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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 2016

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 2016 together with comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**2016** *HK$'000*	2015 *HK$'000*
Revenue	*3*	**552,575**	730,900
Cost of sales		**(465,581)**	(625,582)
Gross profit		**86,994**	105,318
Selling and distribution costs		**(22,855)**	(25,097)
Administrative expenses		**(103,583)**	(103,232)
Other operating income		**7,112**	42,635
Change in fair value of investment property		**11,112**	333,454
Impairment loss on available-for-sale financial assets		**(457)**	(4,834)
Loss on disposal of available-for-sale financial assets		**–**	(549)
Impairment loss on mining right		**(36,417)**	(304,707)
Impairment loss on property, plant and equipment		**(944)**	(8,408)
Income arising from amortising the financial guarantee liabilities		**3,167**	2,884
Share-based compensation		**(2,390)**	(470)
Finance costs	*4*	**(16,017)**	(13,557)
Share of results of joint ventures		**(111,777)**	41,721
(Loss)/Profit before income tax	*5*	**(186,055)**	65,158
Income tax credit	*6*	**10,363**	76,179
(Loss)/Profit for the year		**(175,692)**	141,337

	Notes	2016 HK$'000	2015 HK$'000
Other comprehensive income, net of tax			
Items that may be subsequently reclassified to profit or loss:			
Change in fair value of available-for-sale financial assets		**1,341**	(5,480)
Reclassification from equity to profit or loss on impairment of available-for-sale financial assets		**457**	4,834
Release upon disposal of available-for-sale financial assets		**–**	1,105
Exchange differences on translation of foreign operations, associates and joint ventures		**(110,258)**	8,200
Other comprehensive income for the year, net of tax		**(108,460)**	8,659
Total comprehensive income for the year		**(284,152)**	149,996
(Loss)/Profit for the year attributable to:			
Owners of the Company		**(175,666)**	141,571
Non-controlling interests		**(26)**	(234)
		(175,692)	141,337
Total comprehensive income for the year attributable to:			
Owners of the Company		**(284,126)**	150,230
Non-controlling interests		**(26)**	(234)
		(284,152)	149,996
(Loss)/Earnings per share for (loss)/profit attributable to the owners of the Company	*8*		
– Basic		**(HK2.57 cent)**	HK2.23 cent
– Diluted		**(HK2.57 cent)**	HK2.07 cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	2016 HK$'000	2015 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**94,431**	104,255
Land use rights		**34,687**	38,784
Investment property		**472,930**	446,040
Mining right		**656,334**	751,427
Interests in associates		**–**	–
Interests in joint ventures		**708,636**	748,386
Available-for-sale financial assets		**22,393**	21,052
Long-term receivables		**–**	–
Deferred tax assets		**5,762**	5,932
		1,995,173	2,115,876
Current assets			
Property under development		**576,843**	546,497
Inventories		**221,799**	218,483
Trade receivables	9	**93,231**	116,380
Prepayments, deposits and other receivables		**17,478**	38,431
Financial assets at fair value through profit or loss		**4,222**	6,026
Derivative financial instruments		**99**	–
Due from an associate		**–**	–
Due from joint ventures		**167**	155
Cash and cash equivalents		**45,632**	55,641
		959,471	981,613

	Notes	2016 *HK$'000*	2015 *HK$'000*
Current liabilities			
Trade payables	*10*	**(126,705)**	(140,397)
Other payables and accruals		**(75,948)**	(68,797)
Bank loans	*11*	**(571,548)**	(468,634)
Obligation under finance leases		**(379)**	(359)
Due to related companies		**(2,744)**	(3,099)
Derivative financial instruments		**–**	(16)
Financial guarantee liabilities		**(3,411)**	(3,086)
Provision for tax		**(2,298)**	(4,762)
		(783,033)	(689,150)
Net current assets		**176,438**	292,463
Total assets less current liabilities		**2,171,611**	2,408,339
Non-current liabilities			
Obligation under finance leases		**(691)**	(1,070)
Due to related companies		**(165,346)**	(82,161)
Financial guarantee liabilities		**(2,245)**	(4,115)
Loan from a controlling shareholder		**(131,670)**	(153,060)
Deferred tax liabilities		**(147,718)**	(169,862)
		(447,670)	(410,268)
Net assets		**1,723,941**	1,998,071
EQUITY			
Share capital		**560,673**	560,673
Reserves		**1,169,424**	1,443,528
Equity attributable to the owners of the Company		**1,730,097**	2,004,201
Non-controlling interests		**(6,156)**	(6,130)
Total equity		**1,723,941**	1,998,071

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 provisions of the Hong Kong Companies Ordinance which concern the preparation of consolidated financial statements. 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 2016 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 2015 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 2016 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

New/revised HKFRSs that have been issued but are not yet effective

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 year of which the consolidated financial statements were prepared, have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle [1]
Amendments to HKAS 1	Disclosure Initiative [1]
Amendments to HKAS 7	Disclosure Initiative [2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation [1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements [1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [5]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations [1]
HKFRS 9 (2014)	Financial Instruments [3]
HKFRS 14	Regulatory Deferral Accounts [1]
HKFRS 15	Revenue from Contracts with Customers [3]
HKFRS 16	Leases [4]

[1] *Effective for annual periods beginning on or after 1 January 2016*
[2] *Effective for annual periods beginning on or after 1 January 2017*
[3] *Effective for annual periods beginning on or after 1 January 2018*
[4] *Effective for annual periods beginning on or after 1 January 2019*
[5] *No mandatory effective date yet determined but is available for early adoption*

2. ADOPTION OF HKFRSs (Continued)

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

HKFRSs (Amendments) – Annual Improvements 2012-2014 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear.

Amendments to HKAS 1 – Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

An entity's share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

Amendments to HKAS 7 – Disclosure Initiative

The amendments require entities to provide information about changes in their financial liabilities including changes from cash flows and non-cash changes such as foreign exchange gains or losses.

Amendments to HKAS 16 and HKAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to HKAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

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.

2. ADOPTION OF HKFRSs (Continued)

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

Amendments to HKFRS 11– Accounting for Acquisitions of Interests in Joint Operations

The amendments require an entity to apply all of the principles of HKFRS 3 Business Combinations when it acquires an interest in a joint operation that constitutes a business as defined in that standard. The principles of HKFRS 3 are also applied upon the formation of a joint operation if an existing business as defined in that standard is contributed by at least one of the parties.

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 (2014) 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 (2014) 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 (2014) 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 (2014) retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

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.

2. ADOPTION OF HKFRSs (Continued)

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

HKFRS 15 – Revenue from Contracts with Customers (Continued)

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.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases", 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

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

3. REVENUE AND SEGMENT INFORMATION

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

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

	2016	2015
	HK$'000	*HK$'000*
Sale of goods	**543,152**	715,595
Sale of gold ores	**9,056**	13,845
Interest income	**30**	32
Dividend income from investments	**337**	1,428
	552,575	730,900

The Group determines its operating segments based on the reports reviewed by the Company's 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.

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	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sales to/revenue from external parties	**543,152**	715,595	**–**	–	**9,056**	13,845	**367**	1,460	**552,575**	730,900
Segment results	**(14,086)**	33,896	**4,659**	327,873	**(47,769)**	(332,049)	**(2,375)**	3,212	**(59,571)**	32,932
Share-based compensation									**(2,390)**	(470)
Unallocated expenses									**(2,560)**	(1,888)
Income arising from amortising the financial guarantee liabilities									**3,167**	2,884
Finance costs									**(12,924)**	(10,021)
Share of results of joint ventures									**(111,777)**	41,721
(Loss)/Profit before income tax									**(186,055)**	65,158

	Design, manufacturing, marketing and trading of fine jewellery and diamonds		Property investment		Mining operation		Investment		Consolidated	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**372,899**	400,803	**1,054,141**	1,014,224	**748,055**	852,473	**19,248**	19,618	**2,194,343**	2,287,118
Interests in joint ventures									**708,636**	748,386
Cash and cash equivalents									**45,632**	55,641
Deferred tax assets									**5,762**	5,932
Unallocated corporate assets									**271**	412
Total assets									**2,954,644**	3,097,489
Segment liabilities	**139,799**	127,904	**49,543**	69,292	**39,597**	40,636	**47,983**	51,949	**276,922**	289,781
Bank loans									**571,548**	468,634
Due to a related company									**90,000**	–
Loan from a controlling shareholder									**131,670**	153,060
Financial guarantee liabilities									**5,656**	7,201
Provision for tax									**2,298**	4,762
Deferred tax liabilities									**147,718**	169,862
Unallocated corporate liabilities									**4,891**	6,118
Total liabilities									**1,230,703**	1,099,418

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	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:										
Depreciation of property, plant and equipment	**(6,123)**	(6,705)	**–**	–	**(1,599)**	(1,802)	**–**	–	**(7,722)**	(8,507)
Amortisation of land use rights	**(109)**	(109)	**–**	–	**(1,257)**	(1,362)	**–**	–	**(1,366)**	(1,471)
Amortisation of mining right	**–**	–	**–**	–	**(705)**	(1,229)	**–**	–	**(705)**	(1,229)
Change in fair value of investment property	**–**	–	**11,112**	333,454	**–**	–	**–**	–	**11,112**	333,454
Gain on debt extinguishment arising from recognition of amount due to a related company	**–**	–	**–**	–	**2,222**	–	**–**	–	**2,222**	–
Fair value gain on derivative financial instruments	**202**	181	**–**	–	**–**	–	**–**	–	**202**	181
Fair value (loss)/gain on financial assets at fair value through profit or loss	**–**	–	**–**	–	**–**	–	**(1,804)**	6,338	**(1,804)**	6,338
Gain/(Loss) on disposal of property, plant and equipment	**–**	28,513	**–**	–	**(6)**	–	**–**	–	**(6)**	28,513
Write-off of property, plant and equipment	**(163)**	(224)	**–**	–	**–**	–	**–**	–	**(163)**	(224)
Gain on disposal of a subsidiary	**–**	1,261	**–**	–	**–**	–	**–**	–	**–**	1,261
Loss on disposal of available-for-sale financial assets	**–**	–	**–**	–	**–**	–	**–**	(549)	**–**	(549)
Impairment loss on available-for-sale financial assets	**–**	–	**–**	–	**–**	–	**(457)**	(4,834)	**(457)**	(4,834)
Impairment loss on mining right	**–**	–	**–**	–	**(36,417)**	(304,707)	**–**	–	**(36,417)**	(304,707)
Impairment loss on property, plant and equipment	**–**	–	**–**	–	**(944)**	(8,408)	**–**	–	**(944)**	(8,408)
Provision for inventories	**(5,955)**	(1,864)	**–**	–	**–**	–	**–**	–	**(5,955)**	(1,864)
Reversal of provision/(Provision) for trade receivables	**543**	(401)	**–**	–	**–**	–	**–**	–	**543**	(401)
Write-off of prepayments, deposits and other receivables	**(468)**	–	**–**	–	**–**	–	**–**	–	**(468)**	–
Interest income	**–**	–	**–**	–	**–**	–	**30**	32	**30**	32
Interest expenses	**–**	–	**–**	–	**(3,093)**	(3,536)	**–**	–	**(3,093)**	(3,536)
Additions to non-current segment assets	**2,364**	5,330	**13,939**	35,699	**4,533**	828	**–**	–	**20,836**	41,857

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	
	2016	2015
	HK$'000	*HK$'000*
Hong Kong (place of domicile)	**43,873**	111,153
North America	**224,394**	251,118
Europe and Middle East	**258,108**	331,749
Other locations	**26,200**	36,880
Total	**552,575**	730,900

	Non-current assets	
	2016	2015
	HK$'000	*HK$'000*
Hong Kong (place of domicile)	**478,994**	481,264
United Kingdom	**4,107**	5,175
Mainland China	**1,483,915**	1,602,443
Other locations	**2**	10
Total	**1,967,018**	2,088,892

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:

	2016	2015
	HK$'000	*HK$'000*
Customer A	**92,496**	145,973
Customer B	**62,683**	75,261
Customer C	**60,379**	N/A

The revenue from three major customers (2015: two major customers) was all derived by the segment engaging in design, manufacturing, marketing and trading of fine jewellery and diamonds.

4. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest charges on:		
Bank loans	**12,210**	10,843
Interest expenses on loan from a controlling shareholder	**2,080**	1,963
Interest expenses on amount due to a related company	**1,637**	–
Finance charges on obligation under finance leases	**62**	65
Imputed interest expenses arising from amounts due to related companies	**5,403**	5,252
Imputed interest expenses on convertible note	**–**	71
Total borrowing costs	**21,392**	18,194
Less: Bank loan interest capitalised in		
– investment property	**(1,839)**	(2,587)
– property under development	**(3,536)**	(2,050)
	16,017	13,557

5. (LOSS)/PROFIT BEFORE INCOME TAX

	2016	2015
	HK$'000	*HK$'000*
The Group's (loss)/profit before income tax is arrived at after charging/(crediting):		
Cost of inventories sold	**440,079**	598,073
Depreciation of property, plant and equipment	**7,722**	8,507
Auditor's remuneration	**1,153**	1,180
Amortisation of land use rights	**1,366**	1,471
Amortisation of mining right	**705**	1,229
Minimum lease payments under operating leases on land and buildings	**4,655**	4,762
Provision for inventories*	**5,955**	1,864
Fair value loss/(gain) on financial assets at fair value through profit or loss	**1,804**	(6,338)
Fair value gain on derivative financial instruments – forward currency contracts	**(202)**	(181)
Net foreign exchange loss	**11,527**	5,662
Loss/(Gain) on disposal of property, plant and equipment	**6**	(28,513)
Gain on disposal of a subsidiary	**–**	(1,261)
Gain on debt extinguishment arising from recognition of amount due to a related company	**(2,222)**	–
Government grants#	**(650)**	(598)
(Reversal of provision)/Provision for trade receivables	**(543)**	401
Write-off of prepayments, deposits and other receivables	**468**	–
Impairment loss on amount due from a joint venture	**150**	–
Write-off of property, plant and equipment	**163**	224

* 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 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 CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the 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.

	2016	2015
	HK$'000	*HK$'000*
Current tax		
Hong Kong	**79**	102
PRC	**3**	604
Over-provision in prior years	**(1,574)**	(337)
	(1,492)	369
Deferred tax		
Current year	**(8,871)**	(76,548)
Total income tax credit	**(10,363)**	(76,179)

7. DIVIDENDS

The directors do not recommend any payment of dividends in respect of the year ended 30 June 2016 (2015: Nil).

8. (LOSS)/EARNINGS PER SHARE

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

	2016	2015
	HK$'000	*HK$'000*
(Loss)/Profit attributable to owners of the Company	**(175,666)**	141,571
Imputed interest expenses on convertible note	**–**	71
(Loss)/Profit attributable to owners of the Company before imputed interest expenses on convertible note	**(175,666)**	141,642

	Number of shares	
	2016	2015
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**6,831,182,580**	6,347,942,351
Effect of dilutive potential ordinary shares in respect of		
– convertible note *(note (ii))*	**–**	478,010,094
– share option *(notes (i) and (ii))*	**–**	9,033,987
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	**6,831,182,580**	6,834,986,432

Notes:

(i) For the year ended 30 June 2016, diluted loss per share amounts is based on the loss for the year attributable to owners of the Company of HK$175,666,000 on the adjusted weighted average of 6,831,182,580 ordinary shares outstanding during the year, being the weighted average of number of ordinary shares of 6,831,182,580 used in basic loss per share calculation. For the year ended 30 June 2016, the computation of diluted loss per share did not assume the exercise of the share options as they were anti-dilutive.

(ii) For the year ended 30 June 2015, diluted earnings per share amounts was based on the profit for the year attributable to owners of the Company of HK$141,571,000 and adjusted to reflect the imputed interest expenses on the convertible note, where applicable, after adjustments to reflect the effect of deemed exercise or conversion of convertible note, which was HK$141,642,000 and on the adjusted weighted average of 6,834,986,432 ordinary shares outstanding during the year, being the weighted average of number of ordinary shares of 6,347,942,351 used in basic earnings per share calculation adjusted for the effect of deemed exercise of convertible note into 478,010,094 ordinary shares and share options into 9,033,987 ordinary shares.

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:

	2016	2015
	HK$'000	*HK$'000*
0 – 30 days	**30,544**	45,901
31 – 60 days	**22,771**	27,905
61 – 90 days	**12,571**	14,330
Over 90 days	**27,345**	28,244
	93,231	116,380

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:

	2016	2015
	HK$'000	*HK$'000*
0 – 30 days	**37,358**	62,313
31 – 60 days	**25,082**	29,121
61 – 90 days	**17,717**	13,978
Over 90 days	**46,548**	34,985
	126,705	140,397

11. BANK LOANS

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

	2016	2015
	HK$'000	*HK$'000*
Current liabilities		
Portion of loans from banks due for repayment within one year		
– Guaranteed	**41,648**	59,388
– Secured and guaranteed	**504,400**	408,098
	546,048	467,486
Portion of loans from banks due for repayment after one year which contain a repayable on demand clause		
– Guaranteed	**25,500**	1,148
	571,548	468,634

At 30 June 2016, the bank loans were scheduled to repay as follows:

	2016	2015
	HK$000	*HK$000*
Bank loans:		
Repayable within one year	**546,048**	467,486
Repayable in the second year	**4,500**	1,148
Repayable in the third to fifth year, inclusive	**21,000**	–
	571,548	468,634

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$571,548,000 (2015: HK$466,736,000) have floating interest rates ranging from 1.22% to 3.23% (2015: 1.24% to 3.93%) per annum. As at 30 June 2015, the RMB bank loan of HK$1,898,000 had floating interest rate at 6.38% per annum.

12. EVENTS AFTER THE REPORTING DATE

(a) On 9 September 2016, the subsidiary of Wealth Plus Development Limited ("Wealth Plus"), a joint venture of the Group, entered into a facility agreement ("Facility Agreement") with a bank to provide a term loan facility of RMB773,300,000 for refinancing its existing loan facility. As a result, the Company was required to provide a financial guarantee of RMB386,650,000 (equivalent to approximately HK$448,514,000), representing up to 50% of the new facility, to secure for the due and punctual performance of all obligations of the subsidiary of Wealth Plus under the Facility Agreement. The details of the provision of a financial guarantee were set out in the announcement of the Company dated 9 September 2016.

(b) On 19 September 2016, the Group had entered into a sale and purchase agreement with an independent third party relating to a disposal of 100% equity interest in Well Friendship Investment Limited, a wholly-owned subsidiary of the Group which holds the Group's investment property and property under development, at a total consideration of HK$1,133,500,000 subject to certain adjustments upon completion of this disposal transaction. Further details of this transaction were set out in the announcement of the Company dated 21 September 2016.

The Board is pleased to present the annual results of Continental Holdings Limited ("the Company") and its subsidiaries ("the Group") for the financial year ended 30 June 2016.

BUSINESS REVIEW AND MANAGEMENT DISCUSSION AND ANALYSIS

During the financial year 2016, the Group consolidated revenue recorded a decline of approximately 24.4% from last year of HK$730.9 million to HK$552.6 million. During the year, loss attributable to owners of the Company was HK$175.7 million, as compared to the profit attributable to owners of the Company of HK$141.6 million in last year. The loss for the year was mainly due to (i) share of loss of joint venture of approximately HK$111.8 million arising on change in fair value of the investment property held by Group's joint venture, (ii) impairment loss on mining right of approximately HK$36.4 million; (iii) decrease in revenue and gross profit of approximately HK$178.3 million and HK$18.3 million; and (iv) unrealised exchange loss of approximately HK$10.4 million mainly due to declining conversion rate in British Pound after the Brexit incident. The basic loss per share was HK2.57 cent (2015: basic earnings per share of HK2.23 cent).

The financial year of 2016 was challenging for both the fine jewellery and diamond polishing business as the gloomy economic conditions continued to bring difficulties to the operating environment. Beside the United States ("U.S") market showing a relatively mild improvement, the European countries still face a lot of undetermined factors given the uncertainties resulting from the Brexit. The softening of diamond market continues to impact the Group's diamond polishing performance. Against this backdrop, customers were concerned about the slowdown of global economy and continued to spend cautiously on luxury goods. During the year under review, the Group's revenue on trading of fine jewellery and diamond polishing business recorded a decrease of approximately HK$172.4 million or 24.1% from approximately HK$715.6 million for the year ended 30 June 2015 to approximately HK$543.2 million for 2016. Despite decrease in revenue, the Group managed rigorous cost control to reduce overall production expenses while providing more value added services. Such measures benefited the overall gross profit margin which has increased slightly. In view of the unfavourable external environment and to counter the escalating labor cost in the PRC, the Group has improved operation efficiency and streamline operations to monitor profit margin. Our Group would continue our efforts to create better value that best benefit our jewellery business.

On the property investment side, the property development project – “Continental Place”, located at No. 236-242 Des Voeux Road Central, Hong Kong, with a gross floor area of approximately 4,515 sq.m., consisting 29 stories of commercial and retail premises, has completed construction and obtained the Occupation Permit on 23 September 2016. An offer of HK$1,133.5 million was accepted in September 2016 with the completion of sale is expected by the end of 2016.

In PRC, the 50% joint venture development project located in Yangpu District of Shanghai – “Bauhinia Square” was completed in December 2015. It is an eleven-floored shopping mall with total gross floor area of approximately 97,265 sq.m. and over 500 parking spaces. Since its opening in February 2016, it has attracted a good mixture of retail, food and beverage, lifestyle tenants. Over 95% of its retail space is currently occupied and leased out. Bauhinia Square with the underground subway connected directly to its basement, consists of a 7 theatres cinema, a full scale supermarket, a food court and a KTV.

In mining segment, mining operation was suspended as the previously reported gold resources in the Yuanling site had been exhausted. The preliminary exploration at the north eastern part of Yuanling site was completed. A potential new vein with promising grade had been identified during the exploration which will continue throughout this year.

BUSINESS OUTLOOK

It is expected that the Europeans will be more cautious towards spending on luxury products such as jewellery and diamonds and the U.S. markets will similarly be challenging. The slow down of China economic growth will also hinder global economic recovery and adverse market environment shall persist. Although the market sentiment remained weak under slow economic growth, the Group would actively explore market and business opportunities and focus to reinforce the Group’s market presence in jewellery business. The Group would optimise internal resources and strengthen cost control polices to enhance overall profitability. Going forward, the Group will continue to seek for suitable investment opportunity in order to generate further profits and better returns to the shareholders.

IMPAIRMENT LOSS ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

At 30 June 2016, 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$457,000 (2015: HK$4,834,000) was recognised in the consolidated statement of profit or loss and other comprehensive income. The impairment loss was considered to be an exceptional item and did not have any effect on the Group's cash flows in the financial year.

IMPAIRMENT LOSS ON MINING RIGHT

During the year ended 30 June 2016, the directors of the Company appointed an independent professional valuer, Dragon Appraisal Co Limited, to perform a mining right valuation with respect to the Hongzhuang Gold Mine situated at Henan Province, China and impairment loss amounting to HK$36,417,000 (2015: HK$304,707,000) has been recognised in the consolidated statement of profit or loss and other comprehensive income.

The fair value of Hongzhuang 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 2015. The key inputs used in the valuation was the consideration-to-resources multiple 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 resource estimate as reported by SRK Consulting China Limited were risk with uncertainty. The estimated fair value of the Hongzhuang Gold Mine has assigned lower or no credit to those resources with high resources risk.

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 2016:

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 2016	Underground	10.73	PRC 122b	5.58
					5.46	PRC 332	1.89
					24.66	PRC 333	4.46
	Yuanling	4.57	30 June 2016	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 2016, the Group had a gearing ratio of 0.32 (2015: 0.25), which is calculated on net debt divided by total equity plus net debt. Net debt is calculated as the sum of bank and other borrowings less cash and cash equivalents. Total cash and cash equivalents were HK$45,632,000 (2015: HK$55,641,000) which were mainly denominated in Hong Kong Dollar, US Dollar, Renminbi and British Pound. Bank loans were HK$571,548,000 (2015: HK$468,634,000), which were mainly denominated in Hong Kong Dollar (2015: Hong Kong Dollar and Renminbi). Other borrowings in respect of amounts due to related companies and loan from a controlling shareholder were approximately of HK$299,760,000 (2015: HK$238,320,000). The bank loans are secured by first legal charges over the Group's investment property, property under development, certain leasehold land and buildings, land use right and guaranteed by corporate guarantees executed by the Company.

In line with the Group's prudent financial management, the Directors considered that the Group has sufficient working capital to meet its operational requirements.

PLEDGE OF ASSETS

As of 30 June 2016, the Group's investment property, property under development, certain leasehold land and buildings and land use right with an aggregate net carrying value of HK$1,065,250,000 (2015: HK$1,010,271,000) were pledged to certain banks to secure general banking facilities granted to the Group.

CAPITAL STRUCTURE

All the Group's borrowings are denominated in Hong Kong Dollar. Interest is determined on the basis of Hong Kong Interbank Offering Rate or Prime Rate for Hong Kong Dollar borrowings. The Group also made use of foreign exchange forward contracts in order to 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 2016. 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 968 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. 80,000,000 share options were granted pursuant to the scheme since its adoption and up to 30 June 2016.

CONTINGENT LIABILITIES

The Company has provided guarantees to the extent of HK$571,548,000 (2015: HK$468,634,000) with respect to bank loans to its subsidiaries. Guarantee to the extent of RMB371,537,000 (equivalent to approximately to HK$433,769,000) (2015: RMB335,000,000 (equivalent to approximately HK$423,809,000)) 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 COMMITMENTS

At 30 June 2016, the Group had outstanding capital commitments of approximately HK$13,753,000 (2015: HK$81,401,000), which was mainly the capital commitments for the properties under development undertaken by the Group and a joint venture attributable to 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

The directors do not recommend the payment of a final dividend for the year ended 30 June 2016.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") will be held on Tuesday, 29 November 2016 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 Friday, 25 November 2016 to Tuesday, 29 November 2016, 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 Thursday, 24 November 2016.

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 2016 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.

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

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

2. Code Provision A.4.1 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 Provision E.1.2 provides that Chairman of the Board should attend the AGM. Due to personal reason, Dr. Chan, the Chairman of the Board could not attend the AGM held on 27 November 2015 and Mr. Chan Wai Lap, Victor, an Executive Director of the Company chaired the AGM. All of the Executive Directors and Independent Non-executive Directors were present at the AGM and were available to answer questions.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities 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 2016.

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 2016 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 2016 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 Sing Chuk, Charles
Chairman

Hong Kong, 28 September 2016

As at the date of this announcement, Dr. Chan Sing Chuk, Charles, BBS, JP, Ms. Cheng Siu Yin, Shirley, Ms. Chan Wai Kei, Vicki, Mr. Chan Wai Lap, Victor, Mr. Wong Edward Gwon-hing and Mr. Yam Tat Wing are Executive Directors, 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 Independent Non-executive Directors.