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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00513)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2018

The board of directors (the "Board") of Continental Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 30 June 2018 together with comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**2018** *HK$'000*	2017 *HK$'000*
Revenue	3	**391,882**	627,293
Cost of sales		**(314,227)**	(515,776)
Gross profit		**77,655**	111,517
Selling and distribution costs		**(14,662)**	(21,874)
Administrative expenses		**(80,930)**	(100,526)
Other operating income		**5,876**	7,767
Change in fair value of investment properties		**67,017**	700
Impairment loss on available-for-sale financial assets		**(984)**	(8,373)
Impairment loss on mining right		**(41,972)**	–
Impairment loss on property, plant and equipment		**(7,941)**	(23,374)
Income arising from amortising the financial guarantee liabilities		**6,013**	5,789
Loss on disposal of available-for-sale financial assets		**(198)**	–
Share-based compensation		**–**	(2,140)
Gain on disposal of a subsidiary		**–**	22,291
Gain on disposal of a joint venture		**363,206**	–
Finance costs	4	**(12,308)**	(12,239)
Share of results of joint ventures		**69,061**	123,011

	Notes	2018 HK$'000	2017 HK$'000
Profit before income tax	*5*	**429,833**	102,549
Income tax expense	*6*	**(75,078)**	(4,098)
Profit for the year		**354,755**	98,451
Other comprehensive income, net of tax			
Item that will not be reclassified to profit or loss:			
Surplus on revaluation of leasehold land and building		**–**	36,385
Items that may be subsequently reclassified to profit or loss:			
Change in fair value of available-for-sale financial assets		**462**	645
Reclassification from equity to profit or loss on impairment of available-for-sale financial assets		**984**	620
Reclassification from equity to profit or loss on disposal of available-for-sale financial assets		**198**	–
Exchange reserve released upon disposal of a joint venture		**(44,682)**	–
Exchange differences on translation of foreign operations and joint ventures		**88,101**	(17,117)
Other comprehensive income for the year, net of tax		**45,063**	20,533
Total comprehensive income for the year		**399,818**	118,984
Profit for the year attributable to:			
Owners of the Company		**354,759**	98,306
Non-controlling interests		**(4)**	145
		354,755	98,451
Total comprehensive income for the year attributable to:			
Owners of the Company		**399,822**	118,839
Non-controlling interests		**(4)**	145
		399,818	118,984
Earnings per share for profit attributable to the owners of the Company	*8*		
Basic		**HK5.19 cent**	HK1.44 cent
Diluted		**HK5.19 cent**	HK1.44 cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	2018 HK$'000	2017 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**56,446**	64,999
Land use rights		**32,398**	32,908
Investment properties		**1,308,400**	37,800
Mining right		**623,749**	646,739
Interests in joint ventures		**14,743**	854,828
Available-for-sale financial assets		**14,385**	15,285
Long-term receivables		**–**	–
Deferred tax assets		**5,762**	5,762
		2,055,883	1,658,321
Current assets			
Inventories		**161,758**	169,937
Trade receivables	*9*	**111,737**	96,085
Prepayments, deposits and other receivables		**10,434**	10,088
Financial assets at fair value through profit or loss		**6,066**	5,770
Due from joint ventures		**183**	16
Cash and cash equivalents		**1,128,664**	374,648
		1,418,842	656,544

	Notes	**2018** **HK$'000**	2017 HK$'000
Current liabilities			
Trade payables	*10*	**(54,922)**	(58,703)
Other payables and accruals		**(34,650)**	(40,067)
Bank loans	*11*	**(611,000)**	(119,000)
Obligation under finance leases		**(127)**	(377)
Due to related companies		**–**	(576)
Derivative financial instruments		**–**	(143)
Financial guarantee liabilities		**–**	(7,216)
Loan from a controlling shareholder		**–**	(4,606)
Provision for tax		**(2,349)**	(2,309)
		(703,048)	(232,997)
Net current assets		**715,794**	423,547
Total assets less current liabilities		**2,771,677**	2,081,868
Non-current liabilities			
Obligation under finance leases		**(35)**	(314)
Due to related companies		**(33,793)**	(82,036)
Financial guarantee liabilities		**–**	(9,921)
Loan from ultimate holding company		**(350,000)**	–
Loan from a controlling shareholder		**(4,742)**	–
Deferred tax liabilities		**(138,824)**	(145,132)
		(527,394)	(237,403)
Net assets		**2,244,283**	1,844,465
EQUITY			
Share capital		**560,673**	560,673
Reserves		**1,690,012**	1,290,190
Equity attributable to the owners of the Company		**2,250,685**	1,850,863
Non-controlling interests		**(6,402)**	(6,398)
Total equity		**2,244,283**	1,844,465

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The consolidated financial statements of Continental Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective terms include all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Hong Kong Companies Ordinance. The consolidated financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The financial information relating to the year ended 30 June 2018 included in this preliminary announcement of annual results 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 had delivered the financial statements for the year ended 30 June 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 30 June 2018 in due course.

The Company's auditor has reported on those financial statements of the Group for both years. The auditor's reports were 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 sections 406(2), 407(2) or (3) of the Companies Ordinance.

2. ADOPTION OF HKFRSs

(a) Adoption of new or revised HKFRSs – effective 1 July 2017

The Group has adopted the following new or revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for annual periods beginning on or after 1 July 2017.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the note to the consolidated statement of cash flows.

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured at fair value.

The adoption of the amendments has no impact on these consolidated financial statements as the clarified treatment is consistent with the manner in which the Group has previously recognised deferred tax assets.

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 12, Disclosure of Interests in Other Entities

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

The adoption of the amendments to HKFRS 12 has no impact on these consolidated financial statements.

2. ADOPTION OF HKFRSs (Continued)

(b) New or revised HKFRSs that have been issued but are not yet effective

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

Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3 Business Combinations, HKFRS 11 Joint Arrangements, HKAS 12 Income Taxes and HKAS 23 Borrowing Costs[2]
Amendments to HKAS 28	Long-term Interests in Associate and Joint Ventures[2]
Amendments to HKAS 40	Investment Property – Transfers of Investment Property[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarification to HKFRS 15)[1]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]

[1] *Effective for annual periods beginning on or after 1 January 2018*

[2] *Effective for annual periods beginning on or after 1 January 2019*

[3] *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.*

[4] *Effective for annual periods beginning on or after 1 January 2021*

2. ADOPTION OF HKFRSs (Continued)

(b) New or revised HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business, the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business, the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

Amendments to HKAS 28 – Long-term Interests in Associate and Joint Ventures

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture.

Amendments to HKAS 40, Investment Property – Transfers of Investment Property

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

Amendments to HKFRS 2 – Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and no-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

2. ADOPTION OF HKFRSs (Continued)

(b) New or revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at fair value through other comprehensive income. All other debt and equity instruments are measured at fair value through profit or loss.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at fair value through profit or loss replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Application of HKFRS 9 in the future may have impact on the classification and measurement of the Group's financial assets.

The directors of the Company made an assessment on the financial impact of the Group's financial statements resulting from the adoption of HKFRS 9. The directors of the Company do not expect the adoption of HKFRS 9 to have a significant impact on the classification and measurement of the Group's financial assets and financial liabilities except for investments currently held as available-for-sale financial assets. Upon adoption of HKFRS 9, all these investments have to be measured at fair values with changes in fair values recognised in profit or loss, unless the equity investments are not held for trading, in which case the Group can designate them as financial assets at fair value through other comprehensive income.

2. **ADOPTION OF HKFRSs (Continued)**

(b) New or revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 9 – Financial Instruments (Continued)

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at fair value through profit or loss that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at fair value through profit or loss and therefore this new requirement will not have any impact on the Group on adoption of HKFRS 9. The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12 – month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. While the Group has not yet completed a detailed assessment of how its impairment provisions would be affected by the new model, the Group expects that the application of the expected credit loss model may result in earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

2. **ADOPTION OF HKFRSs (Continued)**

(b) **New or revised HKFRSs that have been issued but are not yet effective (Continued)**

HKFRS 15 – Revenue from Contracts with Customers (Continued)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or services in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time: (a) when the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs; (b) when the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or (c) when the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15, the entity recognise revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The directors of the Company have performed an assessment and considered that the new revenue standard is not likely to have significant impact on how it recognises revenue from the sales of goods.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the consolidated statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17. In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

2. ADOPTION OF HKFRSs (Continued)

(b) New or revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 16 – Leases (Continued)

As set out in note to the consolidated financial statements, total operating lease commitment of the Group in respect of land and buildings as at 30 June 2018 amounted to HK$4,510,000. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's results but it is expected that certain portion of these lease commitments will be required to be recognised in the form of an asset (for the right-of-use) and a financial liability (for the payment obligation) in the consolidated statement of financial position.

HK(IFRIC) – Int 22 – Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretation specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

HK(IFRIC) – Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Save as disclosed in the foregoing paragraphs about the impact of HKFRS 9, HKFRS 15 and HKFRS 16 to the Group's consolidated financial statements, the directors of the Company have also performed an assessment on other new standards, amendments and interpretations, and have concluded on a preliminary basis that other new standards and amendments would not have a significant impact on the Group's consolidated financial statements in subsequent years.

3. REVENUE AND SEGMENT INFORMATION

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

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

	2018	2017
	HK$'000	*HK$'000*
Sale of goods	**386,262**	483,084
Sale of gold ores	**–**	8,981
Sale of property under development	**–**	133,500
Rental income	**912**	–
Interest income	**4,326**	1,327
Dividend income from investments	**382**	401
	391,882	627,293

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 business lines as operating segments. Certain comparative figures on the measurement of the segment results and segment assets have been represented to conform the current year's presentation.

3. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Business segment

	Design, manufacturing, marketing and trading of fine jewellery and diamonds		Property investment		Mining operation		Investment		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
				(represented)						(represented)
Segment revenue:										
Sales to/revenue from external parties	**386,262**	483,084	**912**	133,500	**–**	8,981	**4,708**	1,728	**391,882**	627,293
Segment results	**7,520**	(12,098)	**490,930**	163,130	**(60,747)**	(37,351)	**(377)**	(6,319)	**437,326**	107,362
Share-based compensation									**–**	(2,140)
Unallocated income									**–**	4,377
Unallocated expenses									**(3,112)**	(2,721)
Income arising from amortising the financial guarantee liabilities									**6,013**	5,789
Finance costs									**(10,394)**	(10,118)
Profit before income tax									**429,833**	102,549

	Design, manufacturing, marketing and trading of fine jewellery and diamonds		Property investment		Mining operation		Investment		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(represented)		(represented)						(represented)
Segment assets	**313,380**	306,757	**1,308,432**	892,662	**682,267**	713,541	**35,269**	21,224	**2,339,348**	1,934,184
Cash and cash equivalents									**1,128,664**	374,648
Deferred tax assets									**5,762**	5,762
Unallocated corporate assets									**951**	271
Total assets									**3,474,725**	2,314,865
Segment liabilities	**76,129**	88,459	**350,488**	34	**41,564**	37,444	**1,561**	51,585	**469,742**	177,522
Bank loans									**611,000**	119,000
Loan from a controlling shareholder									**4,742**	4,606
Financial guarantee liabilities									**–**	17,137
Provision for tax									**2,349**	2,309
Deferred tax liabilities									**138,824**	145,132
Unallocated corporate liabilities									**3,785**	4,694
Total liabilities									**1,230,442**	470,400

3. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Business segment (Continued)

	Design, manufacturing, marketing and trading of fine jewellery and diamonds		Property investment		Mining operation		Investment		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000* (represented)	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000* (represented)
Other segment information:										
Depreciation of property, plant and equipment	**(4,048)**	(4,502)	**–**	–	**(760)**	(1,166)	**–**	–	**(4,808)**	(5,668)
Amortisation of land use rights	**(107)**	(109)	**–**	–	**(1,276)**	(1,240)	**–**	–	**(1,383)**	(1,349)
Amortisation of mining right	**–**	–	**–**	–	**–**	(656)	**–**	–	**–**	(656)
Change in fair value of investment properties	**–**	700	**67,017**	–	**–**	–	**–**	–	**67,017**	700
Fair value loss on derivative financial instruments	**(37)**	(149)	**–**	–	**–**	–	**–**	–	**(37)**	(149)
Fair value gain on financial assets at fair value through profit or loss	**–**	–	**–**	–	**–**	–	**296**	1,548	**296**	1,548
Gain/(Loss) on disposal of property, plant and equipment	**3,008**	(4)	**–**	–	**–**	–	**–**	–	**3,008**	(4)
Write-off of property, plant and equipment	**(464)**	(2,974)	**–**	–	**–**	(1,885)	**–**	–	**(464)**	(4,859)
Gain on disposal of a subsidiary	**–**	–	**–**	22,291	**–**	–	**–**	–	**–**	22,291
Gain on disposal of a joint venture	**–**	–	**363,206**	–	**–**	–	**–**	–	**363,206**	–
Impairment loss on available-for-sale financial assets	**–**	–	**–**	–	**–**	–	**(984)**	(8,373)	**(984)**	(8,373)
Loss on disposal of available-for-sale financial assets	**–**	–	**–**	–	**–**	–	**(198)**	–	**(198)**	–
Share of results of joint ventures	**–**	–	**68,857**	123,011	**–**	–	**204**	–	**69,061**	123,011
Impairment loss on mining right	**–**	–	**–**	–	**(41,972)**	–	**–**	–	**(41,972)**	–
Impairment loss on property, plant and equipment	**–**	–	**–**	–	**(7,941)**	(23,374)	**–**	–	**(7,941)**	(23,374)
Provision for inventories	**(9,747)**	(6,593)	**–**	–	**–**	–	**–**	–	**(9,747)**	(6,593)
Provision for trade receivables	**(1,839)**	(220)	**–**	–	**–**	–	**–**	–	**(1,839)**	(220)
Interest income	**–**	–	**–**	–	**–**	–	**4,326**	1,327	**4,326**	1,327
Interest expenses	**–**	–	**–**	–	**(1,914)**	(2,121)	**–**	–	**(1,914)**	(2,121)
Additions to non-current segment assets	**324**	3,211	**12,232**	4,106	**3,223**	3,238	**–**	–	**15,779**	10,555

3. **REVENUE AND SEGMENT INFORMATION (Continued)**

(b) Geographical information

The Group's segment revenue from external customers and its non-current assets (other than financial instruments and deferred tax assets) are divided into the following geographical areas.

	Revenue from external customers	
	2018	2017
	HK$'000	*HK$'000*
Hong Kong (place of domicile)	**37,992**	181,026
North America	**194,714**	200,245
Europe and Middle East	**148,931**	221,312
Other locations	**10,245**	24,710
Total	**391,882**	627,293

	Non-current assets	
	2018	2017
	HK$'000	*HK$'000*
Hong Kong (place of domicile)	**1,328,634**	45,812
United Kingdom	**3,730**	3,724
Mainland China	**703,372**	1,587,738
Other locations	**–**	–
Total	**2,035,736**	1,637,274

The revenue information above is based on the location of the customers. The geographical location of the non-current assets (other than financial instruments and deferred tax assets) is based on the physical location of the assets.

The executive directors determine the Group is domiciled in Hong Kong, which is the location of the Group's principal office.

3. **REVENUE AND SEGMENT INFORMATION (Continued)**

(b) **Geographical information (Continued)**

Information about major customers

Revenue from each of the major customers, which amounted to 10% or more of the total revenue, is set out below:

	2018	2017
	HK$'000	*HK$'000*
Customer A	**72,341**	N/A
Customer B	**65,496**	N/A

The revenue from two customers were all derived by the segment engaging in design, manufacturing, marketing and trading of fine jewellery and diamonds. For the year ended 30 June 2017, there was no customer contributing over 10% of the Group's revenue.

4. **FINANCE COSTS**

	2018	2017
	HK$'000	*HK$'000*
Interest charges on:		
Bank loans	**11,192**	7,913
Interest expenses on loan from ultimate holding company	**3,758**	–
Interest expenses on loan from a controlling shareholder	**485**	797
Interest expenses on amount due to a related company	**–**	870
Finance charges on obligation under finance leases	**23**	42
Imputed interest expenses arising from amounts due to related companies	**8,428**	4,938
Total borrowing costs	**23,886**	14,560
Less: interests capitalised in:		
– investment properties	**(11,578)**	(794)
– property under development	**–**	(1,527)
	12,308	12,239

5. PROFIT BEFORE INCOME TAX

	2018	2017
	HK$'000	*HK$'000*
The Group's profit before income tax is arrived at after charging/(crediting):		
Cost of inventories sold	**290,049**	489,294
Depreciation of property, plant and equipment	**4,808**	5,668
Auditor's remuneration	**1,877**	960
Amortisation of land use rights	**1,383**	1,349
Amortisation of mining right	**–**	656
Minimum lease payments under operating leases on land and buildings	**2,875**	3,628
Provision for inventories*	**9,747**	6,593
Fair value gain on financial assets at fair value through profit or loss	**(296)**	(1,548)
Fair value loss on derivative financial instruments		
– forward currency contracts	**37**	149
Net foreign exchange (gain)/loss	**(2,939)**	2,185
(Gain)/Loss on disposal of property, plant and equipment	**(3,008)**	4
Income arising from derecognition of financial guarantee liabilities	**–**	(4,377)
Government grants#	**(176)**	(472)
Provision for trade receivables	**1,839**	220
Write-off of property, plant and equipment	**464**	4,859
Loss on de-registration of a joint venture	**5**	–

* Provision for inventories for the year was included in "cost of sales" on the face of the consolidated statement of profit or loss and other comprehensive income.

\# Government grants are mainly received from 江門市蓬江區經濟促進局(2017：江門市蓬江區經濟促進局) for one of the Group's subsidiaries in respect of business activities carried on in this area. There are no unfulfilled conditions or contingencies related to these grants.

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. 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.

	2018	2017
	HK$'000	*HK$'000*
Current tax		
Hong Kong	**4**	4,546
People's Republic of China (the "PRC")*	**85,719**	4
(Over)/Under provision in prior years	**(77)**	121
	85,646	4,671
Deferred tax		
Current year	**(10,568)**	(573)
Total income tax expense	**75,078**	4,098

* During the year ended 30 June 2018, PRC enterprise income tax expense of HK$85,719,000 arising from the disposal of a joint venture was estimated according to the notice of the State Administration of Taxation of the PRC [2017] No. 37. Such estimation is subject to the final tax outcome as determined by the relevant tax authority in the PRC.

7. DIVIDENDS

At the board meeting held on 24 September 2018, the directors resolved to recommend a final dividend of HK0.5 cent per ordinary share. The proposed dividend have not been recognised as a dividend payable as at 30 June 2018, but will be reflected as an appropriation of retained profits for the year ending 30 June 2019.

The directors did not recommend any payment of dividends in respect of the year ended 30 June 2017.

8. 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:

	2018	2017
	HK$'000	*HK$'000*
Profit attributable to the owners of the Company for the purpose of basic earnings per share	**354,759**	98,306

	Number of shares	
	2018	2017
Weighted average number of ordinary shares for the purpose of basic earnings per share	**6,831,182,580**	6,831,182,580
Effect of dilutive potential ordinary shares in respect of		
– Share option *(note (i))*	**–**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**6,831,182,580**	6,831,182,580

Note:

(i) The calculation of basic earnings per share attributable to the owners of the Company for the year ended 30 June 2018 is based on the profit attributable to the owners of the Company of HK$354,759,000 (2017: HK$98,306,000) and on the weighted average number of 6,831,182,580 (2017: 6,831,182,580) ordinary shares during the year.

For the years ended 30 June 2018 and 2017, the computation of diluted earnings per share does not assume the exercise of share options as they were anti-dilutive.

9. 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:

	2018	2017
	HK$'000	*HK$'000*
0 – 30 days	**23,186**	32,546
31 – 60 days	**29,880**	16,894
61 – 90 days	**20,572**	11,023
Over 90 days	**38,099**	35,622
	111,737	96,085

10. TRADE PAYABLES

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

	2018	2017
	HK$'000	*HK$'000*
0 – 30 days	**13,575**	8,488
31 – 60 days	**8,395**	13,583
61 – 90 days	**18,961**	7,959
Over 90 days	**13,991**	28,673
	54,922	58,703

11. BANK LOANS

The analysis of the carrying amount of bank loans is as follows:

	2018	2017
	HK$'000	*HK$'000*
Current liabilities		
Portion of loans from banks due for repayment within one year		
– Guaranteed	**55,000**	10,000
– Secured and guaranteed	**84,000**	89,000
	139,000	99,000
Portion of loans from banks due for repayment after one year which contain a repayable on demand clause		
– Guaranteed	**–**	20,000
– Secured and guaranteed	**472,000**	–
	611,000	119,000

At 30 June 2018, the bank loans were scheduled to repay as follows:

	2018	2017
	HK$000	*HK$000*
Bank loans:		
Repayable within one year	**139,000**	99,000
Repayable in the second year	**–**	20,000
Repayable in the third to fifth year, inclusive	**472,000**	–
	611,000	119,000

The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

The bank loans of the Group denominated in HK$ of HK$611,000,000 (2017: HK$119,000,000) have floating interest rates ranging from 2.70% to 3.97% (2017: 1.43% to 2.84%) per annum.

12. EVENT AFTER THE REPORTING DATE

On 20 July 2018, the Group had entered into 11 preliminary sale and purchase agreements (the "Agreements") with an independent third party relating to acquisition of 100% equity interests of eleven companies, which principal asset comprise 12 floors in a commercial building in Yuen Long at a total consideration of HK$129,000,000, in accordance with the terms of the Agreements (the "Acquisition"). The Acquisition constitutes a discloseable transaction of the Company and is expected to be completed on 22 October 2018. Details of the Acquisition were set out in the announcement of the Company dated 24 July 2018.

BUSINESS REVIEW AND MANAGEMENT DISCUSSION AND ANALYSIS

For the financial year 2018, the Group's consolidated revenue recorded a decrease of approximately HK$235.4 million or 37.5% from last year's HK$627.3 million to HK$391.9 million. The decrease was mainly attributable to (i) suspension of the diamond polishing operations since May 2017; and (ii) absence of a one-off revenue arising from disposal of 3 floors of an investment property amounting to approximately HK$133.5 million. During the year, profit attributable to owners of the Company was HK$354.8 million. The substantial increase in profits over last year's HK$98.3 million was primarily attributable to (i) the one-off gain from the disposal of a 50% joint venture of the Group amounting to approximately HK$363.2 million; (ii) unrealised fair value gain on the investment properties of approximately HK$67.0 million; and (iii) share of profit of joint ventures of approximately HK$69.1 million, which partially offset the impairment loss on mining right amount to HK$42.0 million and estimated income tax of approximately HK$75.1 million. The basic earnings per share was HK5.19 cent (2017: HK1.44 cent).

During the year under review, the Group's revenue on trading of fine jewellery recorded a decrease of approximately HK$96.8 million or 20.0% from last year's HK$483.1 million to HK$386.3 million for the year ended 30 June 2018. The decrease in the revenue was mainly due to the suspension of the diamond polishing business in 2017. While the overall luxury market has showed signs of improvement, particularly in the United States, the luxury jewellery segment remained as a highly competitive and crowded marketplace. The traditional retailers are facing strong competition from online retailers as well as fashion brands. In the United Kingdom and Europe, the markets are stable but fragmented. The jewellery industry is experiencing further consolidation worldwide and it is expected to see more changes in the near future. Amidst all challenges, the Group managed to maintain its turnover while improving its segment result by offering higher quality products as well as working with retailers on more private label brands and collections.

During the year, 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 invested in a company, which is mainly engaged in the operation of retail and trading of a branded fashion jewellery. The brand mainly penetrates in the Hong Kong and China markets which are both new territories for the Group. Our management believes that this will be a valuable addition to the long term strategy of the Group and it will make positive contribution in the future.

For property investment, the Group completed the acquisition of a piece of land located at No. 232 Wan Chai Road, Hong Kong at a total consideration of approximately HK$1,180 million. The land is a clear site with a site area of approximately 5,798 sq. ft. Up to the date of this results announcement, the Group intends to redevelop the land into a premium grade office and retail composite 26-storey building with a gross floor area of approximately 86,970 sq. ft. and to hold it for long term investment purpose. The foundation work has commenced in September 2018 and the building is expected to be completed in 2021.

In view of the revitalizing property market condition in China, the Board believed it is a good opportunity for the Group to realize its investment in Shanghai. The Group has sold a 50% owned joint venture which holds the "Bauhinia Square", an eleven-floored shopping mall located in Yangpu District of Shanghai. The consideration of the disposal was approximately HK$1,305.8 million and was completed on 20 April 2018. The gain from the disposal was approximately HK$277.5 million after netting off the estimated income tax. The proceeds from the disposal will enable the Group to reduce its borrowings and to improve the working capital position of the Group for future business opportunities and investments.

Subsequent to the financial year, on 20 July 2018, the Group has entered into preliminary agreements to acquire 12 floors of Glassview Commercial Building (the "Properties") at 65 Castle Peak Road, Yuen Long, New Territories at a consideration of approximately HK$129 million, with a gross floor area of approximately 14,508 sq. ft. The Properties currently fully let and will provide a stable rental income to the Group. It is the current intention of the Group to hold the Properties for long term investment.

In the mining segment, mining operation was minimized. As all the previously reported gold resources at the Yuanling mine site had been exhausted, the Company has been developing new shaft and re-visiting the old shaft in the Yuanling mine site. Meanwhile, the Company will continue exploration at the north eastern part of Yuanling.

BUSINESS OUTLOOK

In the coming year, it is anticipated that the jewellery business will continue to be very competitive and challenging. The current trade tensions between China and the United States will likely impact the overall economy. Meanwhile, the negotiations between the United Kingdom with European Union on the Brexit still remain uncertain. Amidst of these economic uncertainties, the Group will continue to foster its relationship with key customers and strengthen its market position. The Group is actively seeking opportunities in gaining market share through strategic investments and partnerships. Subsequent to year end date, the Group has entered into a non-legal binding memorandum of understanding with an independent third party to acquire certain assets of a jewellery company in the United Kingdom. The Board believes that such acquisition will further expand and strength the Group's presence and foothold in the United Kingdom market.

In property, following the disposal of Group's 50% joint venture project located in Shanghai, the Group will continue to reinforce knowledge to take root in the property markets and grasp more sound investment opportunities. With the recent acquisitions of 12 floors commercial properties in Yuen Long, the Group believes it will provide a steady source of income. It is the Group's intention to broaden its property investment portfolio, in hope to bring in additional source of income and profits to the Group.

The management remains positive in the overall market outlook and will strive to expand its business and investment portfolio in order to enhance the return on equity to the Group and its shareholders.

IMPAIRMENT LOSS ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

At 30 June 2018, the Group held an equity interest in Macarthur Minerals Limited ("MMS"), MMS is an Australian company listed on the TSX Venture Exchange in Canada. The Group holds the interest in MMS for long term investment and accounted for as a non-current asset as "available-for-sale financial assets". During the year, the fair value of MMS was determined to be impaired on the basis of significant and prolonged decline in its fair value below cost. Accordingly, impairment loss of HK$984,000 (2017: HK$620,000) was recognised in the consolidated statement of profit or loss and other comprehensive income.

IMPAIRMENT LOSS ON MINING RIGHT AND PROPERTY, PLANT AND EQUIPMENT

During the year ended 30 June 2018, the Directors appointed an independent professional valuer, BMI Appraisals Limited, to perform a valuation with respect to Hongzhuang Gold Mine situated at Henan Province, China and impairment loss of mining right and property plant and equipment amounting to HK$41,972,000 (2017: Nil) and HK$890,000 (2017: Nil) respectively has been recognised in the consolidated statement of profit or loss and other comprehensive income.

The fair value of Honzhuang Gold Mine was estimated based on the Market Based Approach with reference to comparable transactions, in which such approach was consistent with mining right valuation as at 30 June 2017. The key inputs used in the valuation were the consideration-to-resources multiples obtained from comparable transactions, the adjusted contained gold metal based on the technical review report prepared by SRK Consulting China Limited under Chinese standard.

The Chinese standard resources estimates as reported by SRK Consulting China Limited were risk with uncertainty. The estimated fair value of the Hongzhuang Gold Mine has been assigned a lower or no credit to those resources with high resources risks.

As at 30 June 2018, the Directors also conducted an impairment assessment on certain of the Group's property, plant and equipment under Yuanling mine site due to the delay of the operation plan. Accordingly, an impairment loss of property, plant and equipment of approximately HK$7,051,000 (2017: HK$23,374,000) had been recognised and included in the consolidated statement of profit or loss and other comprehensive income.

All the above-mentioned impairment loss on mining right and property, plant and equipment was included in the Group's mining segment in the reportable and operating segment of the Group.

ANNUAL UPDATE ON DETAILS OF RESOURCES AND/OR RESERVES UNDER RULES OF 18.15, 18.17 AND 18.18 OF THE LISTING RULES

There has been no material change on the resources and/or reserves of the Group during the year. The following table shows the details of resources and/or reserves of the Group as at 30 June 2018:

Subsidiary	Mine field	Area *(km²)*	Reporting date	Type of mining operation	Gold resources *(t)*	Reporting Standard	Gold grade *(g/t)*
Henan Multi-Resources Mining Company Limited*	Hongzhuang	1.09	30 June 2018	Underground	10.73	PRC 122b	5.58
					5.46	PRC 332	1.89
					24.66	PRC 333	4.46
	Yuanling	4.57	30 June 2018	Underground	–	PRC 122b	–
					–	PRC 333	–

Factors and assumptions such as gold grade, ore body thickness and shape of vein were considered for estimating the resources and/or reserves. Please refer to Section 8 of Appendix VII of the circular of the Company dated 25 January 2010 for further information of the resources and/or reserves estimation.

* *The unofficial English translations or transliterations of Chinese names are for identification purpose only*

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

As of 30 June 2018, the Group's gearing ratio was zero (2017: 0), which is calculated on net debt divided by total equity plus net debt. Net debt is calculated as the sum of bank and other borrowings less cash and cash equivalents. The Group maintains a strong financial position with cash and cash equivalents of HK$1,128,664,000 (2017: HK$374,648,000) which were mainly denominated in Hong Kong Dollar, US Dollar, Renminbi and British Pound. Bank loans were HK$611,000,000 (2017: HK$119,000,000), which were denominated in Hong Kong Dollar. Other borrowings in respect of amounts due to related companies, loan from a controlling shareholder and loan from ultimate holding company were approximately of HK$388,535,000 (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 Company.

The substantial increase in the Group's cash and cash equivalent as at 30 June 2018 were mainly attributed to the net proceeds received from the disposal of the Group's 50% joint venture. 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 of 30 June 2018, the Group's investment properties, certain leasehold land and buildings and land use rights with an aggregate net carrying value of HK$1,320,921,000 (2017: HK$51,236,000) were pledged to certain banks to secure banking facilities granted to the Group.

CAPITAL STRUCTURE

All the Group's borrowings are denominated in Hong Kong Dollar and Renminbi. Interest is determined with reference to 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 minimize exchange rate risk as a result of fluctuation in British Pound. There was no change to the Group's capital structure during the year ended 30 June 2018. In light of the current financial position of the Group and provided there is no unforeseeable circumstance, the management does not anticipate the need to change the capital structure.

NUMBER OF EMPLOYEES, REMUNERATION POLICIES AND SHARE OPTION SCHEME

The Group employs a total of approximately 660 employees with the majority in the PRC. The Group's remuneration to its employees is largely based on common industrial practice. The Company has adopted a share option scheme on 13 July 2010, under which, the Company may grant options to eligible persons including directors and employees. As at 30 June 2018, 120,000,000 share options were granted pursuant to the scheme since its adoption.

CONTINGENT LIABILITIES

As at 30 June 2018, the Company has provided guarantees to the extent of HK$611,000,000 (2017: HK$119,000,000) with respect to bank loans to its subsidiaries. Under the guarantees, the Company would be liable to pay the banks if the banks are unable to recover the loans. At the reporting date, no provision for the Company's obligation under the guarantee contract has been made as the directors considered that it was unlikely the repayment of the loans would be in default.

CAPITAL COMMITMENTS

At 30 June 2018, the Group had outstanding capital commitments of approximately HK$7,365,000 (2017: HK$696,000), which was mainly the capital commitments for the investment property undertaken by the Group.

EXPOSURE TO FINANCIAL RISK AND RELATED HEDGES

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

DIVIDENDS

At the Board meeting held on 24 September 2018, the directors recommend the payment of a final dividend for the year ended 30 June 2018.

The Board has resolved to declare a final dividend of HK0.5 cent per share for the year ended 30 June 2018 (2017: Nil), totalling approximately HK$34,156,000 (2017: Nil), payable on or about Thursday, 10 January 2019 to the shareholders whose names appear on the Register of members on Thursday, 27 December 2018.

The dividend have not been recognised as a dividend payable as at 30 June 2018, but will be reflected as an appropriation of retained profits for the year ending 30 June 2019.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") will be held on Monday, 17 December 2018 and the Notice of AGM will be published and despatched in the manner as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the Register of Members of the Company will be closed from Wednesday, 12 December 2018 to Monday, 17 December 2018, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 11 December 2018.

For determining the entitlement to the proposed final dividend, the Register of Members will be closed from Friday, 21 December 2018 to Thursday, 27 December 2018, during which period no transfer of shares will be registered. In order to qualify for entitlement to the proposed final dividend, all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the office of the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 20 December 2018. Subject to the approval by shareholders of the Company at the forthcoming annual general meeting, the proposed final dividend will be paid on or around Thursday, 10 January 2019.

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 year.

AUDIT COMMITTEE

The Company has an Audit Committee which was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the financial reporting process and internal controls of the Group. The Audit Committee has discussed the Group's accounting policies and basis adopted, the financial and internal control process of the Group and has reviewed the interim and annual financial statements. As of the date of this announcement, the Audit Committee comprises of the four Independent Non-executive Directors of the Company.

CORPORATE GOVERNANCE

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 year ended 30 June 2018 except for the following deviations:

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.

Mr. Chan Wai Lap, Victor ("Mr. Chan") an Executive Director and also the Chairman of the Company. Mr. Chan currently strategizes the direction of the Group and also provides leadership for the Board. He ensures that the Board works effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. Mr. Chan is also responsible to ensure that all Directors are properly briefed on issues arising at Board meetings and that all Directors receive adequate information, which must be complete and reliable, in a timely manner.

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

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

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

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

3. Code Provisions A.6.7 provides that Independent Non-executive Directors and other Non-executive Directors, should also attend general meetings and develop a balanced understanding of the views of shareholders.

   Mr. Sze Irons, an Independent Non-executive Director of the Company, did not attend the extraordinary general meeting held on 6 April 2018 due to other business engagement. Other Independent Non-executive Directors were present at the extraordinary general meeting and were available to answer questions.

4. 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 for the year ended 30 June 2018. 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 as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transaction by 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 year ended 30 June 2018.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk under “Latest Information” and at the website www.continental.com.hk. The annual report for the year ended 30 June 2018 will be dispatched to the shareholders and will be available on the above websites in due course.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and related notes thereto for the year ended 30 June 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my sincere gratitude to the Group's management and staff members for their dedication and hard work, our customers for their confidence and support for our products, and our shareholders for their trust and support.

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

Hong Kong, 24 September 2018

As at the date of this announcement, Mr. Chan Wai Lap, Victor, Dr. Chan Sing Chuk, Charles, BBS, JP, Ms. Cheng Siu Yin, Shirley, Ms. Chan Wai Kei, Vicki, and Mr. Wong Edward Gwon-hing are the Executive Directors, Mr. Yam Tat Wing is the Non-executive Director and Mr. Yu Shiu Tin, Paul, BBS, MBE, JP, Mr. Chan Ping Kuen, Derek, Mr. Sze Irons, BBS, JP, and Mr. Cheung Chi Fai, Frank are the Independent Non-executive Directors.