	-	-	2,140	-	2,140
Transactions with owners	560,673	6,409	273,606	(5,397)	28,567	(21,386)	6,583	883,182	1,732,237	(6,156)	1,726,081
Profit for the period	-	-	-	-	-	-	-	9,571	9,571	147	9,718
Other comprehensive income:											
Change in fair value of available-for-sale financial assets, net	-	-	-	-	-	-	(147)	-	(147)	-	(147)
Exchange differences on translation of foreign operations, associates and joint ventures	-	-	-	-	-	(51,405)	-	-	(51,405)	-	(51,405)
Total comprehensive income	-	-	-	-	-	(51,405)	(147)	9,571	(41,981)	147	(41,834)
Balance at 31 December 2016	560,673	6,409	273,606	(5,397)	28,567	(72,791)	6,436	892,753	1,690,256	(6,009)	1,684,247
Balance at 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

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 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 2016.

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 2016. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The financial information relating to the year ended 30 June 2016 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 2016 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

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 2016, issued by the HKICPA.

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

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.

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

Amendments to HKAS 7	Disclosure Initiative ¹
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ¹
HKFRS 9 (2014)	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
Amendments to HKFRS 15	Clarification to HKFRS 15 – Revenue from Contracts with Customers ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ²
HKFRS 16	Leases ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴

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

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

³ Effective for annual periods beginning on or after 1 January 2019

⁴ 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 three (2015: three (restated)) business lines as operating segments under continuing operations.

3. SEGMENT INFORMATION (CONTINUED)

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

The Group has identified the following reportable segments:

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

During the period, the Group completed the disposal of the entire equity interest of Well Friendship Investment Limited (“Well Friendship”), an indirect wholly-owned subsidiary of the Company which carried out all the property investment of the Group. Accordingly, the property investment was classified as a discontinued operation in the segment information reported as below, details of which are set out in note 8. The disposal was completed on 30 November 2016.

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		Investment		Mining operation		Total from continuing operations		Discontinued operation		
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	
HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000	
										(Restated)	
Segment Revenue:											
Sales to/revenue from external parties	<u>275,383</u>	<u>308,129</u>	<u>206</u>	<u>139</u>	<u>1,761</u>	<u>-</u>	<u>277,350</u>	<u>308,268</u>	<u>133,500</u>	<u>-</u>	
Segment results	<u>(8,691)</u>	<u>8,984</u>	<u>(6,140)</u>	<u>(2,164)</u>	<u>(6,296)</u>	<u>(8,597)</u>	<u>(21,127)</u>	<u>(1,777)</u>	<u>28,349</u>	<u>(18)</u>	
Gain on disposal of a subsidiary							-	-	22,291	-	
Share-based compensation							(2,140)	(2,390)	-	-	
Unallocated income/(expenses)							518	(3,957)	-	-	
Income arising from amortising the financial guarantee liabilities							2,878	1,543	-	-	
Finance costs							(6,771)	(6,936)	-	-	
Share of results of joint ventures							(11,955)	(3,804)	-	-	
(Loss)/Profit before income tax							<u>(38,597)</u>	<u>(17,321)</u>	<u>50,640</u>	<u>(18)</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	
	2016	2015
	HK\$'000	HK\$'000
Continuing operations		
Sale of goods	275,383	308,129
Sale of gold ores	1,761	–
Dividend income from investments	206	139
	<hr/>	<hr/>
	277,350	308,268
	<hr/> <hr/>	<hr/> <hr/>

5. FINANCE COSTS

	Unaudited	
	Six months ended	
	31 December	
	2016	2015
	HK\$'000	HK\$'000
		(Restated)
Continuing operations		
Interest charges on:		
Bank loans	3,780	3,385
Interest expenses on loan from a related company	870	608
Interest expenses on loan from a controlling shareholder	797	1,082
Finance charges on obligation under finance leases	23	33
Imputed interest expenses arising from amounts due to related companies	2,418	2,729
	<hr/>	<hr/>
	7,888	7,837
	<hr/> <hr/>	<hr/> <hr/>

5. FINANCE COSTS (CONTINUED)

	Unaudited	
	Six months ended	
	31 December	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
Discontinued operation		
Interest charges on:		
Bank loans	2,321	2,599
Less: bank loan interest capitalised in investment property and property under development	<u>(2,321)</u>	<u>(2,599)</u>
	<u>–</u>	<u>–</u>

6. LOSS BEFORE INCOME TAX

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

	Unaudited	
	Six months ended	
	31 December	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations		
Cost of inventories sold	236,268	256,241
Depreciation of property, plant and equipment	3,050	3,932
Amortisation of land use rights	655	702
Amortisation of mining right	141	–
Minimum lease payments under operating leases on land and buildings	2,622	3,117
Provision for inventories*	4,993	–
Provision for trade receivables	730	811
Net foreign exchange loss	7,507	517
Fair value gain on derivative financial instruments – forward currency contracts	(180)	(189)
Income arising from derecognition of financial guarantee liabilities	(5,087)	–
Written off of property, plant and equipment	165	120
Loss on disposal of property, plant and equipment	<u>23</u>	<u>–</u>

* Amount included in cost of sales

7. INCOME TAX (CREDIT)/EXPENSE

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

	Unaudited	
	Six months ended	
	31 December	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
Continuing operations		
Current tax		
People's Republic of China	<u>24</u>	<u>(218)</u>
	24	(218)
Over-provision in prior years		
Hong Kong	<u>–</u>	<u>(206)</u>
	–	(206)
Deferred taxation		
People's Republic of China	<u>(2,244)</u>	<u>212</u>
Income tax (credit) from continuing operations	<u>(2,220)</u>	<u>(212)</u>
Discontinued operation		
Current tax		
Hong Kong	<u>4,545</u>	<u>–</u>
Income tax expense from discontinued operation	<u>4,545</u>	<u>–</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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. DISCONTINUED OPERATION

On 19 September 2016, the Group entered into a sale and purchase agreement (the “S&P”) pursuant to which the Group has agreed to sell the entire issued equity interest in Well Friendship, an indirect wholly-owned subsidiary of the Company, and to assign the inter-group loans owing by Well Friendship to the Group to an independent third party at an aggregate consideration of HK\$1,133,500,000, subject to adjustments on certain assets and liabilities and the reduction of a total consideration of HK\$133,500,000 upon the completion of the sale of the 3 pre-sold floors as at the completion date of the disposal (“Disposal”). The Disposal constitutes a very substantial disposal of the Company under the Listing Rules.

The operation of Well Friendship represented the entire business segment of property investment of the Group. Therefore, the results together with the related gain on Disposal have been presented as a discontinued operation in the condensed consolidated financial statements for the six months ended 31 December 2016. The comparative consolidated statement of the profit or loss and other comprehensive income, profit before income tax stated in the consolidated statements of cash flows and the relevant disclosure notes for profit or loss items have been re-stated for discontinued operations.

The Disposal was completed on 30 November 2016 and the adjusted consideration received was HK\$993,627,000 after adjustments in accordance with the S&P.

- (A) Net assets of Well Friendship (exclusion of the 3 pre-sold floors) at the date of the disposal on 30 November 2016 are as follows:-

	<i>HK\$'000</i>
Net assets disposed of:	
Investment property	477,830
Property under development	488,559
Prepayment, deposits and other receivables	462
Cash and cash equivalents	479
Inter-company loans	(195,955)
Bank loan	(242,370)
Other payable and accruals	(2,850)
Taxation	(4,545)
	<hr/>
Net assets disposed of:	521,610
	<hr/> <hr/>

8. DISCONTINUED OPERATION (CONTINUED)

- (A) Net assets of Well Friendship (exclusion of the 3 pre-sold floors) at the date of the disposal on 30 November 2016 are as follows:- (Continued)

	<i>HK\$'000</i>
Gain on disposal of a subsidiary:	
Consideration received	993,627
Net assets disposed of	(521,610)
Repayment of bank loan in connection with the Disposal (<i>Note</i>)	(242,370)
Disposal of inter-company loans	(195,955)
Cost incurred during disposal	(11,401)
	<hr/>
Gain on disposal of a subsidiary:	22,291
	<hr/> <hr/>
Net cash inflow arising from disposal	
Cash consideration	993,627
Less: Cash and cash equivalents	(479)
Cost incurred by the Group during disposal	(11,401)
	<hr/>
Total cash inflows from the Disposal	981,747
	<hr/> <hr/>

Note: The bank loan of HK\$242,370,000 was settled by the Group upon the receipt of consideration from the purchaser upon completion.

8. DISCONTINUED OPERATION (CONTINUED)

(B) The results and cash flow from discontinued operation arising from the disposal of 3 pre-sold floors are analysed as follows:–

(i) An analysis of the results from discontinued operation is as follows:–

	Unaudited Six months ended 31 December	
	2016	2015
	HK\$'000	<i>HK\$'000</i>
Revenue	133,500	–
Cost of sales	(103,834)	–
	<u>29,666</u>	<u>–</u>
Administrative expenses	(1,317)	(18)
	<u>28,349</u>	<u>(18)</u>
Profit before income tax	28,349	(18)
Income tax expense	(4,545)	–
	<u>23,804</u>	<u>(18)</u>
Profit for the period from discontinued operation	23,804	(18)
Gain on disposal of discontinued operation (Note 8(A))	22,291	–
	<u>46,095</u>	<u>(18)</u>
Profit attributable to equity holders of the Company from discontinued operation	46,095	(18)

(ii) An analysis of cash flows from discontinued operation is as follows:–

	Unaudited Six months ended 31 December	
	2016	2015
	HK\$'000	<i>HK\$'000</i>
Net cash used in operating activities	(91,383)	(20,699)
Net cash generated from/(used in) investing activities	124,722	(11,329)
Net cash (used in)/generated from financing activities	(33,450)	32,000
	<u>(111)</u>	<u>(28)</u>
Net cash outflow for the period from discontinued operation	(111)	(28)

9. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2016 (2015: Nil).

10. 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	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> (Restated)
Profit/(Loss) attributable to the owners of the Company		
– Continuing operations	(36,524)	(17,232)
– Discontinued operation	46,095	(18)
	<u>9,571</u>	<u>(17,250)</u>
	2016	2015
	Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	6,831,182,580	6,831,182,580
Effect of dilutive potential ordinary shares in respect of share options	<u>1,056,759</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	<u>6,832,239,339</u>	<u>6,831,182,580</u>

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

(a) For continuing operations

The calculation of basic loss per share from continuing operations is based on the loss of HK\$36,524,000 attributable to the owners of the Company for the six months ended 31 December 2016 (2015: Loss of HK\$17,232,000 (restated)) and on the weighted average of 6,831,182,580 (2015: 6,831,182,580) ordinary shares in issue during the period.

For the six months ended 31 December 2016 and 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 at the loss from continuing operations. Therefore, the basic and diluted loss per share calculation from continuing operations are equal.

(b) For discontinued operation

Basic earnings per share from discontinued operation is based on the profit of HK\$46,095,000 (2015: loss HK\$18,000 (restated)) attributable to the owners of the Company and the denominators used are the same as those detailed above for both earnings/(loss) per share.

For the six months ended 31 December 2016, diluted earnings per share from discontinued operation is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential ordinary shares granted under the Company's share option scheme.

The basic and diluted loss per share from discontinued operation are the same for the six months ended 31 December 2015, as the Company's outstanding share options are anti-dilutive and therefore have not been included in the calculation of the dilutive loss per share.

11. INVESTMENT PROPERTY

	Unaudited At 31 December 2016 HK\$'000	Audited At 30 June 2016 HK\$'000
Carrying amount as at 1 July 2016	472,930	446,040
Additions	4,106	13,939
Bank loan interest capitalised	794	1,839
Net gain from fair value adjustments	–	11,112
Disposal of a subsidiary (<i>Note 8</i>)	(477,830)	–
	<hr/>	<hr/>
Closing carrying amount	<u>–</u>	<u>472,930</u>

12. MINING RIGHT

	Unaudited At 31 December 2016 HK\$'000	Audited At 30 June 2016 HK\$'000
Opening net carrying amount	656,334	751,427
Amortisation	(141)	(705)
Provision of impairment	–	(36,417)
Exchange realignment	(29,009)	(57,971)
	<hr/>	<hr/>
Closing net carrying amount	627,184	656,334
	<hr/> <hr/>	<hr/> <hr/>
Gross carrying amount	934,499	977,711
Accumulated amortisation and impairment	(307,315)	(321,377)
	<hr/>	<hr/>
Net carrying amount	627,184	656,334
	<hr/> <hr/>	<hr/> <hr/>

13. INTERESTS IN JOINT VENTURES

	Unaudited At 31 December 2016 HK\$'000	Audited At 30 June 2016 HK\$'000
Share of net (liabilities)/assets	(12,212)	28,153
Deemed capital contribution to a joint venture [#]	36,629	15,843
Loan to a joint venture	676,140	664,640
	<hr/>	<hr/>
	700,557	708,636
	<hr/> <hr/>	<hr/> <hr/>

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.

14. PROPERTY UNDER DEVELOPMENT

	Unaudited At 31 December 2016 HK\$'000	Audited At 30 June 2016 HK\$'000
Carrying amount as at 1 July 2016	576,843	546,497
Additions	9,350	26,810
Bank loan interest capitalised	1,527	3,536
Transfer to cost of sales	(99,161)	–
Disposal of a subsidiary (<i>Note 8</i>)	(488,559)	–
	<hr/>	<hr/>
Closing carrying amount	<u>–</u>	<u>576,843</u>

15. TRADE RECEIVABLES

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

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

	Current	31-60	61-90	Over	Total
	HK\$'000	days	days	90 days	HK\$'000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Unaudited balance at 31 December 2016	<u>21,064</u>	<u>31,362</u>	<u>18,076</u>	<u>38,032</u>	<u>108,534</u>
Audited balance at 30 June 2016	<u>30,544</u>	<u>22,771</u>	<u>12,571</u>	<u>27,345</u>	<u>93,231</u>

16. 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 2016	<u>25,560</u>	<u>17,717</u>	<u>13,281</u>	<u>32,139</u>	<u>88,697</u>
Audited balance at 30 June 2016	<u>37,358</u>	<u>25,082</u>	<u>17,717</u>	<u>46,548</u>	<u>126,705</u>

17. BANK LOANS

At 31 December 2016, the Group's bank loans are as follows:

	Unaudited 31 December 2016 <i>HK\$'000</i>	Audited 30 June 2016 <i>HK\$'000</i>
Portion of loans from banks due for repayment within one year		
– Guaranteed	24,500	41,648
– Secured and guaranteed	139,000	504,400
	<u>163,500</u>	<u>546,048</u>
Portion of loans from banks due for repayment after one year which contain a repayable on demand clause		
– Guaranteed	25,500	25,500
	<u>189,000</u>	<u>571,548</u>

The repayment schedule of bank loans is as follows:

– within one year	163,500	546,048
– in second year	4,500	4,500
– in third year to fifth year, inclusive	21,000	21,000
	<u>189,000</u>	<u>571,548</u>

17. BANK LOANS (CONTINUED)

At 31 December 2016, the Group's banking facilities were secured/guaranteed by the followings:

- (a) legal charges over the Group's certain leasehold land and buildings and land use rights; and
- (b) corporate guarantees executed by the Company.

The bank loans of the Group denominated in Hong Kong Dollars of HK\$189,000,000 (30 June 2016: HK\$571,548,000) have floating interest rates ranging from 1.24% to 3.27% (30 June 2016: 1.22% to 3.23%) per annum.

18. DUE TO RELATED COMPANIES

	Unaudited 31 December 2016 HK\$'000	Audited 30 June 2016 HK\$'000
Current liabilities		
Due to related companies (<i>Note (a)</i>)	<u>2,622</u>	<u>2,744</u>
Non-current liabilities		
Due to related companies (<i>Note (b)</i>)	<u>76,536</u>	<u>165,346</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 amount was calculated using a market interest rate of 4.75% and 7.34% per annum.

19. LOAN FROM A CONTROLLING SHAREHOLDER

	Unaudited At 31 December 2016 HK\$'000	Audited At 30 June 2016 HK\$'000
Current liabilities		
Loan from a controlling shareholder	<u>4,464</u>	<u>–</u>
Non-current liabilities		
Loan from a controlling shareholder	<u>–</u>	<u>131,670</u>

As at 31 December 2016, loan of RMB4,000,000 (equivalent to HK\$4,464,000) is advanced from Dr. Chan Sing Chuk, Charles ("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 2016 and 31 December 2016	<u>6,831,182,580</u>	<u>560,673</u>

There were no movements in share capital during the six months ended 31 December 2016.

21. 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 2016

Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options			
			At the beginning of the period	Granted during the period	Exercised during the period	At the end of the period
19 June 2014	19 June 2014 to 18 June 2024	0.138	20,000,000	–	–	20,000,000
25 July 2014	25 July 2014 to 24 July 2024	0.121	10,000,000	–	–	10,000,000
7 July 2015	7 July 2015 to 6 July 2025	0.245	40,000,000	–	–	40,000,000
3 November 2016	3 November 2016 to 2 November 2026	0.149	–	40,000,000	–	40,000,000
			<u>70,000,000</u>	<u>40,000,000</u>	<u>–</u>	<u>110,000,000</u>

As at 30 June 2016

19 June 2014	19 June 2014 to 18 June 2024	0.138	20,000,000	–	–	20,000,000
25 July 2014	25 July 2014 to 24 July 2024	0.121	10,000,000	–	–	10,000,000
7 July 2015	7 July 2015 to 6 July 2025	0.245	–	40,000,000	–	40,000,000
			<u>30,000,000</u>	<u>40,000,000</u>	<u>–</u>	<u>70,000,000</u>

21. SHARE OPTIONS (CONTINUED)

No share options were exercised during the six months ended 31 December 2016 (2015: No share options were exercised).

Weighted average exercise price of outstanding share options is HK\$0.179 (30 June 2016: HK\$0.197) and the weighted average remaining contractual life of outstanding share options is 8.5 years (30 June 2016: 9 years).

On 3 November 2016, the Company granted 40,000,000 share options to certain directors, with exercise price of HK\$0.149 per share under the Scheme. The closing share price immediately preceding the date of grant was HK\$0.145.

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 2016:

Date of grant	3 November 2016
Share price	HK\$0.145
Exercise price	HK\$0.149
Annualised volatility	68%
Expected life of the share options	10 years
Risk-free rate	1.01%
Expected dividend yield	0%

The 40,000,000 share options (2015: 40,000,000 share options) vested immediately on the grant date and the respective share-based compensation of HK\$2,140,000 (2015: HK\$2,390,000) was recognised in profit or loss during the six months ended 31 December 2016. Such amount of share-based compensation expenses in relation to the issue of the share option had been recognised in profit or loss and the corresponding amount of which had been credited to the share option reserve. No liabilities were recognised as these are equity settled share-based payment transactions.

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 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).

22. 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 2016				
Available-for-sale financial assets				
– Equity securities listed in Hong Kong	7,921	–	–	7,921
– Equity securities listed in overseas	2,339	–	–	2,339
Listed securities held for trading:				
– Equity securities listed in Hong Kong	4,624	–	–	4,624
Derivative financial instruments	–	151	–	151
	<u>14,884</u>	<u>151</u>	<u>–</u>	<u>15,035</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 2016				
Available-for-sale financial assets				
– Equity securities listed in Hong Kong	7,519	–	–	7,519
– Equity securities listed in overseas	2,890	–	–	2,890
Listed securities held for trading:				
– Equity securities listed in Hong Kong	4,222	–	–	4,222
Derivative financial instruments	–	99	–	99
	<u>14,631</u>	<u>99</u>	<u>–</u>	<u>14,730</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 2016: Nil).

23. CAPITAL COMMITMENTS

	Unaudited At 31 December 2016 HK\$'000	Audited At 30 June 2016 HK\$'000
Contracted but not provided for:		
Property, plant and equipment	577	3
Properties under development classified under investment property and property under development	–	1,350
Properties under development classified under investment property undertaken by joint ventures attributable to the Group	–	265
	<u>577</u>	<u>1,618</u>
Authorised but not contracted for:		
Properties under development classified under investment property and property under development	–	12,135
	<u>577</u>	<u>13,753</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 (30 June 2016: 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. As at 31 December 2016, the Group had future aggregate minimum lease payments under non-cancellable operating leases falling due as follows:

	Unaudited At 31 December 2016 HK\$'000	Audited At 30 June 2016 HK\$'000
Within one year	2,045	3,039
In the second to fifth years, inclusive	1,831	1,135
	<u>3,876</u>	<u>4,174</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 2016, imputed interest expenses of HK\$2,418,000 (2015: HK\$2,729,000) 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 2016, interest expenses of HK\$870,000 (2015: 608,000) 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 2016, interest expenses of HK\$797,000 (2015: HK\$1,082,000) 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 (2015: HK\$2,564,000) 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	
	2016	2015
	HK\$'000	HK\$'000
Short term employee benefits	6,817	6,817
Post-employment benefits	251	251
	7,068	7,068

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

The Group's consolidated revenue from continuing operations for the six months ended 31 December 2016 recorded a decrease of approximately 10% from HK\$308,268,000 for last interim period to HK\$277,350,000. During the period under review, loss from continuing operations attributable to owners of the Company was HK\$36,524,000, as compare to last interim loss of HK\$17,232,000 (restated). The increase in loss of approximately HK\$19,292,000 was mainly due to (i) a decrease in revenue and gross profit of approximately HK\$30,900,000 and HK\$10,945,000 respectively; (ii) an impairment loss on available-for-sale financial asset of approximately HK\$6,485,000; and (iii) an increase in share of loss of joint ventures of approximately HK\$8,151,000. During the period, the Group recorded a one-off gain arising from the disposal of a subsidiary of the Company classified as discontinued operation which amounted to HK\$46,095,000. For the six months ended 31 December 2016, basic earnings per share for continuing and discontinued operations were HK0.14 cents (2015: basic loss per share of HK0.25 cents (restated)).

BUSINESS REVIEW AND PROSPECTS

In the period under review, the Group's trading of fine jewellery and diamond business recorded a decrease in revenue of approximately HK\$32,746,000 or 10.6% from HK\$308,129,000 for the six months ended 31 December 2015 to HK\$275,383,000 for the corresponding period in 2016. The fine jewellery and diamond polishing business continued to be soft as the global economic and political environment remained unstable. With the political uncertainties in many major markets as well as the currency fluctuations, consumer demand for luxury goods has weakened. While we remain cautious and conservative on the market outlook, we aim to further strengthen our market position through continual innovation and improvement in our products and services to our customers. Furthermore, the Group is reviewing its various operations and will seek to streamline its businesses in order to provide higher return to the shareholders.

In property investment, the Group has disposed of the entire equity interest in Well Friendship Investment Limited ("Well Friendship"), an indirect wholly-owned subsidiary of the Company, which holds "Continental Place", a property located at No. 236-242 Des Voeux Road Central, Hong Kong. The disposal was completed on 30 November 2016 at a total consideration of approximately HK\$1,133,500,000 (including the 3 pre-sold floors of HK\$133,500,000 and subject to adjustment) and the Group recognised a gain on disposal of approximately HK\$46,095,000. The operation of Well Friendship represented the entire business segment of property investment of the Group, and accordingly, the results together with the related gain on the disposal have been presented as a "discontinued operation" in the condensed consolidated financial statement for the six months ended 31 December 2016.

In the PRC, the 50% joint venture project located in Yangpu District of Shanghai – “Bauhinia Square”, is an eleven-floored shopping mall, with a total gross floor area of approximately 97,265 sq. m. and over 500 parking spaces. Bauhinia Square with the underground subway connected directly to its basement has just celebrated its first year of opening. Retail space are over 95% leased out while foot traffic remains steady in the mall. During the period under review, the Group recorded a share of loss of joint ventures of approximately HK\$11,955,000, increased by approximately HK\$8,151,000, compared to the share of loss of HK\$3,804,000 for the same period of last year. Such increase in loss was mainly attributable to (i) financial guarantee expenses for renewing a banking facility of RMB773,300,000 and (ii) an unrealised exchange loss resulting from depreciation of Renminbi against Hong Kong dollars during the period.

In relation to the mining segment, mining operation was suspended in the Hongzhuang Gold Mine. The preliminary exploration was identified a new vein with promising grade at the north eastern part of the Yuanling site. Second phase of the exploration to increase the geological confidence of the new vein was carried out during the period and is expected to continue in the coming year.

PROSPECTS

Looking ahead to 2017, it is expected that the challenging environment in the luxury market shall persist and the road to recovery will still be bumpy. Amidst the challenges, the Group will strengthen its relationship with the customers, continuously improve its operation efficiencies, and explore any new markets and opportunities. In view of the continual deteriorating performance of the diamond polishing business in recent years, the management will closely monitor and evaluate the business and may take appropriate strategies. The Group will maintain its status as one of the leading jewellery companies in Hong Kong. The management will also seek other business or investment opportunities in order to realise a more attractive return on equity for its shareholders.

IMPAIRMENT LOSS OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

On 15 January 2015, a subsidiary of the Company entered into a subscription agreement to subscribe for 55,556 shares in equity interest of a technology company (“Technology Company”) at a consideration of US\$1,000,000 (equivalent to approximately to HK\$7,754,000). The Technology Company is mainly engaged in hardware and software technologies relating to diamonds, diamond packaging and diamond marketing development business. The Group holds the interest in the Technology Company for long-term investment and accounts for it as “available-for-sale financial assets” in non-current assets.

Taking into consideration the fact that the Technology Company had incurred substantial operating losses since its incorporation in 2014, the Board considered it is appropriate to make an impairment loss of HK\$6,485,000 (2015: Nil), representing the difference between the investment cost and the fair value of the equity investment in the Technology Company.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2016 (2015: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

As at 31 December 2016, the Group's gearing ratio was zero (30 June 2016: 0.32), which is calculated as 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. The Group maintained a strong financial position with cash and cash equivalents of HK\$456,754,000 (30 June 2016: HK\$45,632,000) which were mainly denominated in Hong Kong Dollar, US Dollar, Renminbi and British Pound. Bank loans were HK\$189,000,000 (30 June 2016: HK\$571,548,000), 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\$83,622,000 (30 June 2016: HK\$299,760,000). The bank loans are secured by first legal charges over the Group's certain leasehold land and buildings and land use rights and guaranteed by corporate guarantees executed by the Company.

During the period, the Group received net cash amounted to approximately HK\$1,070,000,000 from the disposal of Well Friendship and 3 pre-sold floors as disclosed in note 8 to the financial statement. The net proceeds were used as to (i) approximately HK\$282,000,000 for releasing the mortgage of the property – Continental Place; (ii) approximately HK\$217,000,000 for repaying part of the loans owing by the Group to its controlling shareholders and company controlled or related to its controlling shareholders; (iii) approximately HK\$117,000,000 for repaying other bank borrowings of the Group; and (iv) the remaining balance for general working capital of the Group and other investment opportunities that might arise in future and would bring substantial value to the Group.

The substantial increase in the Group's cash and cash equivalent and the reduction in borrowing as at 31 December 2016 were mainly attributable to the net proceeds received from the disposal of Well Friendship. With the cash yet to be utilised and in line with the Group's prudent financial management, the Directors considered that the Group has sufficient working capital to meet its ongoing operational requirements.

PLEDGE OF ASSETS

As at 31 December 2016, the Group's certain leasehold land and buildings and land use rights with an aggregate net carrying value of HK\$14,387,000 (30 June 2016: HK\$1,065,250,000) were pledged to certain banks to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

The Company has provided guarantees amounting to HK\$189,000,000 (30 June 2016: HK\$571,548,000) with respect to bank loans to its subsidiaries. Guarantee to the extent of RMB366,287,000 (equivalent to approximately HK\$408,739,000) (30 June 2016: RMB371,537,000 (equivalent to approximately HK\$433,769,000)) was also given by the Company in favour of a bank in respect of a 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 was 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. Interest is determined on the basis of the Hong Kong Interbank Offering Rate or Prime Rate for Hong Kong Dollar borrowings. The Group also made use of foreign exchange forward contracts in order to minimise exchange rate risk as a result of the fluctuation in British Pound. There was no change to the Group's capital structure during the six months ended 31 December 2016. In light of the current financial position of the Group and provided that there is no unforeseeable circumstance, the management does not anticipate the need to change the capital structure.

NOTIFIABLE TRANSACTIONS

1. PROVISION OF GUARANTEE IN FAVOUR OF A BANK

On 9 September 2016, the Company, as guarantor, entered into a new guarantee agreement to guarantee up to 50% of a term loan facility granted by a bank to a subsidiary of a joint venture of the Company (the "JV Subsidiary").

The JV Subsidiary entered into a facility agreement (the "Facility Agreement") with a bank to provide a term loan facility of RMB773,300,000, which will be utilised for refinancing of all the existing term loans. As a result, the Company was required to provide guarantee of RMB386,650,000 (equivalent to approximately HK\$431,463,000), 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 Facility Agreement. The details of the provision of the guarantee was set out in the announcement and circular of the Company dated 9 September 2016 and 3 October 2016 respectively.

2. DISPOSAL OF A SUBSIDIARY

On 19 September 2016, a wholly-owned subsidiary of the Company as vendor (the “Vendor”), an independent third party as the purchaser (the “Purchaser”) and the Company as guarantor of the Vendor, has entered into a conditional sale and purchase agreement, which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell, the entire issued share capital of a subsidiary of the Company, which holds “Continental Place”, a 29-storey commercial building located in Sheung Wan, Hong Kong, at an aggregate consideration of HK\$1,133,500,000 (the “Disposal”). The Disposal, which constitutes a very substantial disposal for the Company under the Listing Rules and was approved by way of poll at the Company’s extraordinary general meeting on 29 November 2016. Completion of the Disposal took place on 30 November 2016. The details of the Disposal was set out in the announcement and circular of the Company dated 21 September 2016 and 28 October 2016 respectively.

ADVANCE FROM A CONTROLLING SHAREHOLDER AND RELATED COMPANIES

As at 31 December 2016, Dr. Chan Sing Chuk, Charles (“Dr. Chan”) advanced a loan in the amount of RMB4,000,000 (equivalent to approximately HK\$4,464,000). The loan is unsecured, interest-free and repayable on 25 October 2017. Further details are set out in note 19 to the condensed consolidated interim financial statements.

As at 31 December 2016, total principal amount of HK\$91,200,000 remains outstanding owed by the Group to companies which Dr. Chan is a key management personnel/ultimate beneficial owner. These loans are unsecured and interest free and payable within one to three years.

NUMBER OF EMPLOYEES, REMUNERATION POLICIES AND SHARE OPTION SCHEME

As at 31 December 2016, the Group employed a total of approximately 925 employees (30 June 2016: 968) with the majority in the PRC. The Group’s remuneration to its employees is largely based on common industrial practice. The Company adopted a share option scheme on 13 July 2010, under which the Company may grant options to eligible persons including directors and employees.

On 3 November 2016, the Company granted 40,000,000 share options to certain directors at an exercise price of HK\$0.149 per share. Since the adoption of the share option scheme and up to 31 December 2016, 120,000,000 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 or HK\$0.149, of which, 10,000,000 share options have been exercised. As at 31 December 2016, 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 2016	
				Balance as at 1 July 2016	Granted during the period		Exercised 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
	03/11/2016	03/11/2016 – 02/11/2026	0.149	–	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
	03/11/2016	03/11/2016 – 02/11/2026	0.149	–	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
	03/11/2016	03/11/2016 – 02/11/2026	0.149	–	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
	03/11/2016	03/11/2016 – 02/11/2026	0.149	–	10,000,000	–	10,000,000
				70,000,000	40,000,000	–	110,000,000

The closing price of the Shares immediately before 19 June 2014, 25 July 2014, 7 July 2015 and 3 November 2016, being the date of grant of the above options granted during the period was HK\$0.138, HK\$0.120 and HK\$0.170 and HK\$0.145 respectively.

The fair value of the options granted during the period under review was priced according to Binomial option pricing model and is shown in note 21 to the condensed consolidated interim financial statements on page 25.

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 2016 and no other options were granted, exercised, cancelled or lapsed at any time during the period.

EXPOSURE TO FINANCIAL RISK AND RELATED HEDGES

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

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 2016.

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

As at 31 December 2016, 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 The Stock Exchange of Hong Kong Limited (the "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 interest	Total	
Chan Sing Chuk, Charles	-	5,063,395,220 <i>(Note 1)</i>	-	5,063,395,220	74.12%
Cheng Siu Yin, Shirley	-	5,063,395,220 <i>(Note 1)</i>	-	5,063,395,220	74.12%
Chan Ping Kuen, Derek	200,000	-	-	200,000	0.003%
Chan Wai Lap, Victor	2,700,000	-	30,000,000 <i>(Note 2)</i>	32,700,000	0.48%
Chan Wai Kei, Vicki	-	-	30,000,000 <i>(Note 2)</i>	30,000,000	0.44%
Yam Tat Wing	2,400,000	-	20,000,000 <i>(Note 2)</i>	22,400,000	0.33%
Wong Edward Gwon-hing	-	-	30,000,000 <i>(Note 2)</i>	30,000,000	0.44%

Notes:

- Such interests are held by Tamar Investments Group Limited, which is a company wholly owned by Dr. Chan Sing Chuk, Charles 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 2016, no person, other than Dr. Chan and 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 2016. The financial assistance, in aggregate, represent approximately 49.2% 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 2016 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%	676,140,000 <i>(Note 1)</i>	431,463,000 <i>(Note 2)</i>	1,107,603,000

Notes:

1. The shareholder’s loan or advances had been mainly used for the construction and related expenses in respect of the development and completion of “Bauhinia Square”, a shopping mall 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 RMB386,650,000 (equivalent to approximately HK\$431,463,000) 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 three years from the date of first drawdown on 16 November 2016.

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	2,266,973	1,133,487
Current assets	66,251	33,126
Current liabilities	(882,071)	(441,036)
Non-current liabilities	(1,402,319)	(701,160)
	<hr/>	<hr/>
Net assets	<u>48,834</u>	<u>24,417</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 2016 except for the following deviations:

1. Code Provision A.2.1

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

During the period, Dr. Chan Sing Chuk, Charles ("Dr. Chan") was the Chairman of the Board (the "Chairman"). Dr. Chan oversaw the direction of the Group and also provided leadership for the Board. He ensured that the Board works effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. Dr. Chan was also responsible to ensure that all directors were properly briefed on issues arising at Board meetings and that all directors received adequate information, which must be complete and reliable, in a timely manner. Ms. Cheng Siu Yin, Shirley ("Ms. Cheng"), wife of Dr. Chan, is the Managing Director of the Company. She is responsible for the day-to-day management and marketing activities of the Group.

With effect from 1 January 2017, Dr. Chan stepped down as the Chairman but remain as executive director of the Company and Mr. Chan Wai Lap, Victor ("Mr. Victor Chan"), an executive director of the Company, was appointed as the Chairman. Mr. Victor Chan is the son of Dr. Chan and Ms. Cheng.

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

2. Code Provision A.4.1

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

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

3. Code Provision C.2.5

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

The Company does not have an internal audit function during the six months ended 31 December 2016. Taking into account the size and complexity of the operations of the Group, the Company considers that the existing organisation structure and the close supervision of the management could provide sufficient internal control and risk management for the Group. The audit committee of the Board regularly reviews the effectiveness of the internal control systems and risk management of the Group. The Board would review the need to set up an internal audit function on an annual basis.

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

DISCLOSURE PURSUANT TO RULE 13.51B OF THE LISTING RULES

1. With effect from 1 January 2017,
 - (i) Dr. Chan stepped down as the Chairman and chairman of Nomination Committee of the Company (the "Nomination Committee") but remained as executive director of the Company;
 - (ii) Mr. Victor Chan an executive director of the Company, was appointed as the Chairman and chairman of the Nomination Committee; and
 - (iii) Mr. Yam Tat Wing was re-designated from executive director to non-executive director of the Company.

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

With effect from 1 January 2017, the monthly remuneration of Mr. Victor Chan, Dr. Chan, Ms. Chan Wai Kei, Vicki and Mr. Wong Edward Gwon-hing has been revised to HK\$200,000, HK\$200,000, HK\$90,000 and HK\$118,000 respectively. Mr. Yam Tat Wing will be entitled to a director's fee of HK\$50,000 per annum.

3. Mr. Sze Irons, an independent non-executive director of the Company, was also appointed as an independent non-executive director of Chevalier International Holdings Limited (Stock Code: 25) with effect from 25 November 2016 and appointed as a non-executive director of the Bel Global Resources Holdings Limited (Stock Code: 761) with effect from 1 February 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. The Company has made specific enquiry with all directors and all of them have confirmed that they have complied with the required standards as set out in the Model Code during the six months ended 31 December 2016.

AUDIT COMMITTEE

The Audit Committee of the Company comprises four independent non-executive directors of the Company.

The Audit Committee has discussed the Group's accounting policies and basis adopted, the financial control, risk management and internal control systems of the Group and has reviewed the unaudited consolidated interim financial statements for the six months ended 31 December 2016. The Audit Committee has approved the unaudited consolidated interim financial statements.

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

Hong Kong, 27 February 2017