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 2017

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 2017 together with comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**2017** *HK$'000*	2016 *HK$'000*
Revenue	*3*	**627,293**	552,575
Cost of sales		**(515,776)**	(465,581)
Gross profit		**111,517**	86,994
Selling and distribution costs		**(21,874)**	(22,855)
Administrative expenses		**(100,526)**	(103,583)
Other operating income		**7,767**	7,112
Change in fair value of investment property		**700**	11,112
Impairment loss on available-for-sale financial assets		**(8,373)**	(457)
Impairment loss on mining right		**–**	(36,417)
Impairment loss on property, plant and equipment		**(23,374)**	(944)
Income arising from amortising the financial guarantee liabilities		**5,789**	3,167
Share-based compensation		**(2,140)**	(2,390)
Gain on disposal of a subsidiary		**22,291**	–
Finance costs	*4*	**(12,239)**	(16,017)
Share of results of joint ventures		**123,011**	(111,777)
Profit/(Loss) before income tax	*5*	**102,549**	(186,055)
Income tax (expense)/credit	*6*	**(4,098)**	10,363
Profit/(Loss) for the year		**98,451**	(175,692)

	Notes	**2017**	2016
		HK$'000	*HK$'000*
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		**645**	1,341
Reclassification from equity to profit or loss on impairment of available-for-sale financial assets		**620**	457
Exchange differences on translation of foreign operations, associates and joint ventures		**(17,117)**	(110,258)
Other comprehensive income for the year, net of tax		**20,533**	(108,460)
Total comprehensive income for the year		**118,984**	(284,152)
Profit/(Loss) for the year attributable to:			
Owners of the Company		**98,306**	(175,666)
Non-controlling interests		**145**	(26)
		98,451	(175,692)
Total comprehensive income for the year attributable to:			
Owners of the Company		**118,839**	(284,126)
Non-controlling interests		**145**	(26)
		118,984	(284,152)
Earnings/(Loss) per share for profit/(loss) attributable to the owners of the Company	*8*		
Basic		**HK1.44 cent**	(HK2.57 cent)
Diluted		**HK1.44 cent**	(HK2.57 cent)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	2017 HK$'000	2016 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**64,999**	94,431
Land use rights		**32,908**	34,687
Investment property		**37,800**	472,930
Mining right		**646,739**	656,334
Interests in associates		**–**	–
Interests in joint ventures		**854,828**	708,636
Available-for-sale financial assets		**15,285**	22,393
Long-term receivables		**–**	–
Deferred tax assets		**5,762**	5,762
		1,658,321	1,995,173
Current assets			
Property under development		**–**	576,843
Inventories		**169,937**	221,799
Trade receivables	*9*	**96,085**	93,231
Prepayments, deposits and other receivables		**10,088**	17,478
Financial assets at fair value through profit or loss		**5,770**	4,222
Derivative financial instruments		**–**	99
Due from joint ventures		**16**	167
Cash and cash equivalents		**374,648**	45,632
		656,544	959,471

	Notes	**2017**	2016
		HK$'000	*HK$'000*
Current liabilities			
Trade payables	*10*	**(58,703)**	(126,705)
Other payables and accruals		**(40,067)**	(75,948)
Bank loans	*11*	**(119,000)**	(571,548)
Obligation under finance leases		**(377)**	(379)
Due to related companies		**(576)**	(2,744)
Derivative financial instruments		**(143)**	–
Financial guarantee liabilities		**(7,216)**	(3,411)
Loan from a controlling shareholder		**(4,606)**	–
Provision for tax		**(2,309)**	(2,298)
		(232,997)	(783,033)
Net current assets		**423,547**	176,438
Total assets less current liabilities		**2,081,868**	2,171,611
Non-current liabilities			
Obligation under finance leases		**(314)**	(691)
Due to related companies		**(82,036)**	(165,346)
Financial guarantee liabilities		**(9,921)**	(2,245)
Loan from a controlling shareholder		**–**	(131,670)
Deferred tax liabilities		**(145,132)**	(147,718)
		(237,403)	(447,670)
Net assets		**1,844,465**	1,723,941
EQUITY			
Share capital		**560,673**	560,673
Reserves		**1,290,190**	1,169,424
Equity attributable to the owners of the Company		**1,850,863**	1,730,097
Non-controlling interests		**(6,398)**	(6,156)
Total equity		**1,844,465**	1,723,941

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. 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 2017 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 2016 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 2017 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 2016

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 2016.

Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 27	*Equity Method in Separate Financial Statements*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*

The adoption of these new or revised HKFRSs has no material impact on the Group's 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.

Amendments to HKAS 7	Disclosure Initiative [1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses [1]
Amendments to HKAS 40	Transfers of Investment Property [2]
Amendments to HKFRSs	Annual Improvements to 2014-2016 Cycle [4]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions [2]
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 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15) [2]
HKFRS 9	Financial Instruments [2]
HKFRS 15	Revenue from Contracts with Customers [2]
HKFRS 16	Leases [3]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration [2]
HK(IFRIC)-Int 23	Uncertainty Over Income Tax Treatments [3]

[1] *Effective for annual periods beginning on or after 1 January 2017*

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

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

[4] *Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate*

[5] *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.*

2. ADOPTION OF HKFRSs (Continued)

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

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.

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.

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 non-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 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 HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

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

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.

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)

(b) New or 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" 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.

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

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, interest income and dividend income from investments.

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

	2017	2016
	HK$'000	*HK$'000*
Sale of goods	**483,084**	543,152
Sale of gold ores	**8,981**	9,056
Sale of property under development	**133,500**	–
Interest income	**1,327**	30
Dividend income from investments	**401**	337
	627,293	552,575

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.

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	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	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	**483,084**	543,152	**133,500**	–	**8,981**	9,056	**1,728**	367	**627,293**	552,575
Segment results	**(12,098)**	(14,086)	**40,119**	4,659	**(37,351)**	(47,769)	**(6,319)**	(2,375)	**(15,649)**	(59,571)
Share-based compensation									**(2,140)**	(2,390)
Unallocated income									**4,377**	–
Unallocated expenses									**(2,721)**	(2,560)
Income arising from amortising the financial guarantee liabilities									**5,789**	3,167
Finance costs									**(10,118)**	(12,924)
Share of results of joint ventures									**123,011**	(111,777)
Profit/(Loss) before income tax									**102,549**	(186,055)

	Design, manufacturing, marketing and trading of fine jewellery and diamonds		Property investment		Mining operation		Investment		Consolidated	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		Represented						Represented		
Segment assets	**344,557**	365,146	**34**	1,054,141	**713,541**	748,055	**21,224**	27,001	**1,079,356**	2,194,343
Interests in joint ventures									**854,828**	708,636
Cash and cash equivalents									**374,648**	45,632
Deferred tax assets									**5,762**	5,762
Unallocated corporate assets									**271**	271
Total assets									**2,314,865**	2,954,644
Segment liabilities	**88,459**	139,799	**34**	49,543	**37,444**	39,597	**51,585**	47,983	**177,522**	276,922
Bank loans									**119,000**	571,548
Due to a related company									**–**	90,000
Loan from a controlling shareholder									**4,606**	131,670
Financial guarantee liabilities									**17,137**	5,656
Provision for tax									**2,309**	2,298
Deferred tax liabilities									**145,132**	147,718
Unallocated corporate liabilities									**4,694**	4,891
Total liabilities									**470,400**	1,230,703

Certain comparative figures on the measurement of the segment assets have been represented to conform the current year's presentation.

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	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	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	**(4,502)**	(6,123)	**–**	–	**(1,166)**	(1,599)	**–**	–	**(5,668)**	(7,722)
Amortisation of land use rights	**(109)**	(109)	**–**	–	**(1,240)**	(1,257)	**–**	–	**(1,349)**	(1,366)
Amortisation of mining right	**–**	–	**–**	–	**(656)**	(705)	**–**	–	**(656)**	(705)
Change in fair value of investment property	**700**	–	**–**	11,112	**–**	–	**–**	–	**700**	11,112
Gain on debt extinguishment arising from recognition of amount due to a related company	**–**	–	**–**	–	**–**	2,222	**–**	–	**–**	2,222
Fair value (loss)/gain on derivative financial instruments	**(149)**	202	**–**	–	**–**	–	**–**	–	**(149)**	202
Fair value gain/(loss) on financial assets at fair value through profit or loss	**–**	–	**–**	–	**–**	–	**1,548**	(1,804)	**1,548**	(1,804)
Loss on disposal of property, plant and equipment	**(4)**	–	**–**	–	**–**	(6)	**–**	–	**(4)**	(6)
Write-off of property, plant and equipment	**(2,974)**	(163)	**–**	–	**(1,885)**	–	**–**	–	**(4,859)**	(163)
Gain on disposal of a subsidiary	**–**	–	**22,291**	–	**–**	–	**–**	–	**22,291**	–
Impairment loss on available-for-sale financial assets	**–**	–	**–**	–	**–**	–	**(8,373)**	(457)	**(8,373)**	(457)
Impairment loss on mining right	**–**	–	**–**	–	**–**	(36,417)	**–**	–	**–**	(36,417)
Impairment loss on property, plant and equipment	**–**	–	**–**	–	**(23,374)**	(944)	**–**	–	**(23,374)**	(944)
Provision for inventories	**(6,593)**	(5,955)	**–**	–	**–**	–	**–**	–	**(6,593)**	(5,955)
(Provision)/Reversal of provision for trade receivables	**(220)**	543	**–**	–	**–**	–	**–**	–	**(220)**	543
Write-off of prepayments, deposits and other receivables	**–**	(468)	**–**	–	**–**	–	**–**	–	**–**	(468)
Interest income	**–**	–	**–**	–	**–**	–	**1,327**	30	**1,327**	30
Interest expenses	**–**	–	**–**	–	**(2,121)**	(3,093)	**–**	–	**(2,121)**	(3,093)
Additions to non-current segment assets	**3,211**	2,364	**4,106**	13,939	**3,238**	4,533	**–**	–	**10,555**	20,836

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	
	2017	2016
	HK$'000	*HK$'000*
Hong Kong (place of domicile)	**181,026**	43,873
North America	**200,245**	224,394
Europe and Middle East	**221,312**	258,108
Other locations	**24,710**	26,200
Total	**627,293**	552,575

	Non-current assets	
	2017	2016
	HK$'000	*HK$'000*
Hong Kong (place of domicile)	**45,812**	478,994
United Kingdom	**3,724**	4,107
Mainland China	**1,587,738**	1,483,915
Other locations	**–**	2
Total	**1,637,274**	1,967,018

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:

	2017	2016
	HK$'000	*HK$'000*
Customer A	**N/A**	92,496
Customer B	**N/A**	62,683
Customer C	**N/A**	60,379

There is no customer contributing over 10% of the Group's revenue for the year ended 30 June 2017. For the year ended 30 June 2016, the revenue from three major customers was all derived by the segment engaging in design, manufacturing, marketing and trading of fine jewellery and diamonds.

4. **FINANCE COSTS**

	2017	2016
	HK$'000	*HK$'000*
Interest charges on:		
Bank loans	**7,913**	12,210
Interest expenses on loan from a controlling shareholder	**797**	2,080
Interest expenses on amount due to a related company	**870**	1,637
Finance charges on obligation under finance leases	**42**	62
Imputed interest expenses arising from amounts due to related companies	**4,938**	5,403
Total borrowing costs	**14,560**	21,392
Less: Bank loan interest capitalised in		
– investment property	**(794)**	(1,839)
– property under development	**(1,527)**	(3,536)
	12,239	16,017

5. PROFIT/(LOSS) BEFORE INCOME TAX

	2017	2016
	HK$'000	*HK$'000*
The Group's profit/(loss) before income tax is arrived at after charging/(crediting):		
Cost of inventories sold	**489,294**	440,079
Depreciation of property, plant and equipment	**5,668**	7,722
Auditor's remuneration	**960**	1,153
Amortisation of land use rights	**1,349**	1,366
Amortisation of mining right	**656**	705
Minimum lease payments under operating leases on land and buildings	**3,628**	4,655
Provision for inventories*	**6,593**	5,955
Fair value (gain)/loss on financial assets at fair value through profit or loss	**(1,548)**	1,804
Fair value loss/(gain) on derivative financial instruments – forward currency contracts	**149**	(202)
Net foreign exchange loss	**2,185**	11,527
Loss on disposal of property, plant and equipment	**4**	6
Gain on debt extinguishment arising from recognition of amount due to a related company	**–**	(2,222)
Income arising from derecognition of financial guarantee liabilities	**(4,377)**	–
Government grants#	**(472)**	(650)
Provision/(Reversal of provision) for trade receivables	**220**	(543)
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	**4,859**	163

* 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（2016：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/(CREDIT)

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the 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.

	2017	2016
	HK$'000	*HK$'000*
Current tax		
Hong Kong	**4,546**	79
People's Republic of China	**4**	3
Under/(Over) provision in prior years	**121**	(1,574)
	4,671	(1,492)
Deferred tax		
Current year	**(573)**	(8,871)
Total income tax expense/(credit)	**4,098**	(10,363)

7. DIVIDENDS

The directors do not recommend any payment of dividends in respect of the year ended 30 June 2017 (2016: Nil).

8. EARNINGS/(LOSS) PER SHARE

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

	2017	2016
	HK$'000	*HK$'000*
Profit/(Loss) attributable to the owners of the Company for the purpose of basic earnings/(loss) per share	**98,306**	(175,666)

	Number of shares	
	2017	2016
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**6,831,182,580**	6,831,182,580
Effect of dilutive potential ordinary shares in respect of		
– Share option *(note (i))*	**–**	–
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	**6,831,182,580**	6,831,182,580

Note:

(i) The calculation of basic earnings/(loss) per share attributable to the owners of the Company for the year ended 30 June 2017 is based on the profit attributable to the owners of the Company of HK$98,306,000 (2016: loss of HK$175,666,000) and on the weighted average number of 6,831,182,580 (2016: 6,831,182,580) ordinary shares during the year.

For the years ended 30 June 2017 and 2016, the computation of diluted earnings/(loss) 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:

	2017	2016
	HK$'000	*HK$'000*
0 – 30 days	**32,546**	30,544
31 – 60 days	**16,894**	22,771
61 – 90 days	**11,023**	12,571
Over 90 days	**35,622**	27,345
	96,085	93,231

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:

	2017	2016
	HK$'000	*HK$'000*
0 – 30 days	**8,488**	37,358
31 – 60 days	**13,583**	25,082
61 – 90 days	**7,959**	17,717
Over 90 days	**28,673**	46,548
	58,703	126,705

11. BANK LOANS

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

	2017	2016
	HK$'000	*HK$'000*
Current liabilities		
Portion of loans from banks due for repayment within one year		
– Guaranteed	**10,000**	41,648
– Secured and guaranteed	**89,000**	504,400
	99,000	546,048
Portion of loans from banks due for repayment after one year which contain a repayable on demand clause		
– Guaranteed	**20,000**	25,500
	119,000	571,548

At 30 June 2017, the bank loans were scheduled to repay as follows:

	2017	2016
	HK$000	*HK$000*
Bank loans:		
Repayable within one year	**99,000**	546,048
Repayable in the second year	**20,000**	4,500
Repayable in the third to fifth year, inclusive	**–**	21,000
	119,000	571,548

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$119,000,000 (2016: HK$571,548,000) have floating interest rates ranging from 1.43% to 2.84% (2016: 1.22% to 3.23%) per annum.

12. **EVENTS AFTER THE REPORTING DATE**

On 17 July 2017, a wholly-owned subsidiary of the Company entered into an agreement (the "Agreement") to acquire all the equity interest of Ontrack Ventures Limited (the "Target Company"), a company incorporated in the British Virgin Islands with limited liability, together with the inter-company loan owing by the Target Company at the completion of the Agreement, at cash consideration of HK$1,180 million (which is subject to certain adjustments in accordance with the Agreement). The principal asset of the subsidiary of the Target Company is a piece of land located on No. 232 Wan Chai Road, Hong Kong. The details of the Agreement were set out in the announcement and the circular of the Company dated 18 July 2017 and 25 September 2017 respectively. The completion of the acquisition is expected to be completed on 25 October 2017.

BUSINESS REVIEW AND MANAGEMENT DISCUSSION AND ANALYSIS

During the financial year ended 30 June 2017, the Group's consolidated revenue recorded an increase of approximately HK$74.7 million or 13.5% from last year of HK$552.6 million to HK$627.3 million. The increase in revenue was mainly attributable to the properties sale of HK$133.5 million. During the year, profit attributable to owners of the Company was HK$98.3 million, as compared to the loss attributable to owners of HK$175.7 million in last year. The profit for the year was mainly due to the one-off gain arising from the disposal of a subsidiary of the Company amounting to approximately HK$22.3 million, and share of profit of joint venture of approximately HK$123.0 million mainly arising from change in fair value of the investment property held by the Group's joint venture. The basic earnings per share was HK1.44 cent (2016: Basic loss per share of HK2.57 cent).

The financial year ended 30 June 2017 continued to be challenging as the global market sentiment remained weak for high-end luxury goods. Brexit and political instability also weakened the consumer demand in United Kingdom and some European countries. While the United States showed mere signs of economic recovery, the pace remained slow and may take a longer time to uplift the luxury segment. As a result, the Group's revenue on trading of fine jewellery and diamond polishing business recorded a decrease of approximately HK$60.1 million or 11.1% from approximately HK$543.2 million for the year ended 30 June 2016 to approximately HK$483.1 million for 2017. Of the HK$60.1 million decrease, approximately HK$34.3 million or 57.1% was a result of the downsizing of the diamond polishing business. In view of the rising labor costs as well as the continued softness of the diamond market, the management decided to cease the diamond polishing business and will focus on trading and distribution of fine jewellery in the future. As of May 2017, the Group has suspended the diamond polishing operations.

In the property investment, the Group has sold the Continental Place, a property located at No. 236-242 Des Voeux Road Central, Hong Kong ("Continental Place"), with total consideration of approximately HK$1,133.5 million (including the 3 pre-sold floors of HK$133.5 million classified as revenue) and recognised segment profit of approximately HK$40.1 million during the financial year of 2017. The Group has always been seeking potential investment opportunities in order to maximize returns to our shareholders. Following the disposal of Continental Place, the Group has decided to reinvest on another property site for potential future gains. On 17 July 2017, the Group has entered in to a preliminary agreement to acquire a piece of land located at No. 232 Wan Chai Road, Hong Kong, with a site area of approximately 5,798 sq. ft. It is the current intention of the Group to redevelop the land into a premium grade office and retail composite building of approximately 25-storey tall with a gross floor area of approximately 86,970 sq. ft. and to hold it for long term leasing investment purpose. The total consideration was approximately HK$1,180 million (subject to the adjustment) and the transaction is expected to be completed on 25 October 2017.

In the PRC, the 50% joint venture development project located in Yangpu District of Shanghai – "Bauhinia Square" is an eleven-floored shopping mall with total gross floor area of approximately 97,265 sq.m. and over 500 parking spaces. The Bauhinia Square offers a diverse retail mix of food and beverage, lifestyle tenants, fast fashion, children's education, karaoke, cinema and a full scale super market. Retail spaces are over 95% leased out. Rental revenue is stable and has achieved a double-digit year-on-year growth since its opening in 2016. During the year under review, the Group recorded a share of profit of joint ventures of approximately HK$123.0 million, compared to the share of loss of HK$111.8 million for last year. The profit was mainly attributable to the gain arising on change in fair value of the investment property held by the Group's joint venture.

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

BUSINESS OUTLOOK

Going forward, we foresee that the consumer demand will remain soft until mid 2018, especially for the luxury segment. It is also expected that a further consolidation of the diamond and jewellery industry will take place. In view of such, the Group will continue to strengthen its market position and relationships with customers. Our teams will constantly develop innovative products while enhancing our quality and service. At the same time, our management is actively seeking for potential business opportunities that will help generate better returns and value in the future. The Board believes that the investment projects will potentially generate greater value to the Company and its shareholders.

IMPAIRMENT LOSS ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

1. At 30 June 2017, 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$620,000 (2016: HK$457,000) was recognised in the consolidated statement of profit or loss and other comprehensive income.

2. On 15 January 2015, a subsidiary of the Company entered into a subscription agreement to subscribe for 55,556 shares in the share capital of a technology company ("Technology Company") at a consideration of US$1,000,000 (equivalent to approximately HK$7,753,000). The Technology Company is mainly engaged in hardware and software technologies relating to diamonds, diamond packaging and diamond marketing development business. The Group holds the interest in the Technology Company for long-term investment and accounts for it as "available-for-sale financial assets" in non-current assets.

   Taking into consideration the fact that the Technology Company had incurred substantial operating losses since its incorporation in 2014, the Board considered it is appropriate to make an impairment loss of HK$7,753,000 (2016: Nil), representing the total investment cost of the equity investment in the Technology Company.

IMPAIRMENT LOSS ON PROPERTY, PLANT AND EQUIPMENT

As at 30 June 2017, the Directors 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. These assets are included in the Group's mining segment in the reportable and operating segment of the Group. Accordingly, an impairment loss of approximately HK$23.4 million had been recognised in respect of certain property, plant and equipment in mining segment of the Group. The impairment loss had been recognised and included in the consolidated statement of profit or loss and other comprehensive income.

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 2017:

Subsidiary	Mine field	Area	Reporting date	Type of mining operation	Gold resources	Reporting Standard	Gold grade
		(km^2)			*(t)*		*(g/t)*
Henan Multi-Resources Mining Company Limited*	Hongzhuang	1.09	30 June 2017	Underground	10.73	PRC 122b	5.58
					5.46	PRC 332	1.89
					24.66	PRC 333	4.46
	Yuanling	4.57	30 June 2017	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 2017, the Group's gearing ratio was zero (2016: 0.32), 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$374,648,000 (2016: HK$45,632,000) which were mainly denominated in Hong Kong Dollar, US Dollar, Renminbi and British Pound. Bank loans were HK$119,000,000 (2016: HK$571,548,000), which were denominated in Hong Kong Dollar. Other borrowings in respect of amounts due to related companies and loan from a controlling shareholder were approximately of HK$87,218,000 (2016: HK$299,760,000). The bank loans are secured by first legal charges over the Group's investment property, 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 and the reduction in borrowings as at 30 June 2017 were mainly attributed to the net proceeds received from the disposal of Continental Place. 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 2017, the Group's investment property, certain leasehold land and buildings and land use rights with an aggregate net carrying value of HK$51,236,000 (2016: HK$1,065,250,000) 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 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 2017. 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 828 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. 120,000,000 share options were granted pursuant to the scheme since its adoption and up to 30 June 2017.

CONTINGENT LIABILITIES

The Company has provided guarantees to the extent of HK$119,000,000 (2016: HK$571,548,000) with respect to bank loans to its subsidiaries. Guarantee to the extent of RMB358,425,000 (equivalent to approximately to HK$412,763,000) (2016: RMB371,537,000 (equivalent to approximately HK$433,769,000)) was also given by the Company in favour of a bank in respect of 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 2017, the Group had outstanding capital commitments of approximately HK$696,000 (2016: HK$13,753,000), which was mainly the capital commitments in relation to property, plant and equipment 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 2017.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") will be held on Tuesday, 5 December 2017 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, 1 December 2017 to Tuesday, 5 December 2017, 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, 30 November 2017.

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 2017 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 of the Company, was appointed as the Chairman with effect from 1 January 2017. 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 AGM held on 29 November 2016 due to other business engagement. Other Independent Non-executive Directors were present at the AGM 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 2017. Taking into account the size and complexity of the operations of the Group, the Company considers that the existing organisation structure and the close supervision of the management could provide sufficient internal control and risk management for the Group. The audit committee of the Board regularly reviews the effectiveness of the internal control systems and risk management of the Group. The Board would review the need to set up an internal audit function on an annual basis.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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 2017 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 2017 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, 26 September 2017

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.