



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

INTERIM REPORT 2010
二零一零年中期報告

(Stock Code: 00513)
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(In the event of inconsistency, the English text shall prevail over the Chinese text)

The board (the “Board”) of directors (the “Directors”) of Continental Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2009 together with the comparative figures for the corresponding period in 2008.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	Unaudited	
		Six months ended 31 December	
		2009	2008
		HK\$'000	HK\$'000
Revenue	4	554,315	754,208
Cost of sales		(496,584)	(675,266)
Gross profit		57,731	78,942
Selling and distribution costs		(12,807)	(11,826)
Administrative expenses		(36,303)	(54,683)
Other operating income/(expenses)		4,794	(5,082)
Change in fair value of investment properties		–	(53,920)
Profit/(Loss) from operations		13,415	(46,569)
Finance costs	5	(1,776)	(8,291)
Share of results of associates		(241)	77
Share of results of jointly controlled entities		(1,665)	7,495
Profit/(Loss) before income tax	6	9,733	(47,288)
Income tax (expense)/credit	7	(1,720)	6,993
Profit/(Loss) for the period		8,013	(40,295)
Other comprehensive income for the period:			
Exchange differences arising on translation of foreign operations		3,315	14,178
Available-for-sales financial assets: net movement in investment revaluation reserve		788	(4,028)
Other comprehensive income for the period, net of tax		4,103	10,150
Total comprehensive income/(loss) for the period		12,116	(30,145)
Profit/(Loss) for the period attributable to:			
Equity holders of the Company		8,013	(40,295)
Minority interests		–	–
		8,013	(40,295)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		12,116	(30,145)
Minority interests		–	–
		12,116	(30,145)
Dividends	8	3,128	3,128
Earnings/(Loss) per share	9		
– Basic		HK2.6 cents	(HK13.5 cents)
– Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited	Audited
		At 31 December	At 30 June
		2009	2009
	<i>Notes</i>	HK\$'000	HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		436,403	435,836
Leasehold land/Land use rights		7,855	8,883
Interests in associates		2,799	3,051
Interests in jointly controlled entities		243,113	216,382
Available-for-sale financial assets		13,762	12,974
Deferred tax assets		9,217	9,217
		<u>713,149</u>	<u>686,343</u>
		-----	-----
Current assets			
Inventories		305,109	295,492
Trade receivables	10	118,739	106,942
Prepayments, deposits and other receivables		27,276	29,177
Current portion of long-term receivables		-	1,305
Financial assets at fair value through profit or loss		12,750	10,324
Due from associates		8	330
Tax recovery		3,107	-
Cash and cash equivalents		215,328	45,759
		<u>682,317</u>	<u>489,329</u>
Assets classified as held for sale	11	-	838,000
		<u>682,317</u>	<u>1,327,329</u>
		-----	-----
Current liabilities			
Trade payables	12	(191,178)	(157,142)
Other payables and accruals		(53,738)	(62,883)
Derivative financial instruments		-	(170)
Provision for tax		(9,136)	(11,623)
Due to associates		(369)	(288)
Bank loans, secured	13	(11,364)	(141,633)
		<u>(265,785)</u>	<u>(373,739)</u>
Liabilities associated with assets classified as held for sale	11	-	(9,628)
		<u>(265,785)</u>	<u>(383,367)</u>
		-----	-----
Net current assets		<u>416,532</u>	<u>943,962</u>
		-----	-----
Total assets less current liabilities		1,129,681	1,630,305

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

		Unaudited	Audited
		At 31 December	At 30 June
		2009	2009
	<i>Notes</i>	HK\$'000	HK\$'000
Non-current liabilities			
Loans from minority shareholders		(1,125)	(1,125)
Deferred tax liabilities		(16)	(16)
Note payable – promissory note		–	(42,000)
Bank loans, secured	13	<u>(167,500)</u>	<u>(541,263)</u>
		<u>(168,641)</u>	<u>(584,404)</u>
Net assets		<u>961,040</u>	<u>1,045,901</u>
EQUITY			
Equity attributable to the Company's equity holders			
Issued capital	14	31,283	31,283
Reserves		925,355	916,367
Proposed dividend		<u>3,128</u>	<u>96,977</u>
		959,766	1,044,627
Minority interests		<u>1,274</u>	<u>1,274</u>
Total equity		<u>961,040</u>	<u>1,045,901</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended	
	31 December	
	2009	2008
	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities	(86,183)	17,218
Net cash generated from/(used in) investing activities	801,053	(448,011)
Net cash (used in)/generated from financing activities	(546,032)	359,406
	<hr/>	<hr/>
Increase/(Decrease) in cash and cash equivalents	168,838	(71,387)
Cash and cash equivalents at 1 July	45,759	128,868
Effect of foreign exchange rate changes, net	731	7,877
	<hr/>	<hr/>
Cash and cash equivalents at 31 December	215,328	65,358
	<hr/> <hr/>	<hr/> <hr/>
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	215,328	73,416
Bank overdrafts, secured	–	(8,058)
	<hr/>	<hr/>
	215,328	65,358
	<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited
Six months ended 31 December

	Equity attributable to equity holders of the Company									Minority interests	Total equity
	Issued capital	Share premium account	Non- distributable reserve	Other reserve	Exchange fluctuation reserve	Investment revaluation reserve	Retained profits	Proposed dividends	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Balance at 30 June 2009 and 1 July 2009:	31,283	190,742	273,606	(8,779)	10,377	621	449,800	96,977	1,044,627	1,274	1,045,901
Exchange differences on translation of the financial statements of foreign operations	-	-	-	-	3,315	-	-	-	3,315	-	3,315
Change in fair value of available-for-sale financial assets	-	-	-	-	-	788	-	-	788	-	788
Other comprehensive income for the period, net of tax	-	-	-	-	3,315	788	-	-	4,103	-	4,103
Profit for the period	-	-	-	-	-	-	8,013	-	8,013	-	8,013
Total comprehensive income for the period	-	-	-	-	3,315	788	8,013	-	12,116	-	12,116
Payment of final 2009 dividend and special dividend	-	-	-	-	-	-	-	(96,977)	(96,977)	-	(96,977)
Interim dividend, proposed	-	-	-	-	-	-	(3,128)	3,128	-	-	-
Balance at 31 December 2009	<u>31,283</u>	<u>190,742</u>	<u>273,606</u>	<u>(8,779)</u>	<u>13,692</u>	<u>1,409</u>	<u>454,685</u>	<u>3,128</u>	<u>959,766</u>	<u>1,274</u>	<u>961,040</u>
Balance at 1 July 2008	27,980	158,373	273,606	(8,779)	5,046	1,824	414,461	4,197	876,708	1,865	878,573
Exchange differences on translation of the financial statements of foreign operations	-	-	-	-	14,178	-	-	-	14,178	-	14,178
Change in fair value of available-for-sale financial assets	-	-	-	-	-	(4,028)	-	-	(4,028)	-	(4,028)
Other comprehensive income/ (loss) for the period, net of tax	-	-	-	-	14,178	(4,028)	-	-	10,150	-	10,150
Loss for the period	-	-	-	-	-	-	(40,295)	-	(40,295)	-	(40,295)
Total comprehensive income/ (loss) for the period	-	-	-	-	14,178	(4,028)	(40,295)	-	(30,145)	-	(30,145)
Issue of new shares	3,303	32,369	-	-	-	-	-	-	35,672	-	35,672
Additional final dividend 2008	-	-	-	-	-	-	(495)	495	-	-	-
Payment of final 2008 dividend	-	-	-	-	-	-	-	(4,692)	(4,692)	-	(4,692)
Interim dividend, proposed	-	-	-	-	-	-	(3,128)	3,128	-	-	-
Balance at 31 December 2008	<u>31,283</u>	<u>190,742</u>	<u>273,606</u>	<u>(8,779)</u>	<u>19,224</u>	<u>(2,204)</u>	<u>370,543</u>	<u>3,128</u>	<u>877,543</u>	<u>1,865</u>	<u>879,408</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

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

2. Summary of significant accounting policies

The interim financial report has been prepared on the historical cost basis except for the investment properties and certain financial assets and liabilities, which are measured at fair values.

The accounting policies and basis of preparation adopted in the preparation of the interim financial report are consistent with those used in the Group’s annual financial statements for the year ended 30 June 2009.

In the current period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations (“HK(IFRIC)”) which are effective for the Group’s financial period beginning on 1 July 2009.

HKAS 1 (Revised)	Presentation of financial statements
HKAS 23 (Revised)	Borrowing costs
HKAS 27 (Revised)	Consolidated and separate financial statements
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Share-based payment – vesting conditions and cancellations
HKFRS 3 (Revised)	Business combinations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) – Int 15	Agreements for the construction of real estate
HKFRSs (Amendments)	Improvements to HKFRSs issued in Oct 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in May 2009 except for annual periods on or after 1 January 2010

HKAS 1 (Revised) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure.

HKFRS 8 requires disclosure of information about the Group’s operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this standard did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified under HKAS 14 Segment Reporting.

No prior period adjustments is required as the adoption of these new HKFRSs has no material effect on the reported results and financial position of the Group for the current or prior accounting periods.

2. Summary of significant accounting policies (Continued)

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs issued in May 2009 that are effective for annual periods on or after 1 January 2010
HKFRS 5	Non-current assets held for sale and discontinued operations ³
HKAS 24	Related party disclosures ¹
HKAS 32 (Amendment)	Classification of rights issue ²
HKFRS 1 (Amendments)	Additional exemptions for the first-time adopters ³
HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions ³
HKFRS 9	Financial instruments ⁵
HK(IFRIC) – Int 11	Group and treasury share transactions ³
HK(IFRIC) – Int 19	Extinguish financial liabilities with equity instruments ⁴

Effective date

- 1: Annual periods beginning on or after 1 January 2011
- 2: Annual periods beginning on or after 1 February 2010
- 3: Annual periods beginning on or after 1 January 2010
- 4: Annual periods beginning on or after 1 July 2010
- 5: Annual periods beginning on or after 1 January 2013

3. Segment information

The Group has adopted HKFRS 8 Operating Segments with effect from 1 July 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group's executive directors. They allocate resources to segments and to assess their performance.

The Group has three reportable operating segments. The Group's operating businesses are structured and managed separately according to the nature of the operations and the product perspectives. Each of the Group's reportable operating segments represents a strategic business unit that are subject to risks and returns that are different from the other reportable operating segments. Summary details of the reportable operating segments are as follows:

- (a) design, manufacturing, marketing and trading of fine jewellery and diamonds;
- (b) property investment; and
- (c) investment.

3. Segment information (Continued)

The following table presents revenue and results for the Group's reportable operating segments for the six months ended 31 December 2009 and 2008, respectively.

	Unaudited							
	Six months ended 31 December							
	Design, manufacturing, marketing and trading of fine jewellery and diamonds		Property investment		Investment		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Revenue:								
Sales to/revenue from external parties	<u>542,252</u>	<u>734,090</u>	<u>10,433</u>	<u>18,945</u>	<u>1,630</u>	<u>1,173</u>	<u>554,315</u>	<u>754,208</u>
Segment results	<u>2,835</u>	<u>10,742</u>	<u>11,227</u>	<u>(36,366)</u>	<u>2,977</u>	<u>(17,819)</u>	<u>17,039</u>	<u>(43,443)</u>
Unallocated expenses							<u>(3,624)</u>	<u>(3,126)</u>
Profit/(Loss) from operations							<u>13,415</u>	<u>(46,569)</u>
Finance costs							<u>(1,776)</u>	<u>(8,291)</u>
Share of results of associates							<u>(241)</u>	<u>77</u>
Share of results of jointly controlled entities							<u>(1,665)</u>	<u>7,495</u>
Profit/(Loss) before income tax							<u>9,733</u>	<u>(47,288)</u>

4. Revenue

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, gross 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	
	2009	2008
	HK\$'000	HK\$'000
Sale of goods	<u>542,252</u>	<u>734,233</u>
Gross rental income	<u>10,433</u>	<u>18,945</u>
Interest income	<u>1,435</u>	<u>771</u>
Dividend income from investments	<u>195</u>	<u>259</u>
	<u>554,315</u>	<u>754,208</u>

5. Finance costs

	Unaudited Six months ended 31 December	
	2009	2008
	<i>HKS'000</i>	<i>HKS'000</i>
Interest charges on:		
Bank loans wholly repayable within five years	4,211	5,179
Bank loans repayable over five years	–	5,099
Promissory note wholly repayable within five years	12	353
	<hr/>	<hr/>
Total borrowing cost	4,223	10,631
Less: bank loan interest capitalised in properties under development	(2,447)	(2,340)
	<hr/>	<hr/>
	<u>1,776</u>	<u>8,291</u>

6. Profit/(Loss) before income tax

Profit/(Loss) before income tax is stated after charging/(crediting):

	Unaudited Six months ended 31 December	
	2009	2008
	<i>HKS'000</i>	<i>HKS'000</i>
Cost of inventories sold	496,584	675,266
Fair value (gains)/loss on financial assets at fair value through profit or loss	(2,426)	5,075
Depreciation of property, plant and equipment	3,007	4,261
Amortisation of leasehold land/land use right	48	120
Operating leases charges – land and buildings	2,577	2,148
Provision for trade receivables	1,177	1,450
Net exchange loss	1,281	11,731
	<hr/>	<hr/>
	<u>1,281</u>	<u>11,731</u>

7. Income tax expense/(credit)

The amount of income tax charged/(credited) to the condensed consolidated statement of comprehensive income represents:

	Unaudited Six months ended 31 December	
	2009	2008
	<i>HKS'000</i>	<i>HKS'000</i>
Hong Kong profits tax		
– current	1,720	3,337
Deferred tax		
– current	–	(10,330)
	<hr/>	<hr/>
	<u>1,720</u>	<u>(6,993)</u>

8. Dividends

	Unaudited	
	Six months ended	
	31 December	
	2009	2008
	HK\$'000	HK\$'000
(a) Dividends attributable to the interim period		
Interim dividend of HK\$0.01 (2008: HK\$0.01) per ordinary share	3,128	3,128
	<u>3,128</u>	<u>3,128</u>
<p>The interim dividend was declared after the reporting date and has not been recognised as a liability at the reporting date, but reflected as an appropriation of retained profits for the six months ended 31 December 2009.</p>		
(b) Dividends attributable to the previous financial period, approved and paid during the interim period		
2009 final paid – HK\$0.010 (2008 final paid: HK\$0.015)		
per ordinary share	3,128	4,692
2009 special paid – HK\$0.300 (2008 special paid: Nil)		
per ordinary share	93,849	–
	<u>93,849</u>	<u>–</u>
	96,977	4,692
	<u>96,977</u>	<u>4,692</u>

9. Earnings/(Loss) per share

The calculation of earnings/(loss) per share is based on the Group's profit attributable to equity holders of the Company of HK\$8,013,000 (2008: Loss of HK\$40,295,000) and on the weighted average of 312,830,334 (2008: 297,930,795) ordinary shares in issue during the period.

No diluted earnings/(loss) per share is shown as the Company has no dilutive ordinary shares at 31 December 2009 and 2008.

10. Trade receivables

The Group normally applies credit terms to its customers according to industry practice together with consideration of its credibility, 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.

The 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	61-90	Over	Total
	days	days	days	90 days	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unaudited balance at 31 December 2009	29,409	44,079	28,311	16,940	118,739
	<u>29,409</u>	<u>44,079</u>	<u>28,311</u>	<u>16,940</u>	<u>118,739</u>
Audited balance at 30 June 2009	40,389	40,412	19,709	6,432	106,942
	<u>40,389</u>	<u>40,412</u>	<u>19,709</u>	<u>6,432</u>	<u>106,942</u>

11. Assets classified as held for sale/liabilities associated with assets classified as held for sale

	Unaudited	Audited
	31 December	30 June
	2009	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Asset classified as held for sale:		
Investment properties	–	838,000
	<u> </u>	<u> </u>
Liabilities associated with assets classified as held for sale:		
Other payables and accruals	–	9,628
	<u> </u>	<u> </u>

During the period, the disposal of the investment properties classified as held for sale was completed and the entire sale proceeds have been fully received by the Group.

12. Trade payables

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

	Current	31-60	61-90	Over	Total
	<i>HK\$'000</i>	<i>days</i>	<i>days</i>	<i>90 days</i>	<i>HK\$'000</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Unaudited balance at 31 December 2009	<u>76,794</u>	<u>39,253</u>	<u>30,222</u>	<u>44,909</u>	<u>191,178</u>
Audited balance at 30 June 2009	<u>125,589</u>	<u>19,632</u>	<u>9,201</u>	<u>2,720</u>	<u>157,142</u>

13. Bank loans, secured

At 31 December 2009, the Group's bank loans are as follows:

	Unaudited 31 December 2009 HK\$'000	Audited 30 June 2009 HK\$'000
Secured bank loans:		
Repayable within one year	11,364	141,633
Repayable in the second year	167,500	176,189
Repayable in the third to fifth years, inclusive	–	37,808
Repayable beyond five years	–	327,266
	178,864	682,896
Less: Current portion due within one year included under current liabilities	(11,364)	(141,633)
Non-current portion included under non-current liabilities	167,500	541,263

At 31 December 2009, the Group's banking facilities were supported by the following:

- (a) legal charges over the Group's certain leasehold land and buildings and properties under development;
and
- (b) corporate guarantees executed by the Company.

14. Issued capital

	Unaudited At 31 December 2009		Audited At 30 June 2009	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
Authorised:				
Ordinary shares of HK\$0.10 each	3,500,000,000	350,000	3,500,000,000	350,000
Issued and fully paid:				
Ordinary shares of HK\$0.10 each				
At beginning of the period/year	312,830,334	31,283	279,800,031	27,980
Issue of new shares	–	–	33,030,303	3,303
At end of the period/year	312,830,334	31,283	312,830,334	31,283

15. Operating lease arrangements

(a) As lessor

The Group leases certain of its properties under operating lease arrangements, with leases negotiated for terms ranging from two to five years. None of the leases include contingent rentals.

At 31 December 2009, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Unaudited 31 December 2009 <i>HKS'000</i>	Audited 30 June 2009 <i>HKS'000</i>
Within one year	289	9,935
In the second to fifth years, inclusive	567	550
	<u>856</u>	<u>10,485</u>

(b) As lessee

The Group leases certain of shops, office properties and staff quarters under operating lease arrangement. Leases (including contingent rental) are negotiated at fixed rate or with reference to level of business and terms ranging from one to three years. The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Unaudited 31 December 2009 <i>HKS'000</i>	Audited 30 June 2009 <i>HKS'000</i>
Within one year	3,723	4,857
In the second to fifth years, inclusive	2,054	3,856
	<u>5,777</u>	<u>8,713</u>

16. Capital commitments

	Unaudited 31 December 2009 <i>HKS'000</i>	Audited 30 June 2009 <i>HKS'000</i>
Contracted but not provided for Properties under development	<u>35,402</u>	<u>3,414</u>

17. Related party transactions

Save as disclosed elsewhere in this report, other significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

- (a) Subcontracting fees of HK\$3,169,000 (2008: HK\$2,783,000) paid and payable to certain associates. The sub-contracting fees are mutually negotiated between the Group and the associates.
- (b) No goods has been sold to associates (2008: sales of HK\$51,000) during the period. The terms are mutually negotiated between the Group and the associate.
- (c) Compensation of key management personnel

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

	Unaudited	
	Six months ended	
	31 December	
	2009	2008
	HK\$'000	HK\$'000
Short term employee benefits	3,085	3,542
Post-employment benefits	133	153
	3,218	3,695

18. Event after the reporting date

Pursuant to the resolution passed in an extraordinary general meeting on 11 February 2010, the independent shareholders of the Company have approved the proposed acquisition of Big Bonus Limited and its subsidiaries (the "Proposed Acquisition"). The Proposed Acquisition has not been completed up to the date of this report. Details of this acquisition have been set out in the Company's circular dated 25 January 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

Consolidated turnover for the six months ended 31 December 2009 decreases by 26.5% from HK\$754,208,000 to HK\$554,315,000. Profit attributable to equity holders was HK\$8,013,000 and a loss was HK\$40,295,000 in last interim period. Earnings per share rose to HK2.6 cents from the loss per share HK13.5 cents in last interim period.

BUSINESS REVIEW AND PROSPECTS

Global economic conditions have taken their toll on jewellery demand and it will take time before the luxury goods consumption begins to pick up. Although the economic downturn has started to ease and stabilize in the second half of the year, the recovery has been gradual. During the six months under review, the jewellery industry is still adversely affected by the worldwide impact of credit turmoil, decreased liquidity and the volatile gold prices. The Group will continue to adopt stringent cost control measures and will remain cautious of the prevailing market condition.

During the period under review, the Group sold the Continental Diamond Plaza located at Nos. 523, 525, 527 Hennessy Road, Hong Kong. The Group currently has land sites under development situated at Nos. 236-242 Des Voeux Road Central, Hong Kong, and also holds 50% interests in two parcels of land in PRC situated at Metro Line M8, Jiangpu Road, Yangpu District, Shanghai. These properties are in good progress and the Group will continue to keep a lookout for quality and good value property investments and development opportunities.

BUSINESS OUTLOOK

The jewellery industry continues to pose great challenges and difficulties in the coming year. In facing such conditions, the Group will use its best efforts to deploy necessary resources in exploring new markets and designing new product lines. Going forward, the Group will seek to diversify its business activities and to identify sound investment opportunities.

Whilst global economic conditions are uncertain, a range of enduring factors – such as the outlook for gold demand, the US dollar, interest rates and inflationary expectations – continue to be supportive of gold. On 20 November 2009 the Group entered into a Sales and Purchase Agreement to acquire Hongzhuang Gold Mine in PRC. The Group foresees a strong demand in natural resources and precious metals in the years ahead. The Group believes that this is an opportune time to venture into gold mining to widen the Group's revenue streams in the future.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK\$0.01 per share for the six months ended 31 December 2009 (2008: HK\$0.01), totalling HK\$3,128,000 (2008: HK\$3,128,000), payable in cash on Wednesday, 14 April 2010.

CLOSURE OF REGISTERS OF MEMBERS

The register of members of the Company will be closed from Monday, 29 March 2010 to Wednesday, 31 March 2010, both days inclusive, during which period no transfer of shares of the Company will be registered.

In order to qualify for the interim dividend mentioned above, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17 Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:00 p.m. on Friday, 26 March 2010.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2009, the Group had a surplus of cash and cash equivalents over the net debts. Thereafter, the Group had a negative gearing ratio of (0.04) (30 June 2009: 0.39), which is net debt divided by total equity plus net debt. Net debt is calculated at the sum of bank borrowings less the cash and cash equivalents. Total cash and cash equivalents, were HK\$215,328,000 (30 June 2009: HK\$45,759,000) which were mainly denominated in Hong Kong Dollars, US Dollars and UK Pounds, while bank borrowings were HK\$178,864,000 (30 June 2009: HK\$682,896,000) which were mainly denominated in Hong Kong Dollars. The increase in cash and cash equivalents during the six months mainly contributes from the net sales proceeds of the disposal of the Continental Diamond Plaza located at Nos. 523, 525, 527 Hennessy Road, Hong Kong. The bank borrowings are secured by first legal charges over the Group's certain leasehold land and buildings, properties under development and corporate guarantees executed by the Company.

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

PLEDGE OF ASSETS

As at 31 December 2009, certain leasehold land and buildings and properties under development of the Group with an aggregate net book/carrying value of HK\$417,171,000 (30 June 2009: certain leasehold land and buildings, properties under development and investment properties totalling HK\$1,255,275,000) were pledged to certain banks to secure general banking facilities granted to the Group.

CAPITAL STRUCTURE

There was no change to the Group's capital structure during the six months ended 31 December 2009.

NUMBER OF EMPLOYEES, REMUNERATION POLICIES AND SHARE OPTION SCHEMES

As at 31 December 2009, the Group employed a total of approximately 1,100 employees (30 June 2009: 1,200), the majority of whom are employed in the PRC. The Group's remuneration package for its employees is largely based on industry practice. No share option scheme was adopted during the six months ended 31 December 2009.

EXPOSURE TO FINANCIAL RISKS AND RELATED HEDGES

The Group utilizes conservative strategies on its risk management and the market risk is kept to minimum. With the exception of the UK subsidiary, all transactions and the borrowings of the Group are primarily denominated in US Dollars and/or Hong Kong Dollars. The risk of foreign exchange fluctuations is minimal under the peg. During the period, the exchange rate swap contracts entered by the Group matured and thereafter, the Group did not use any other derivative financial instrument for hedging purposes. The Group had exposure to exchange rate risk as a result of fluctuation in UK pounds during the six months ended 31 December 2009. Management will continue to monitor the foreign exchange exposure and will take appropriate action when necessary. During the six months ended 31 December 2009, the Group did not use any other financial instruments for hedging purposes. As of 31 December 2009, there was no hedging instrument outstanding.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

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

As 31 December 2009, the interests and short positions of the Directors and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as set out below:

Name of directors	Capacity	Number and class of shares held	Percentage Holdings
Chan Sing Chuk, Charles (<i>Note 1</i>)	Interest in a controlled Corporation	158,816,303 ordinary	50.767%
Cheng Siu Yin, Shirley (<i>Note 1</i>)	Interest in a controlled Corporation	158,816,303 ordinary	50.767%
Chan Wai Lap, Victor (<i>Note 2</i>)	Interest of spouse	270,000 ordinary	0.086%
Chu Wai Kok	Beneficial Owner	8,000 ordinary	0.003%
Chan Ping Kuen, Derek	Beneficial Owner	20,000 ordinary	0.006%

Note:

- Such interests are held by a company, Tamar Investments Group Limited, which is wholly owned by Dr. Chan Sing Chuk, Charles BBS, JP and Ms. Cheng Siu Yin, Shirley.
- The 270,000 Shares were held by Ms. Kwok Ching Yan, Louisa who is the spouse of Mr. Chan Wai Lap, Victor, an Executive Director.

Except as disclosed above, at the balance sheet date, none of the Directors or their respective associates had any personal, family, corporate or other interest or short positions in the shares, underlying shares and debentures of the company or any of its associated corporations as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2009, no person, other than Dr. Chan Sing Chuk, Charles and Ms. Cheng Siu Yin, Shirley, whose interests are set out in the section "Directors' interests and short positions in shares, underlying shares and debentures" above, had registered an interest in 5% or more of the issued share capital of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governances Practices

The Company adopted all the Code Provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules and has complied with all the applicable Code Provisions throughout the six months ended 31 December 2009 except for the following derivations:

1. Code provision A.2.1

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have a separate Chairman and Chief Executive Officer and Dr. Chan Sing Chuk Charles currently holds both positions. The Board believes that vesting the roles of Chairman and Chief Executive Officer in the same person provides the Group with strong and consistent leadership in the development and execution of long-term strategies.

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. The non-executive Directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the Company's Annual General Meeting. However, under article 115(D), all Directors including non-executive Directors of the Company are subject to retirement by rotation and re-election at the Company's Annual General Meeting at least once every three years. The Board considers that the deviation from Code Provision A.4.1 is not material as Non-executive Directors are subject to retirement by rotation and re-election in view of small number of total directors of the Company, the Directors will consider to adopt the Code Provision should the number of Directors increase substantially.

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 set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions in relation to the accounting period covered by this interim report. The Company confirms that, having made specific enquiry of all Directors, the Directors have complied with the required standards of dealing as set out therein.

AUDIT COMMITTEE

The Audit Committee of the Company comprises four independent non-executive Directors and one non-executive Director of the Company.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim financial statements for the six months ended 31 December 2009. The Audit Committee has approved the unaudited interim financial statements.

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, there is no change in information of the Directors that are required to be disclosed.

On behalf of the Board
Chan Sing Chuk, Charles
Chairman

Hong Kong, 10 March 2010