



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

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**INTERIM REPORT 2018**  
**二零一八年中期報告**

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(Stock Code: 00513)  
(股份代號: 00513)

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

The board of directors (the “Board”) of Continental Holdings Limited (the “Company”) announces the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2017 together with the comparative figures for the corresponding period in 2016 as follows:

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

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>31 December</b>	
	<i>Notes</i>	<b>2017</b>	2016
		<b>HK\$'000</b>	<i>HK\$'000</i>
			(Restated)
Revenue	4	<b>205,527</b>	410,850
Cost of sales		<b>(164,749)</b>	(340,102)
		<hr/>	<hr/>
Gross profit		<b>40,778</b>	70,748
Selling and distribution costs		<b>(6,840)</b>	(6,318)
Administrative expenses		<b>(40,370)</b>	(56,158)
Other operating income		<b>4,233</b>	6,667
Change in fair value of financial assets at fair value through profit or loss		<b>604</b>	403
Impairment loss on available-for-sale financial assets		–	(6,485)
Income arising from amortising the financial guarantee liabilities		<b>3,608</b>	2,878
Share-based compensation		–	(2,140)
Gain on disposal of a subsidiary		–	22,291
Finance costs	5	<b>(4,622)</b>	(7,888)
Share of results of joint ventures		<b>74,377</b>	(11,955)
		<hr/>	<hr/>
<b>Profit before income tax</b>	6	<b>71,768</b>	12,043
Income tax expense	7	<b>(120)</b>	(2,325)
		<hr/>	<hr/>
<b>Profit for the period</b>		<b>71,648</b>	9,718
		<hr/>	<hr/>

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

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>31 December</b>	
<i>Notes</i>	<b>2017</b>	2016
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
		(Restated)
<b>Other comprehensive income for the period, net of tax</b>		
<b>Items that may be subsequently reclassified to profit or loss:</b>		
Change in fair value of available-for-sale financial assets, net	<b>253</b>	(147)
Release upon disposal of available-for-sale financial assets	<b>655</b>	–
Exchange differences on translation of foreign operations, associates and joint ventures	<b>59,064</b>	(51,405)
	<hr/>	<hr/>
Other comprehensive income for the period, net of tax	<b>59,972</b>	(51,552)
	<hr/>	<hr/>
<b>Total comprehensive income for the period</b>	<b>131,620</b>	(41,834)
	<hr/> <hr/>	<hr/> <hr/>
<b>Profit for the period attributable to:</b>		
Owners of the Company	<b>71,650</b>	9,571
Non-controlling interests	<b>(2)</b>	147
	<hr/>	<hr/>
	<b>71,648</b>	9,718
	<hr/> <hr/>	<hr/> <hr/>



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

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>31 December</b>	
	<i>Notes</i>	<b>2017</b>	2016
		<b>HK\$'000</b>	<i>HK\$'000</i>
			(Restated)
<b>Total comprehensive income for the period attributable to:</b>			
Owners of the Company		<b>131,622</b>	(41,981)
Non-controlling interests		<b>(2)</b>	147
		<u><b>131,620</b></u>	<u>(41,834)</u>
		<i>HK cent</i>	<i>HK cent</i>
<b>Earnings per share for profit attributable to the owners of the Company during the period</b>			
	<i>9</i>		
Basic		<u><b>1.05</b></u>	<u>0.14</u>
Diluted		<u><b>1.05</b></u>	<u>0.14</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited At 31 December 2017 <i>HK\$'000</i>	Audited At 30 June 2017 <i>HK\$'000</i>
<i>Notes</i>			
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		65,312	64,999
Land use rights		34,968	32,908
Investment properties	10	1,229,638	37,800
Mining right	11	674,314	646,739
Interests in associates		—	—
Interests in joint ventures	12	980,389	854,828
Available-for-sale financial assets		14,631	15,285
Deferred tax assets		5,762	5,762
		3,005,014	1,658,321
		3,005,014	1,658,321
<b>Current assets</b>			
Inventories		170,301	169,937
Trade receivables	13	103,071	96,085
Prepayments, deposits and other receivables		9,745	10,088
Financial assets at fair value through profit or loss		6,374	5,770
Due from joint ventures		26	16
Cash and cash equivalents		95,867	374,648
		385,384	656,544
		385,384	656,544
<b>Current liabilities</b>			
Trade payables	14	(49,895)	(58,703)
Other payables and accruals		(43,988)	(40,067)
Bank loans	15	(661,000)	(119,000)
Obligation under finance leases		(314)	(377)
Due to related companies	16	(600)	(576)
Derivative financial instruments		(44)	(143)
Financial guarantee liabilities		(7,216)	(7,216)
Loan from a controlling shareholder	18	—	(4,606)
Provision for tax		(2,680)	(2,309)
		(765,737)	(232,997)
		(765,737)	(232,997)
<b>Net current (liabilities)/assets</b>		<b>(380,353)</b>	423,547
<b>Total assets less current liabilities</b>		<b>2,624,661</b>	2,081,868

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

		<b>Unaudited At 31 December 2017 HK\$'000</b>	Audited At 30 June 2017 HK\$'000
	<i>Notes</i>		
<b>Non-current liabilities</b>			
Obligation under finance leases		<b>(180)</b>	(314)
Due to related companies	<i>16</i>	<b>(85,997)</b>	(82,036)
Financial guarantee liabilities		<b>(6,314)</b>	(9,921)
Due to an ultimate holding company	<i>17</i>	<b>(350,000)</b>	–
Loan from a controlling shareholder	<i>18</i>	<b>(54,803)</b>	–
Deferred tax liabilities		<b>(151,282)</b>	(145,132)
		<hr/> <b>(648,576)</b> <hr/>	<hr/> (237,403) <hr/>
<b>Net assets</b>		<b><u>1,976,085</u></b>	<b><u>1,844,465</u></b>
<b>EQUITY</b>			
Share capital	<i>19</i>	<b>560,673</b>	560,673
Reserves		<b>1,421,812</b>	1,290,190
		<hr/> <b>1,982,485</b> <hr/>	<hr/> 1,850,863 <hr/>
<b>Equity attributable to the owners of the Company</b>		<b>1,982,485</b>	1,850,863
<b>Non-controlling interests</b>		<b>(6,400)</b>	(6,398)
		<hr/> <b>1,976,085</b> <hr/>	<hr/> 1,844,465 <hr/>
<b>Total equity</b>		<b><u>1,976,085</u></b>	<b><u>1,844,465</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash used in operating activities	<b>(22,270)</b>	(77,320)
Net cash (used in)/generated from investing activities	<b>(1,186,385)</b>	1,093,243
Net cash generated from/(used in) financing activities	<b>927,289</b>	(599,758)
(Decrease)/Increase in cash and cash equivalents	<b>(281,366)</b>	416,165
Cash and cash equivalents at 1 July	<b>374,648</b>	45,632
Effect of foreign exchange rate changes, net	<b>2,585</b>	(5,043)
Cash and cash equivalents at 31 December	<b>95,867</b>	456,754
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	<b>95,867</b>	456,754

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Share capital <i>HKS'000</i>	Share option reserve <i>HKS'000</i>	Non-distributable reserve <i>HKS'000</i>	Other reserve <i>HKS'000</i>	Capital Contribution reserve <i>HKS'000</i>	Exchange Fluctuation reserve <i>HKS'000</i>	Assets Revaluation reserve <i>HKS'000</i>	Investment revaluation reserve <i>HKS'000</i>	Retained profits <i>HKS'000</i>	Total <i>HKS'000</i>	Non-controlling interests <i>HKS'000</i>	Total equity <i>HKS'000</i>
Balance at 1 July 2017	560,673	6,409	273,606	(5,610)	28,567	(38,503)	36,385	7,848	981,488	1,850,863	(6,398)	1,844,465
Transactions with owners	560,673	6,409	273,606	(5,610)	28,567	(38,503)	36,385	7,848	981,488	1,850,863	(6,398)	1,844,465
Profit for the period	-	-	-	-	-	-	-	-	71,650	71,650	(2)	71,648
Other comprehensive income:												
Change in fair value of available-for-sale financial assets, net	-	-	-	-	-	-	-	253	-	253	-	253
Release upon disposal of available-for-sale financial assets	-	-	-	-	-	-	-	655	-	655	-	655
Exchange differences on translation of foreign operations, associates and joint ventures	-	-	-	-	-	59,064	-	-	-	59,064	-	59,064
<b>Total comprehensive income</b>	-	-	-	-	-	59,064	-	908	71,650	131,622	(2)	131,620
<b>Balance at 31 December 2017</b>	<b>560,673</b>	<b>6,409</b>	<b>273,606</b>	<b>(5,610)</b>	<b>28,567</b>	<b>20,561</b>	<b>36,385</b>	<b>8,756</b>	<b>1,053,138</b>	<b>1,982,485</b>	<b>(6,400)</b>	<b>1,976,085</b>
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)
<b>Total comprehensive income</b>	-	-	-	-	-	(51,405)	-	(147)	9,571	(41,981)	147	(41,834)
<b>Balance at 31 December 2016</b>	<b>560,673</b>	<b>6,409</b>	<b>273,606</b>	<b>(5,397)</b>	<b>28,567</b>	<b>(72,791)</b>	<b>-</b>	<b>6,436</b>	<b>892,753</b>	<b>1,690,256</b>	<b>(6,009)</b>	<b>1,684,247</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

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

The condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) on the historical cost basis except for the investment properties and certain financial assets 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 2017.

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 2017. 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 2017 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 2017 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 2017, issued by the HKICPA.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

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

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.

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
Amendments to HKAS 40	Transfer of Investment Property <sup>1</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
Amendments to HKFRS 9	Prepayment features with negative compensation <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15) <sup>1</sup>
Amendments to HKFRSs	Annual improvements to 2014-2016 cycle <sup>1</sup>
HK(IFRIC)-Interpretation 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
HK(IFRIC)-Interpretation 23	Uncertainty Over Income Tax Treatments <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

## 3. SEGMENT INFORMATION

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

The chief operating decision-maker has been identified as the Company's executive directors. The executive directors have identified the Group's four (2016: four (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;
- Property investment;
- Mining operation; and
- Investment

During the period, the Group completed the acquisition of the entire equity interest of Ontrack Ventures Limited (“Ontrack”) and its subsidiary, which principal asset is a piece of land located at No. 232 Wan Chai Road, Hong Kong. Accordingly, the property investment was restated as continued operation in the segment information reported as below, details of which are set out in note 24. The acquisition was completed on 25 October 2017.

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		Investment		Mining operation		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i> (Restated)	<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)
<b>Segment Revenue:</b>										
Sales to/revenue from external parties	205,373	275,383	-	133,500	154	206	-	1,761	205,527	410,850
Segment results	7,911	(8,691)	(2,845)	47,820	(489)	(6,140)	(5,014)	(6,296)	(437)	26,693
Share-based compensation									-	(2,140)
Unallocated (expenses)/income									(1,879)	3,338
Income arising from amortising the financial guarantee liabilities									3,608	2,878
Finance costs									(3,901)	(6,771)
Share of results of joint ventures									74,377	(11,955)
Profit before income tax									71,768	12,043



#### 4. REVENUE

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, sale of property under development and dividend income from investments.

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

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
		(Restated)
Sale of goods	<b>205,373</b>	275,383
Sale of gold ores	–	1,761
Sale of property under development	–	133,500
Dividend income from investments	<b>154</b>	206
	<hr/>	<hr/>
	<b>205,527</b>	410,850
	<hr/> <hr/>	<hr/> <hr/>

#### 5. FINANCE COSTS

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
		(Restated)
Interest charges on:		
Bank loans	<b>3,742</b>	6,101
Interest expenses on loan from an ultimate holding company	<b>1,155</b>	–
Interest expenses on loan from a controlling shareholder	<b>346</b>	797
Interest expenses on amount due to a related company	–	870
Finance charges on obligation under finance leases	<b>14</b>	23
Imputed interest expenses arising from amounts due to related companies	<b>2,645</b>	2,418
	<hr/>	<hr/>
Total borrowing costs	<b>7,902</b>	10,209
	<hr/> <hr/>	<hr/> <hr/>
Less: Borrowing cost capitalised in investment property and property under development	<b>(3,280)</b>	(2,321)
	<hr/>	<hr/>
	<b>4,622</b>	7,888
	<hr/> <hr/>	<hr/> <hr/>

## 6. PROFIT BEFORE INCOME TAX

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

	Unaudited Six months ended 31 December	
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i> (Restated)
Cost of inventories sold	164,749	340,102
Depreciation of property, plant and equipment	2,290	3,050
Amortisation of land use rights	701	655
Amortisation of mining right	–	141
Minimum lease payments under operating leases on land and buildings	1,500	2,622
Provision for inventories*	2,841	4,993
Fair value loss/(gain) on derivative financial instruments – forward currency contracts	29	(180)
Net foreign exchange (gain)/loss	(3,665)	7,507
Income arising from derecognition of financial guarantee liabilities	–	(5,087)
Provision for trade receivables	494	730
Loss on disposal of available-for-sale financial assets	198	–
Write-off of property, plant and equipment	40	165
(Gain)/Loss on disposal of property, plant and equipment	(2,259)	23

\* Amount included in cost of sales

## 7. INCOME TAX EXPENSE

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

	Unaudited Six months ended 31 December	
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i> (Restated)
Current tax		
Hong Kong	73	4,545
People's Republic of China	85	24
	<hr/>	<hr/>
	158	4,569
	<hr/>	<hr/>
Deferred taxation –		
People's Republic of China	(38)	(2,244)
	<hr/>	<hr/>
	120	2,325
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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 2017 (2016: Nil).

## 9. EARNINGS PER SHARE

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

	Unaudited Six months ended 31 December	
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i> (Restated)
Profit attributable to the owners of the Company	<u><b>71,650</b></u>	<u>9,571</u>
	<b>2017</b>	2016
	<b>Number of shares</b>	
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>6,831,182,580</b>	6,831,182,580
Effect of dilutive potential ordinary shares in respect of share options	<u>–</u>	<u>1,056,759</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><b>6,831,182,580</b></u>	<u>6,832,239,339</u>

The calculation of basic earnings per share is based on the profit of HK\$71,650,000 attributable to the owners of the Company for the six months ended 31 December 2017 (2016: profit of HK\$9,571,000) and on the weighted average of 6,831,182,580 (2016: 6,831,182,580) ordinary shares in issue during the period.

For the six months ended 31 December 2017, the computation of diluted earnings per share does not assume the exercise of share options as they were anti-dilutive.

For the six months ended 31 December 2016, diluted earnings per share 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.

## 10. INVESTMENT PROPERTIES

	Unaudited At 31 December 2017 HK\$'000	Audited At 30 June 2017 HK\$'000
Opening carrying amount	37,800	472,930
Additions	8,785	4,106
Borrowing cost capitalised	3,280	794
Net gain from fair value adjustments	–	700
Disposal of a subsidiary	–	(477,830)
Transfer from property, plant and equipment	–	37,100
Acquisition of subsidiaries ( <i>Note 24</i> )	1,179,773	–
	<u>1,229,638</u>	<u>37,800</u>
Closing carrying amount	<u>1,229,638</u>	<u>37,800</u>

## 11. MINING RIGHT

	Unaudited At 31 December 2017 HK\$'000	Audited At 30 June 2017 HK\$'000
Opening net carrying amount	646,739	656,334
Amortisation	–	(656)
Exchange realignment	27,575	(8,939)
	<u>674,314</u>	<u>646,739</u>
Closing net carrying amount	<u>674,314</u>	<u>646,739</u>
Gross carrying amount	1,005,514	964,396
Accumulated amortisation	(4,552)	(4,366)
Accumulated provision for impairment	(326,648)	(313,291)
	<u>674,314</u>	<u>646,739</u>
Net carrying amount	<u>674,314</u>	<u>646,739</u>

Mining right is stated at cost less accumulated amortisation and provision for impairment 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 2017, no amortisation was provided by the Group in relation to the mining right (30 June 2017: HK\$656,000).

## 12. INTERESTS IN JOINT VENTURES

	<b>Unaudited</b> <b>At 31 December</b> <b>2017</b> <b>HK\$'000</b>	Audited At 30 June 2017 HK\$'000
Share of net assets	252,264	141,198
Deemed capital contribution to a joint venture ( <i>Note a</i> )	37,490	37,490
Loan to joint ventures ( <i>Note b</i> )	690,640	676,140
Deregistration of a joint venture	(5)	–
	<u>980,389</u>	<u>854,828</u>
Due from joint ventures ( <i>Note c</i> )	<u>26</u>	<u>16</u>

*Note:*

- (a) 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.
- (b) The loans to joint ventures are unsecured, interest-free and have no fixed repayment terms.
- (c) The amount due is unsecured, interest-free and payable on demand.

## 13. 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:

	<b>Current</b> <i>HK\$'000</i>	<b>31-60</b> <b>days</b> <i>HK\$'000</i>	<b>61-90</b> <b>days</b> <i>HK\$'000</i>	<b>Over 90</b> <b>days</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Unaudited balance at 31 December 2017	<u>13,667</u>	<u>41,835</u>	<u>23,211</u>	<u>24,358</u>	<u>103,071</u>
Audited balance at 30 June 2017	<u>32,546</u>	<u>16,894</u>	<u>11,023</u>	<u>35,622</u>	<u>96,085</u>

#### 14. 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 2017	<u>8,983</u>	<u>8,815</u>	<u>10,605</u>	<u>21,492</u>	<u>49,895</u>
Audited balance at 30 June 2017	<u>8,488</u>	<u>13,583</u>	<u>7,959</u>	<u>28,673</u>	<u>58,703</u>

#### 15. BANK LOANS

At 31 December 2017, the Group's bank loans are as follows:

	Unaudited 31 December 2017 <i>HK\$'000</i>	Audited 30 June 2017 <i>HK\$'000</i>
Portion of loans from banks due for repayment within one year		
– Guaranteed	50,000	10,000
– Secured and guaranteed	<u>119,000</u>	<u>89,000</u>
	<b>169,000</b>	99,000
Portion of loans from banks due for repayment after one year which contain a repayable on demand clause		
– Guaranteed	20,000	20,000
– Secured and guaranteed	<u>472,000</u>	–
	<u><b>661,000</b></u>	<u>119,000</u>
At 31 December 2017, the bank loans were scheduled to repay as follows:		
Repayable within one year	169,000	99,000
Repayable in the second year	20,000	20,000
Repayable in the third to fifth year, inclusive	<u>472,000</u>	–
	<u><b>661,000</b></u>	<u>119,000</u>

## 15. BANK LOANS (CONTINUED)

At 31 December 2017, the Group's banking facilities were secured/guaranteed by the followings:

- (a) legal charges over the Group's investment properties, certain leasehold land and buildings and land use rights;
- (b) corporate guarantees executed by the Group; and
- (c) ordinary shares of indirect wholly-owned subsidiaries of the Company.

The bank loans of the Group denominated in Hong Kong Dollars of HK\$661,000,000 (30 June 2017: HK\$119,000,000) have floating interest rates ranging from 1.36% to 3.51% (30 June 2017: 1.43% to 2.84%) per annum.

## 16. DUE TO RELATED COMPANIES

	<b>Unaudited 31 December 2017 HK\$'000</b>	Audited 30 June 2017 HK\$'000
<b>Current liabilities</b>		
Due to related companies ( <i>Note (a)</i> )	<b>600</b>	576
<b>Non-current liabilities</b>		
Due to related companies ( <i>Note (b)</i> )	<b>85,997</b>	82,036

*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.

## 17. DUE TO AN ULTIMATE HOLDING COMPANY

The amount due is unsecured, interest bearing at 1.5% per annum and due for repayment on 24 September 2020.



## 18. LOAN FROM A CONTROLLING SHAREHOLDER

	<b>Unaudited</b> <b>At 31 December</b> <b>2017</b> <b>HK\$'000</b>	Audited At 30 June 2017 HK\$'000
<b>Current liabilities</b>		
Loan from a controlling shareholder	—	4,606
	<u>                    </u>	<u>                    </u>
<b>Non-current liabilities</b>		
Loan from a controlling shareholder	54,803	—
	<u>                    </u>	<u>                    </u>

During the period, a loan of HK\$50,000,000 is advanced from Dr. Chan Sing Chuk, Charles (“Dr. Chan”). The loan is unsecured, interest-bearing at 1.5% per annum and due for repayment on 16 July 2020.

Another loan of RMB4,000,000 (equivalent to approximately HK\$4,803,000) is also advanced from Dr. Chan and is unsecured, interest-free and due for repayment on 25 October 2020 (30 June 2017: 25 October 2017).

## 19. SHARE CAPITAL

	<b>Number of</b> <b>ordinary shares</b>	<b>Total</b> <b>HK\$'000</b>
Issued and fully paid:		
At 30 June 2017 and 31 December 2017	6,831,182,580	560,673
	<u>                    </u>	<u>                    </u>

There were no movements in share capital during the six months ended 31 December 2017.

## 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 2017

Date of grant	Exercisable period	Exercise price per share <i>HK\$</i>	Number of share options			At the end of the period
			At the beginning of the period	Granted during the period	Exercised during 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
			<b>110,000,000</b>	<b>–</b>	<b>–</b>	<b>110,000,000</b>

### As at 30 June 2017

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

No share options were granted and exercised during the six months ended 31 December 2017 (2016: No share options were exercised).

Weighted average exercise price of outstanding share options is HK\$0.179 (30 June 2017: HK\$0.179) and the weighted average remaining contractual life of outstanding share options is 7.5 years (30 June 2017: 8 years).

## 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).

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>As at 31 December 2017</b>				
Available-for-sale financial assets				
– Equity securities listed in Hong Kong	8,222	–	–	8,222
– Equity securities listed in overseas	2,179	–	–	2,179
Listed securities held for trading:				
– Equity securities listed in Hong Kong	6,374	–	–	6,374
Derivative financial instruments	–	(44)	–	(44)
	<u>16,755</u>	<u>(44)</u>	<u>–</u>	<u>16,731</u>
	<i>Level 1 HK\$'000</i>	<i>Level 2 HK\$'000</i>	<i>Level 3 HK\$'000</i>	<i>Total HK\$'000</i>
<b>As at 30 June 2017</b>				
Available-for-sale financial assets				
– Equity securities listed in Hong Kong	8,784	–	–	8,784
– Equity securities listed in overseas	2,270	–	–	2,270
Listed securities held for trading:				
– Equity securities listed in Hong Kong	5,770	–	–	5,770
Derivative financial instruments	–	(143)	–	(143)
	<u>16,824</u>	<u>(143)</u>	<u>–</u>	<u>16,681</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 2017: Nil).

## 22. CAPITAL COMMITMENTS

	<b>Unaudited</b> <b>At 31 December</b> <b>2017</b> <b>HK\$'000</b>	Audited At 30 June 2017 HK\$'000
Contracted but not provided for:		
Property, plant and equipment	1,179	696
Investment property	5,581	—
	<u>6,760</u>	<u>696</u>

## 23. OPERATING LEASE COMMITMENTS

### As lessee

The Group leases certain shops 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 2017: 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 2017, the Group had future aggregate minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>Unaudited</b> <b>At 31 December</b> <b>2017</b> <b>HK\$'000</b>	Audited At 30 June 2017 HK\$'000
Within one year	2,595	2,654
In the second to fifth years, inclusive	2,706	3,986
	<u>5,301</u>	<u>6,640</u>

## 24. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

On 17 July 2017, the Group entered into a preliminary sale and purchase agreement with Hillcharm Limited (“Seller”) to acquire the entire issued share capital of Ontrack Ventures Limited (“Ontrack”) and all the inter-company loan owing by Ontrack to the Seller at an aggregate consideration of HK\$1,180,000,000, subject to the adjustment. Ontrack is the holding company of Pacific Gate Investment Limited which principal asset is a piece of land located at No. 232 Wan Chai Road, Hong Kong with a site area of approximately 5,798 sq.ft. The acquisition was completed on 25 October 2017 upon the approval by the shareholders of the Company in the extraordinary general meeting held on 20 October 2017. Further details of which are set out in the Company’s circular dated 25 September 2017.

The adjusted consideration of approximately HK\$1,179,883,000 was satisfied by cash on completion. This transaction has been accounted for as an acquisition of assets as the acquisition does not meet the definition of a business combination. The assets acquired and liabilities assumed do not constitute a business. The transaction was accounted for as an acquisition of investment property in the ordinary course of the Group’s property investment business.

The identifiable assets and liabilities acquired was recognised at the date of acquisition as follows:

	<b>Unaudited At 31 December 2017 HK\$’000</b>
NET ASSETS ACQUIRED	
Investment Property	1,179,773
Prepayments and Other Receivables	230
Other Payables	(120)
	<hr/>
Net Assets	<b>1,179,883</b>
	<hr/> <hr/>
Net cash outflow in connection with the acquisition of subsidiary:	
Cash and cash equivalent balance acquired	–
Consideration paid	1,179,883
	<hr/>
	<b>1,179,883</b>
	<hr/> <hr/>

## 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 2017, imputed interest expenses of HK\$2,645,000 (2016: HK\$2,418,000) 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 2017, interest of HK\$346,000 (2016: HK\$797,000) was payable to Dr. Chan in relation to the loan from a controlling shareholder.
- (c) During the six months ended 31 December 2017, an interest of HK\$1,155,000 was incurred to an ultimate holding company.
- (d) Compensation of key management personnel

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

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2017</b>	2016
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
		(Restated)
Short term employee benefits	<b>5,877</b>	6,817
Post-employment benefits	<b>231</b>	251
	<b><u>6,108</u></b>	<u>7,068</u>

## 26. EVENTS AFTER THE REPORTING DATE

On 22 January 2018, the Group entered into a sale and purchase agreement (the “S&P Agreement”) with A Glory Communications Limited (“A Glory”) to sell 50% of the issued share capital of Wealth Plus Developments Limited (“Wealth Plus”) and the shareholders loan owing by Wealth Plus to the Group. Wealth Plus is a joint venture company held as to 50% by each of the Group and A Glory. Wealth Plus’s sole wholly-owned subsidiary, Shanghai Haijin Real Estate Co., Ltd. (“Haijin”), which owns “Bauhinia Square” in Yangpu District, Shanghai, the PRC.

Pursuant to the S&P Agreement, the amount of consideration is expected to be approximately HK\$1,308,000,000, subject to adjustments on the amount of Haijin bank loans (inclusive of the unpaid interests then accrued) as at the close of business of the completion date i.e., 20 April 2018. The consideration should be settled in cash and a deposit in the sum of HK\$130,800,000 has been paid by A Glory to the Group on the date of S&P Agreement. The disposal constituted a very substantial disposal transaction of the Company and further details were disclosed in the announcement of the Company dated 24 January 2018.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **OPERATING RESULTS**

The Group's consolidated revenue for the six months ended 31 December 2017 recorded a decrease of approximately 50% from HK\$410,850,000 (restated) for last interim period to HK\$205,527,000. The decrease in revenue was mainly attributable to (i) suspension of the diamond polishing operations since May 2017; and (ii) absence of one off revenue arising from disposal of 3 floors of an investment property amounting to approximately HK\$133,500,000. During the period under review, profit from owners of the Company was HK\$71,650,000, as compared to last interim profit of HK\$9,571,000. The substantial increase in profit was primarily attributable to the share of profit of joint ventures amounted to approximately HK\$74,377,000 which mainly resulting from change in fair value of investment property held by the Group's joint venture. For the six months ended 31 December 2017, basic earnings per share was HK1.05 cent (2016: HK0.14 cent).

### **BUSINESS REVIEW**

In the period under review, the Group's trading of fine jewellery and diamond business recorded a decrease in revenue of approximately HK\$70,010,000 or 25.4% from HK\$275,383,000 for the six months ended 31 December 2016 to HK\$205,373,000 for the corresponding period in 2017. The decrease in revenue was mainly resulted from the suspension of diamond polishing business. Whilst the US market shows signs of recovery in consumers' confidence, a full recovery for luxurious products will likely take some more time. As for United Kingdom and Europe, the market remains soft. Despite the challenging environment during the period under review, the Group managed to post positive results of this segment underpinned by the steady revenue from jewellery business of the Group. The Group will continue to implement business strategies on product diversification and enhance marketing efforts in order to gain market share in the jewellery industry.

In property investment, the Group completed the acquisition of the entire issued capital and sale loan of Ontrack Ventures Limited and its subsidiary, which holds a piece of land located at No. 232 Wan Chai Road, Hong Kong at a total consideration of approximately HK\$1,180,000,000. The land is a clear site with a site area of approximately 5,798 sq. ft. The Group shall redevelop the land into a premium grade office, and retail composite building of approximately 25-storey tall with a gross floor area of approximately 86,970 sq. ft and to hold it for long term leasing investment purpose. The foundation work shall commence in mid 2018 and the building is expected to be completed in second quarter of 2020.



Having considered the revitalizing property market condition in the PRC, the Board consider that it is a good opportunity for the Group to realize its investment. The Group has entered into a sale and purchase agreement on 22 January 2018 for the disposal of the 50% issued share capital of Wealth Plus Developments Limited (“Wealth Plus”). Wealth Plus is 50% owned joint venture of the Group which through its subsidiary holds “Bauhinia Square”, an eleven-floored shopping mall located in Yangpu District of Shanghai. The consideration of the disposal shall be approximately HK\$1,308,000,000 (subject to adjustment) and a deposit in the sum of HK\$130,800,000 has been received by the Group. The transaction is expected to complete on 20 April 2018. The proceeds from the disposal will enable the Group to reduce its borrowing and to improve the working capital position of the Group for future opportunities that may arise.

For our mining business, the operation at Hongzhuang Gold Mine was minimized. All of the previously reported gold resources in the Yuanling site had been exhausted. Activities such as re-visiting the old shaft and feasibility study of developing new shafts are being conducted. Meanwhile, the Company is reviewing the result of second phase exploration at the north eastern part of Yuanling.

## **PROSPECTS**

For 2018, we foresee that the consumer demand will remain soft until the 2nd and 3rd quarter. A further consolidation of the diamond and jewellery industry is expected and certain market segments will encounter great difficulties and challenges. The Group will continue to strengthen its market position by providing the best products and services to our customers. With the rapidly changing market environment, we are also implementing new business strategies and projects that will enable us to explore new opportunities and markets in the near future. During the period, the Board had been taking initiatives to co-operate with strategic partners to pursue new business opportunities with a view to diversify the business of the Group. As a result, the Group had incorporated a joint venture with a partner to acquire 51% of equity interest in Joint Able Limited and its subsidiaries, which is mainly engaged in the operation of retail and trading of a branded fashion jewellery. Our management will continue to actively seek for potential business opportunities that will generate better returns and value to the Company and its shareholders.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2017 (2016: Nil).

## **LIQUIDITY, FINANCIAL RESOURCES AND GEARING**

As at 31 December 2017, the Group has a gearing ratio of 0.35 (30 June 2017: zero), 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 cash and cash equivalents of HK\$95,867,000 (30 June 2017: HK\$374,648,000) which were mainly denominated in Hong Kong Dollar, US Dollar, Renminbi and British Pound. Bank loans were HK\$661,000,000 (30 June 2017: HK\$119,000,000), which were mainly denominated in Hong Kong Dollar. Other borrowings in respect of amounts due to related companies; loan from a controlling shareholder and ultimate holding company were approximately of HK\$491,400,000 (30 June 2017: HK\$87,218,000). The bank loans are secured by first legal charges over the Group's investment properties, certain leasehold land and buildings, land use rights and guaranteed by corporate guarantees executed by the Group.

The decrease in the Group's cash and cash equivalent and the increase in borrowing as at 31 December 2017 mainly due to the acquisition of a piece of land located at No. 232 Wan Chai Road, Hong Kong.

## **PLEDGE OF ASSETS**

As at 31 December 2017, the Group's investment properties, certain leasehold land and buildings and land use rights with an aggregate net carrying value of HK\$1,243,000,000 (30 June 2017: HK\$51,236,000) were pledged to certain banks to secure general banking facilities granted to the Group.

## **CONTINGENT LIABILITIES**

The Company has provided guarantees amounting to HK\$661,000,000 (30 June 2017: HK\$119,000,000) with respect to bank loans to its subsidiaries. Guarantees to the extent of RMB356,564,000 (equivalent to approximately HK\$428,126,000) (30 June 2017: RMB358,425,000 (equivalent to approximately HK\$412,763,000)) was also 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 with reference to the Hong Kong Interbank Offered 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 the fluctuation in British Pound. There was no change to the Group's capital structure during the six months ended 31 December 2017. 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.

## **INVESTMENT IN A JOINT VENTURE COMPANY**

Top Grace International Limited ("Top Grace"), a wholly owned subsidiary of the Company entered into a joint venture agreement with a joint venture partner (the "JV Partner") to set up a company (the "JV Company"). Each of Top Grace and the JV Partner owns 50% of the issued share capital of the JV Company.

On 9 November 2017, the JV Company entered into a sale and purchase agreement relating to the acquisition of 51% equity interest of Joint Able Limited ("Joint Able") and its subsidiaries, which principal activity include the operation of retail and trading of a branded fashion jewellery in Hong Kong at a total consideration of HK\$40,000,000 (the "Consideration"). Each of the JV Partner and Top Grace shall contribute HK\$20,000,000, being 50% of the Consideration, which represents their respective interest in the shares of the JV Company. The JV Company was provided with profit guarantee, which Joint Able shall achieve an aggregated target net profit of HK\$58,500,000 for a five-year term commencing from the Completion.

## **NOTIFIABLE TRANSACTION**

### **ACQUISITION OF SUBSIDIARIES**

On 25 August 2017, the Group had entered into a sale and purchase agreement (the "Ontrack Agreement") with an independent third party relating to acquisition of 100% equity interest of Ontrack Ventures Limited and its subsidiary, which principal asset is a piece of land at No. 232 Wan Chai Road, Hong Kong, at total consideration of HK\$1,180,000,000, subject to certain adjustment in accordance with the terms of the Ontrack Agreement (the "Acquisition"). The Acquisition, which constitutes a very substantial acquisition for the Company under the Listing Rules and was approved by way of poll at the Company's general meeting on 20 October 2017. Completion of the Acquisition took place on 25 October 2017. The details of the Acquisition were set out in the announcement and circular of the Company dated 18 July 2017 and 25 September 2017 respectively.

## **DISPOSAL OF ASSETS**

During the period, an indirect wholly-owned subsidiary of the Company had disposed of two residential properties located in the PRC at a consideration of RMB2,400,000 (equivalent to approximately HK\$2,882,000) and a gain on disposal amounted to approximately RMB1,851,000 (equivalent to approximately HK\$2,222,000) was recognized in the condensed consolidated statement of profit or loss.

## **EVENTS AFTER THE REPORTING PERIOD**

On 22 January 2018, the Group entered into a sale and purchase agreement (the “Wealth Plus Agreement”) with A Glory Communications Limited (“A Glory”) to sell 50% of the issued share capital of Wealth Plus Developments Limited (“Wealth Plus”) and the shareholders loan owning by Wealth Plus to the Group (the “Disposal”). Wealth Plus is a joint venture company held as to 50% by each of the Group and A Glory. Wealth Plus’s sole wholly-owned subsidiary, Shanghai Haijin Real Estate Co., Ltd., is the owner of “Bauhinia Square” in Yangpu District, Shanghai, the PRC. Pursuant to the Wealth Plus Agreement, the amount of consideration is expected to be approximately HK\$1,308 million (subject to adjustment). The disposal constituted a very substantial disposal transaction of the Company and further details were disclosed in the announcement of the Company dated 24 January 2018 and note 26 to the condensed consolidated interim financial statements.

## **ADVANCE FROM A CONTROLLING SHAREHOLDER, ULTIMATE HOLDING COMPANY AND RELATED COMPANIES**

On 17 July 2017, the Company as borrower entered into a loan agreement with Dr. Chan Sing Chuk, Charles (“Dr. Chan”) as lender in relation to loan facilities in the amount of HK\$50,000,000. The loans are unsecured, interest-bearing at 1.5% per annum, and repayable on 16 July 2020. Pursuant to another loan agreement in the amount of RMB4,000,000 (equivalent to approximately HK\$4,803,000) also advanced from Dr. Chan, the loan is unsecured, interest-free and repayable on 25 October 2020. Further details were set out in note 18 to the condensed consolidated interim financial statement.

On 25 September 2017, the Company as borrower entered into a loan agreement with Tamar Investments Group Limited, the ultimate holding company of the Company, as lender in relation to loan facilities in the amount of HK\$350,000,000. The loans are unsecured, interest-bearing at 1.5% per annum, and repayable on 24 September 2020.

As at 31 December 2017, total principal amount of HK\$93,710,000 remains outstanding owed by the Group to companies which Dr. Chan is a key management personnel/ultimate beneficial owner. These loans are unsecured, interest free and payable within one to three years.

## NUMBER OF EMPLOYEES, REMUNERATION POLICIES AND SHARE OPTION SCHEME

As at 31 December 2017, the Group employed a total of approximately 693 employees (30 June 2017: 828) 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.

As at 31 December 2017, 120,000,000 share options have been granted to certain directors of the Company at exercise price of HK\$0.138, HK\$0.121, HK\$0.245 or HK\$0.149 each subject to the terms of the Company's share option scheme. 10,000,000 share options have been exercised during the year ended 30 June 2015 since the grant of the share options.

As at 31 December 2017, 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 2017
				Balance as at 1 July 2017	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
	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

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 2017
				Balance as at 1 July 2017	Granted during the period	Exercise during the period	
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
				110,000,000	-	-	110,000,000

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 2017 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 2017.

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

As at 31 December 2017, 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, Ms. Cheng Siu Yin, Shirley and Mr Chan Wai Lap, Victor.
- 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 2017, no person, other than Dr. Chan and Ms. Cheng Siu Yin, Shirley, whose interests are set out in the section “Directors’ interests and short positions in shares, underlying shares and debentures” above, had registered an interest in 5% or more of the issued share capital of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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

Based on the disclosure obligations under Rules 13.20 and 13.22 of the Listing Rules, the financial assistance, which was made by the Group, continued to exist as at 31 December 2017. The financial assistance, in aggregate, represent approximately 32.9% 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 2017 were set out below:

Name of the entities	Attributable interest held by the Group	Shareholder’s loan or Advances HK\$	Corporate Guarantee HK\$	Aggregate Financial Assistance HK\$
Wealth Plus Developments Limited (“Wealth Plus”) and its subsidiary	50%	676,140,000 (Note 1)	428,126,000 (Note 2)	1,104,266,000
RETA Investment Holding Limited (“Reta”) and its subsidiary	50%	14,500,000 (Note 3)	–	14,500,000

### Notes:

1. The shareholder’s loan or advances had been 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 terms.
2. Total guarantees to the extent of RMB356,564,000 (equivalent to approximately HK\$428,126,000) 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.
3. During the period, the Group invested in 50% equity interest in Reta which owns 51% equity interest of Joint Able Limited and its subsidiaries, which principal activity include the operation of retail and trading of a branded fashion jewellery in Hong Kong. The loan is unsecured, interest-free and has no fixed repayment terms.



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:

	<b>Combined unaudited statement of financial position</b> <i>HK\$'000</i>	<b>Group's attributable interest</b> <i>HK\$'000</i>
Non-current assets	3,018,960	1,499,796
Current assets	119,125	47,256
Current liabilities	(948,136)	(461,290)
Non-current liabilities	(1,602,887)	(794,199)
	<hr/>	<hr/>
Net assets	<u>587,062</u>	<u>291,563</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 2017 except for the following deviations:

#### **1. Code Provision A.2.1**

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

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

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

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

## **2. Code Provision A.4.1**

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

Independent Non-executive Directors of the Company do not have a specific term of appointment but are subject to retirement by rotation and re-election at the Company's Annual General Meeting (the "AGM") at least once every three years in accordance with articles 115(A) and 115(D) of the Articles of Association of the Company. The Board considers that the deviation from Code Provision A.4.1 is not material as non-executive directors are 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 2017. Taking into account the size and complexity of the operations of the Group, the Company considers that the existing organisation structure and the close supervision of the management could provide sufficient internal control and risk management for the Group. The audit committee of the Board regularly reviews the effectiveness of the internal control systems and risk management of the Group. The Board would review the need to set up an internal audit function on an annual basis.

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 2017.

## **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 2017. 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 2018