CONTINENTAL
HOLDINGS LIMITED
恒和珠寶集團有限公司
(Incorporated in Hong Kong with limited liability)

(Stock Code: 00513)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

The board of directors (the "Board") of Continental Holdings Limited (the "Company") announces the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2018 together with the comparative figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Unaudited Six months ended 31 December	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**244,755**	205,527
Cost of sales		**(186,163)**	(164,749)
Gross profit		**58,592**	40,778
Selling and distribution costs		**(7,046)**	(6,840)
Administrative expenses		**(50,006)**	(40,370)
Other operating income		**5,670**	4,233
Change in fair value of financial assets at fair value through profit or loss		**(878)**	604
Income arising from amortising the financial guarantee liabilities		**–**	3,608
Finance costs	*5*	**(2,772)**	(4,622)
Share of results of joint ventures		**(1,102)**	74,377
Profit before income tax	*6*	**2,458**	71,768
Income tax credit/(expense)	*7*	**38**	(120)
Profit for the period		**2,496**	71,648

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

	Notes	Unaudited Six months ended 31 December **2018** ***HK$'000***	 2017 *HK$'000*
Other comprehensive income for the period, net of tax			
Items that will not be reclassified to profit or loss:			
Change in fair value of equity instruments at fair value through other comprehensive income, net		**337**	–
Items that may be subsequently reclassified to profit or loss:			
Change in fair value of available-for-sale financial assets, net		**–**	253
Release upon disposal of available-for-sale financial assets		**–**	655
Exchange differences on translation of foreign operations, associates and joint ventures		**(17,887)**	59,064
Other comprehensive income for the period, net of tax		**(17,550)**	59,972
Total comprehensive income for the period		**(15,054)**	131,620
Profit for the period attributable to:			
Owners of the Company		**2,498**	71,650
Non-controlling interests		**(2)**	(2)
		2,496	71,648
Total comprehensive income for the period attributable to:			
Owners of the Company		**(15,052)**	131,622
Non-controlling interests		**(2)**	(2)
		(15,054)	131,620
		HK cent	*HK cent*
Earnings per share for profit attributable to the owners of the Company during the period	*9*		
Basic		**0.04**	1.05
Diluted		**0.04**	1.05

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**Unaudited At 31 December 2018** *HK$'000*	Audited At 30 June 2018 *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**55,051**	56,446
Land use rights		**30,702**	32,398
Investment properties	*10*	**1,457,883**	1,308,400
Mining right		**601,965**	623,749
Interests in joint venture		**13,641**	14,743
Financial assets at fair value through other comprehensive income		**14,721**	–
Available-for-sale financial assets		**–**	14,385
Deferred tax assets		**5,762**	5,762
		2,179,725	2,055,883
Current assets			
Inventories		**175,089**	161,758
Trade receivables	*11*	**139,656**	111,737
Prepayments, deposits and other receivables		**27,098**	10,434
Financial assets at fair value through profit or loss		**5,188**	6,066
Due from joint venture		**1,355**	183
Cash and cash equivalents		**972,838**	1,128,664
		1,321,224	1,418,842
Current liabilities			
Trade payables	*12*	**(94,951)**	(54,922)
Other payables and accruals		**(42,331)**	(34,650)
Contract liabilities		**(588)**	–
Bank loans		**(611,831)**	(611,000)
Obligation under finance leases		**(88)**	(127)
Dividend payable	*8*	**(34,156)**	–
Provision for tax		**(2,232)**	(2,349)
		(786,177)	(703,048)
Net current assets		**535,047**	715,794
Total assets less current liabilities		**2,714,772**	2,771,677

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		Unaudited	Audited
		At	At
		31 December	30 June
		2018	2018
	Notes	***HK$'000***	*HK$'000*
Non-current liabilities			
Obligation under finance leases		**-**	(35)
Due to related companies		**(31,183)**	(33,793)
Loan from ultimate holding company		**(350,000)**	(350,000)
Loan from a controlling shareholder		**(4,576)**	(4,742)
Deferred tax liabilities		**(133,940)**	(138,824)
		(519,699)	(527,394)
Net assets		**2,195,073**	2,244,283
EQUITY			
Share capital		**560,673**	560,673
Reserves		**1,640,804**	1,690,012
Equity attributable to the owners of the Company		**2,201,477**	2,250,685
Non-controlling interests		**(6,404)**	(6,402)
Total equity		**2,195,073**	2,244,283

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

The condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") on the historical cost basis except for the investment properties and certain financial assets, which are measured at fair values.

The accounting policies and basis of preparation adopted in the preparation of the condensed consolidated interim financial statements are consistent with those used in the Group's annual financial statements for the year ended 30 June 2018, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 July 2018. This is the first set of the Group's condensed consolidated interim financial information in which HKFRS 9 and HKFRS 15 have been adopted. Details of any changes in accounting policies are set out in note 2.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements of the Group for the year ended 30 June 2018. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The financial information relating to the year ended 30 June 2018 that is included in the condensed consolidated interim financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) (the "Companies Ordinance") is as follows:

The Company has delivered the financial statements for the year ended 30 June 2018 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) New and amended standards adopted by the Group

In the current interim period, the Group has applied, for the first time, the following new and revised HKFRSs and amendments which are relevant to and effective for the Group's interim financial statements for interim period beginning on 1 July 2018, issued by the HKICPA.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKAS 40	Investment Property – Transfer of Investment Property
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKFRSs	Annual Improvements to 2014-2016 cycle
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
HK(IFRIC)-Interpretation 22	Foreign Currency Transactions and Advance Consideration

Other than explained in note 2 (c) and (d) below regarding the impact of HKFRS 9 and HKFRS 15, the adoption of the new and revised HKFRSs in the current interim period, has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated interim financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) New standards and amendments to standards 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 period of which the condensed consolidated interim financial statements were prepared, have not been early adopted by the Group.

HKFRS 16	Leases[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
HK(IFRIC)-Interpretation 23	Uncertainty Over Income Tax Treatments[1]
Annual Improvements to HKFRSs 2015-2017 cycle	Amendments to HKFRS 3 Business Combinations, HKFRS 11 Joint Arrangements, HKAS 12 Income Taxes and HKAS 23 Borrowing Costs[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
HKFRS 17	Insurance Contracts[3]

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

[2] *The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.*

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Adoption of HKFRS 9

(i) Classification and measurement of financial assets and financial liabilities

HKFRS 9 replaces HKAS 39, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The Group has initially adopted HKFRS 9 from 1 July 2018 which has resulted in changes in accounting policies of the Group and the amounts recognised in the condensed consolidated interim financial statements.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income ("FVTOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives are no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Adoption of HKFRS 9 (Continued)

(i) Classification and measurement of financial assets and financial liabilities (Continued)

A debt investment is measured at FVTOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to be achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVTOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVTOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Adoption of HKFRS 9 (Continued)

(i) Classification and measurement of financial assets and financial liabilities (Continued)

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVTOCI (equity instruments)	Equity investments at fair value through other comprehensive Income are measure at fair value. Dividend income is recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Adoption of HKFRS 9 (Continued)

(i) Classification and measurement of financial assets and financial liabilities (Continued)

(a) As of 1 July 2018, certain investment in listed equity investments were reclassified from available-for-sale financial assets to FVTOCI. The Group intends to hold these equity investments for long term strategic purposes. Under HKFRS 9, the Group has designated these equity investments at the date of initial application as measured at FVTOCI. As a result, financial assets with a fair value of HK$10,154,000 were reclassified from available-for-sale financial assets at fair value to FVTOCI and fair value gains of HK$9,492,000 were reclassified from investment revaluation reserve to the FVTOCI reserve on 1 July 2018.

(b) As of 1 July 2018, certain unquoted equity investments were reclassified from available-for-sale financial assets at cost to FVTOCI. These unquoted equity instruments have no quoted price in an active market. The Group intends to hold these unquoted equity investments for long term strategic purposes. In addition, the Group has designated such unquoted equity instrument at the date of initial application as measured at FVTOCI. As a result, the carrying amount of HK$4,231,000 was reclassified from available-for-sale financial assets at fair value to FVTOCI.

The table below illustrates the effect on classification and measurement under HKFRS 9 at the date of initial application on 1 July 2018.

	Available for-sale financial assets	**Financial assets at FVTOCI**	**Investment revaluation reserve**	**FVTOCI reserve**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Balance as at 30 June 2018	14,385	–	9,492	–
Reclassify investments from available-for-sale financial assets to fair value through other comprehensive income ("FVTOCI")	(14,385)	14,385	(9,492)	9,492
Restated balance as at 1 July 2018 (unaudited)	–	14,385	–	9,492

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Adoption of HKFRS 9 (Continued)

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected loss model ("ECL model"). HKFRS 9 requires the Group to recognise expected credit loss ("ECLs") for trade receivables and financial assets at amortised costs earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement and impact of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Furthermore, the Group has applied the general approach to assess the expected credit losses in according to the change in credit quality since initial recognition for other financial assets at amortised cost.

The Group has not restated comparative information for financial instruments in the scope of HKFRS 9. Therefore, the comparative information is reported under HKAS 39 and is not comparable to the information presented as at and for the period ended 31 December 2018.

The adoption of the ECL model under HKFRS 9 has no material impact on the Group as at 1 July 2018 and for the period ended 31 December 2018.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Adoption of HKFRS 15

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 July 2018 which resulted in changes in accounting policies. The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption, if any, will be recognised in retained earnings as of 1 July 2018 and that comparatives will not be restated. The Group assessed the impacts of adopting HKFRS 15 on its condensed consolidated interim financial statements and concluded that HKFRS 15 has no significant impact on the Group's revenue recognition. Revenue for sales of fine jewellery and diamonds are recognised at point of time as when there is evidence that the control of the goods has been transferred to the customer, the customer has adequate control over the product and the Group has no unfulfilled obligations that affect customer accepting the goods.

Upon the adoption of HKFRS 15, if there is any satisfied performance obligation but where the Group does not have an unconditional right to consideration, the Group should recognised a contract asset. No contract asset is recognised upon transition and at the end of the reporting period.

Following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at the date of initial application (1 July 2018):

	Carrying amount as at 30 June 2018 under HKAS 18 (as previously stated)	**Reclassification**	**Carrying amount as at 1 July 2018 under HKFRS 15**
	HK$'000	*HK$'000*	*HK$'000*
Other payables and accruals	34,650	(626)	34,024
Contract liabilities*	–	626	626

* *Contract liabilities recognised in relation to the fine jewellery and diamonds business were previously treated as advance from customers presented under other payables and accruals.*

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

3. SEGMENT INFORMATION

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

The chief operating decision-maker has been identified as the Company's executive directors. The executive directors have identified the Group's four (2017: four) business lines as operating segments under continuing operations.

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

The Group has identified the following reportable segments:

– Design, manufacturing, marketing and trading of fine jewellery and diamonds;

– Property investment;

– Mining operation; and

– Investment

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

3. SEGMENT INFORMATION (CONTINUED)

Each of these operating segments is managed separately as each of the product and business lines requires different resources as well as marketing approaches. All inter-segment transfers, if any, are carried out at arm's length prices.

	Unaudited Six months ended 31 December									
	Design, manufacturing, marketing and trading of fine jewellery and diamonds		Property Investment		Investment		Mining operation		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
				(represented)		(represented)				(represented)
Segment Revenue:										
Sales to/revenue from external parties	**233,266**	205,373	**1,175**	–	**10,314**	154	**–**	–	**244,755**	205,527
Segment results	**7,877**	7,911	**(7,132)**	71,338	**9,567**	(295)	**(3,723)**	(5,014)	**6,589**	73,940
Unallocated expenses									**(2,080)**	(1,879)
Income arising from amortising the financial guarantee liabilities									**–**	3,608
Finance costs									**(2,051)**	(3,901)
Profit before income tax									**2,458**	71,768

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

4. REVENUE

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

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

	Unaudited Six months ended 31 December **2018** ***HK$'000***	 2017 *HK$'000*
Sale of goods	**233,266**	205,373
Rental income	**1,175**	–
Interest income	**10,152**	–
Dividend income from investments	**162**	154
	244,755	205,527

5. FINANCE COSTS

	Unaudited Six months ended 31 December **2018** ***HK$'000***	 2017 *HK$'000*
Interest charges on:		
Bank loans	**9,328**	3,742
Interest expenses on loan from ultimate holding company	**2,647**	1,155
Interest expenses on loan from a controlling shareholder	**–**	346
Finance charges on obligation under finance leases	**2**	14
Imputed interest expenses arising from amounts due to related companies	**721**	2,645
Total borrowing costs	**12,698**	7,902
Less: Interests capitalised in investment properties	**(9,926)**	(3,280)
	2,772	4,622

6. PROFIT BEFORE INCOME TAX

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

	Unaudited	
	Six months ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Cost of inventories sold	**186,163**	164,749
Depreciation of property, plant and equipment	**2,245**	2,290
Amortisation of land use rights	**670**	701
Minimum lease payments under operating leases on land and buildings	**1,650**	1,500
Provision for inventories*	**2,995**	2,841
Fair value loss on derivative financial instruments – forward currency contracts	**–**	29
Net foreign exchange loss/(gain)	**2,568**	(3,665)
Provision for trade receivables	**648**	494
Loss on disposal of available-for-sale financial assets	**–**	198
Write-off of property, plant and equipment	**29**	40
Gain on disposal of subsidaries	**1,684**	–
Gain on disposal of property, plant and equipment	**–**	(2,259)

* *Amount included in cost of sales*

7. INCOME TAX (CREDIT)/EXPENSE

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

	Unaudited	
	Six months ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Current tax		
Hong Kong	**–**	73
People's Republic of China	**–**	85
Over-provision in prior years	**(2)**	–
	(2)	158
Deferred taxation		
People's Republic of China	**(36)**	(38)
	(38)	120

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

8. DIVIDENDS

(i) The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2018 (2017: Nil)

(ii) Dividends to equity shareholders attributable to previous financial year, approved and payable during the interim period:

	Unaudited Six months ended 31 December **2018** ***HK$'000***	 2017 *HK$'000*
Final dividend in respect of the year ended 30 June 2018, approved and payable, of HK0.5 cent per share (six months ended 31 December 2017: for the financial year ended 30 June 2017: Nil)	**34,156**	–

9. EARNINGS PER SHARE

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

	Unaudited	
	Six months ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Profit attributable to the owners of the Company	**2,498**	71,650

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

The calculation of basic earnings per share is based on the profit of HK$2,498,000 attributable to the owners of the Company for the six months ended 31 December 2018 (2017: HK$71,650,000) and on the weighted average of 6,831,182,580 (2017: 6,831,182,580) ordinary shares in issue during the period.

For the six months ended 31 December 2018 and 2017, the computation of diluted earnings per share does not assume the exercise of share options as they were anti-dilutive.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

10. INVESTMENT PROPERTIES

	Unaudited At 31 December 2018	Audited At 30 June 2018
	HK$'000	*HK$'000*
Opening carrying amount	**1,308,400**	37,800
Additions	**10,557**	12,232
Interests capitalised	**9,926**	11,578
Net gain from fair value adjustments	**–**	67,017
Acquisition of subsidiaries	**129,000**	1,179,773
Closing carrying amount	**1,457,883**	1,308,400

11. TRADE RECEIVABLES

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

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

	Current	**31-60 days**	**61-90 days**	**Over 90 days**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Unaudited balance at 31 December 2018	**27,014**	**44,366**	**26,550**	**41,726**	**139,656**
Audited balance at 30 June 2018	23,186	29,880	20,572	38,099	111,737

12. TRADE PAYABLES

An ageing analysis of the trade payables at the reporting date is as follows:

	Current	**31-60 days**	**61-90 days**	**Over 90 days**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Unaudited balance at 31 December 2018	**19,698**	**29,363**	**13,656**	**32,234**	**94,951**
Audited balance at 30 June 2018	13,575	8,395	18,961	13,991	54,922

13. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

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

The adjusted consideration of approximately HK$128,094,000 was satisfied by cash on completion. This transaction has been accounted for as an acquisition of assets as the acquisition does not meet the definition of a business combination. The assets acquired and liabilities assumed do not constitute a business. The transaction was accounted for as an acquisition of investment properties in the ordinary course of the Group's property investment business.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

13. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES (CONTINUED)

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

	Unaudited At 31 December 2018 *HK$'000*
NET ASSETS ACQUIRED	
Investment properties	129,000
Prepayments and other receivables	181
Other payables	(1,087)
Net Assets	128,094
Net cash outflow in connection with the acquisition of subsidiaries:	
Cash and cash equivalent balance acquired	–
Consideration paid	128,094
	128,094

14. DISPOSAL OF SUBSIDIARIES

During the period, the Group disposal of its 100% equity interest of 恒和環保科技(江門)有限公司 and Wilber Corporate Services Limited, indirect wholly-owned subsidiaries of the Company, to an independent third party at a total consideration of HK$1,686,000. The net assets of the companies at the date of disposal were as follows:

	Unaudited At 31 December 2018 *HK$'000*
Assets/(Liabilities) disposal of:–	
Cash and cash equivalents	2
Net assets	2
Gain on disposal of subsidiaries	1,684
Total consideration	1,686
Consideration satisfied by cash	1,686
Net cash inflow arising from disposal:	
Cash consideration	1,686
Cash and cash equivalents disposal of	(2)
Net Cash inflow of cash and cash equivalents in respect of the disposal	1,684

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

The Group's consolidated revenue for the six months ended 31 December 2018 recorded an increase of approximately 19.1 % from HK$205,527,000 for last interim period to HK$244,755,000. During the period under review, profit attributable to owners of the Company was HK$2,498,000, as compare to last interim profit of HK$71,650,000. Such decrease in profit was mainly attributable to the absence of share of profit of joint venture approximately HK$74,377,000 recorded in six months ended 31 December 2017 from a 50% joint venture that holds a shopping mall located in Shanghai, the P.R.C., which was disposed on 20 April 2018. For the six months ended 31 December 2018, basic earnings per share was HK 0.04 cent (2017: HK 1.05 cent).

BUSINESS REVIEW AND PROSPECTS

In the period under review, the overall economy remained uncertain with trade war talks between China and the United States, as well as growing concerns on Brexit and the European economy. For the jewellery segment, amidst of such economic conditions, the Group managed to achieve modest growth and recorded an increase in revenue of approximately HK$27,893,000 or 13.6 % from HK$205,373,000 for the six months ended 31 December 2017 to HK$233,266,000 for the corresponding period in 2018. The growth was partly due to the Group's strategic investment and expansion in the United Kingdom, as well as further penetration in core programs with customers. Through the introduction of higher quality products, the Group was able to maintain its profit margins within the highly competitive market space. At the same time, the Group has deployed more marketing efforts and initiatives to promote our products and company brand. We believe that this will strengthen our market position and will further enhance growth and opportunities for the Company.

In property investment, the Group holds a piece of land located at No. 232 Wan Chai Road, Hong Kong (the "Wan Chai Property") with a site area of approximately 5,798 sq. ft. The Group shall redevelop the land into a premium grade office and retail composite building of approximately 26-storey tall with a gross floor area of approximately 86,970 sq. ft. and to hold it for long term leasing investment purpose. The foundation work has commenced in September 2018 and the superstructure will commence in 2019 3rd quarter and the building is expected to be completed in 2021. During the period, the Group has entered into an agreement to dispose of 25% of the interests in the Wan Chai Property. Upon the completion of the disposal, the Group shall hold 75% of the Wan Chai Property.

To further broaden the property portfolio, the Group has acquired 12 floors of Glassview Commercial Building at 65 Castle Peak Road, Yuen Long, New Territories (the "Yuen Long Properties") at a total consideration of HK$129,000,000, with a gross floor area of approximately 14,508 sq. ft. The Yuen Long Properties are currently fully let and is providing a steady rental income to the Group. The Group's intention is to hold the Yuen Long Properties for long term investment. Since the acquisition of the Yuen Long Properties completed on 22 October 2018, it has generated approximately HK$719,000 rental income in to the Group's revenue.

Subsequent to the disposal of the 50% interest in the joint venture which holds the "Bauhinia Square" in Shanghai, the Group intends to use part of the proceeds to diversify its property portfolio. In 2018 4th quarter, the Group has entered into a sale and purchase agreement to acquire 90% equity interest in a company which its assets comprise of two 5-storey existing buildings at Nos. 7, 7A, 9, and 9A of Cheung Wah Street, Cheung Sha Wan (the "Cheung Wah Property"), with a site area of approximately 3,288 sq. ft. The plan is to redevelop the existing buildings into a 25-storey residential development with 2-storey of retail podium, with a proposed gross floor area of approximately 29,592 sq. ft. The demolition of the existing building is targeted to commence in 2019 2nd quarter, followed by foundation works. The completion of the acquisition is expected to take place in March 2019. In all, the management of the Group is optimistic about the potential return from the above property investments.

For our mining business, the operation at Hongzhuang Gold Mine was minimized. Activities such as re-visiting the old shaft were taken part in Yuanling site. Meanwhile, Company reviewing the result of second phase exploration at the north eastern part of Yuanling.

PROSPECTS

Looking ahead, we believe 2019 will be a very challenging year. In view of the growing tension between the United States and the Chinese government, the trading environment is difficult and vulnerable. Meanwhile, coupled with the uncertainty of Brexit and unrest economic situation in Europe will further affect the market sentiment and consumer spending on luxury goods. However, the Group remains optimistic and is actively exploring opportunities in expanding our business through strategic partnerships or joint ventures. We are confident that the Group will be able to set a stronger foothold in the industry and achieve better results in the future.

At the same time, the Group's management has been actively looking into diversifying the revenue sources. By broadening our property investment as well as seeking other business or investment opportunities, we believe the Group will be able to provide a more attractive return on equity for its shareholders.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2018 (2017: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

As at 31 December 2018, the Group's a gearing ratio was 0.01 (30 June 2018: zero), which is calculated on net debt divided by total equity plus net debt. Net debt is calculated as the sum of bank borrowings and other borrowings less cash and cash equivalents. The cash and cash equivalents of HK$972,838,000 (30 June 2018: HK$1,128,664,000) which were mainly denominated in Hong Kong Dollar, US Dollar, Renminbi and British Pound. Bank loans were HK$611,831,000 (30 June 2018: HK$611,000,000), which were denominated in Hong Kong Dollar. Other borrowings in respect of amounts due to related companies; loan from a controlling shareholder and loan from ultimate holding company were approximately of HK$385,759,000 (30 June 2018: HK$388,535,000). The bank loans are secured by first legal charges over the Group's investment properties, certain leasehold land and buildings, land use rights, pledged by ordinary shares of indirect wholly-owned subsidiaries of the Company and guaranteed by corporate guarantees executed by the Company.

The decrease in the Group's cash and cash equivalents as at 31 December 2018 were mainly due to the acquisition of commercial properties located at Yuen Long, Hong Kong. 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 31 December 2018, the Group's investment properties, certain leasehold land and buildings and land use rights with an aggregate net carrying value of HK$1,469,402,000 (30 June 2018: HK$1,320,921,000) were pledged to certain banks to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 31 December 2018, the Company has provided guarantees to the extent of HK$611,831,000 (30 June 2018: HK$611,000,000) with respect to bank loans to its subsidiaries. Guarantees to the extent of HK$1,530,000 (30 June 2018: Nil) 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 contracts has been made as the directors considered that it was unlikely the repayment of the loans would be in default.

CAPITAL STRUCTURE

All the Group's borrowings are denominated in Hong Kong Dollar and Renminbi. Interest is determined with reference to the Hong Kong Interbank Offered Rate or Prime Rate for Hong Kong Dollar borrowings, and the benchmark lending rate of the People's Bank of China for Renminbi borrowings. The Group also made use of foreign exchange forward contracts in order to minimise exchange rate risk as a result of the fluctuation in British Pound. There was no change to the Group's capital structure during the six months ended 31 December 2018. In light of the current financial position of the Group and provided that there is no unforeseeable circumstance, the management does not anticipate the need to change the capital structure.

NUMBER OF EMPLOYEES, REMUNERATION POLICIES AND SHARE OPTION SCHEME

As at 31 December 2018, the Group employees a total of approximately 692 employees (30 June 2018: 660) with the majority in the PRC. The Group's remuneration to its employees is largely based on common industrial practice. The Company has adopted a share option scheme on 13 July 2010, under which, the Company may grant options to eligible persons including directors and employees. As at 31 December 2018, 120,000,000 share options were granted pursuant to the scheme since its adoption.

EXPOSURE TO FINANCIAL RISK AND RELATED HEDGES

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2018.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance Practices

The Company adopted all the Code Provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules and has complied with all the applicable Code Provisions throughout the six months ended 31 December 2018 except for the following deviations:

1. Code Provision A.2.1

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

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

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

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

2. Code Provision A.4.1

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

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

3. Code Provision A.6.7

Under the Code Provision A.6.7, Independent 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 and the general meeting held on 17 December 2018 due to other business engagement. Other Independent Non-executive Directors were present at the AGM and the general meeting were available to answer questions.

4. Code Provision C.2.5

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

The Company does not have an internal audit function during the six months ended 31 December 2018. Taking into account the size and complexity of the operations of the Group, the Company considers that the existing organisation structure and the close supervision of the management could provide sufficient internal control and risk management for the Group. The audit committee of the Board regularly reviews the effectiveness of the internal control systems and risk management of the Group. The Board would review the need to set up an internal audit function on an annual basis.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. The Company has made specific enquiry with all directors and all of them have confirmed that they have complied with the required standards as set out in the Model Code during the six months ended 31 December 2018.

AUDIT COMMITTEE

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

The Audit Committee has discussed the Group's accounting policies and basis adopted, the financial control, risk management and internal control systems of the Group and has reviewed the unaudited consolidated interim financial statements for the six months ended 31 December 2018. The Audit Committee has approved the unaudited consolidated interim financial statements.

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

Hong Kong, 25 February 2019

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 Executive Directors, Mr. Yam Tat Wing is a 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 Independent Non-executive Directors.