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 2009

INTERIM RESULTS

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

		Unaudited	
		Six months ended 31 December	
		2009	2008
	Notes	***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)

	Notes	Unaudited Six months ended 31 December **2009** ***HK$'000***	 2008 *HK$'000*
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

	Notes	Unaudited At 31 December 2009 HK$'000	Audited At 30 June 2009 HK$'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
		713,149	686,343
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
		682,317	489,329
Assets classified as held for sale		–	838,000
		682,317	1,327,329
Current liabilities			
Trade payables	*11*	**(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		**(11,364)**	(141,633)
		(265,785)	(373,739)
Liabilities associated with assets classified as held for sale		–	(9,628)
		(265,785)	(383,367)
Net current assets		**416,532**	943,962
Total assets less current liabilities		**1,129,681**	1,630,305

	Notes	Unaudited At 31 December 2009 *HK$'000*	Audited At 30 June 2009 *HK$'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		**(167,500)**	(541,263)
		(168,641)	(584,404)
Net assets		**961,040**	1,045,901
EQUITY			
Equity attributable to the Company's equity holders			
Issued capital		**31,283**	31,283
Reserves		**925,355**	916,367
Proposed dividend		**3,128**	96,977
		959,766	1,044,627
Minority interests		**1,274**	1,274
Total equity		**961,040**	1,045,901

NOTES TO 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 restate
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.

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 period beginning on or after 1 January 2010
4: Annual period beginning on or after 1 July 2010
5: Annual period 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.

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	**542,252**	734,090	**10,433**	18,945	**1,630**	1,173	**554,315**	754,208
Segment results	**2,835**	10,742	**11,227**	(36,366)	**2,977**	(17,819)	**17,039**	(43,443)
Unallocated expenses							**(3,624)**	(3,126)
Profit/(Loss) from operations							**13,415**	(46,569)
Finance costs							**(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							**9,733**	(47,288)

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	**542,252**	734,233
Gross rental income	**10,433**	18,945
Interest income	**1,435**	771
Dividend income from investments	**195**	259
	554,315	754,208

5. FINANCE COSTS

	Unaudited Six months ended 31 December	
	2009	2008
	HK$'000	*HK$'000*
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
Total borrowing cost	**4,223**	10,631
Less: bank loan interest capitalised in properties under development	**(2,447)**	(2,340)
	1,776	8,291

6. PROFIT/(LOSS) BEFORE INCOME TAX

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

	Unaudited Six months ended 31 December 2009	2008
	HK$'000	*HK$'000*
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

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
	HK$'000	*HK$'000*
Hong Kong profits tax		
– current	**1,720**	3,337
Deferred tax		
– current	**–**	(10,330)
	1,720	(6,993)

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

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.

	2009	2008
(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**	–
	96,977	4,692

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 days**	**61-90 days**	**Over 90 days**	**Total**
	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
Audited balance at 30 June 2009	40,389	40,412	19,709	6,432	106,942

11. TRADE PAYABLES

The 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 2009	76,794	39,253	30,222	44,909	191,178
Audited balance at 30 June 2009	125,589	19,632	9,201	2,720	157,142

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 recourses 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 equivalent. Total cash and cash equivalent, 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.

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 compiled 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 compiled 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.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim result announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited website at www.hkex.com.hk under "Latest Listed Companies Information" and at the website www.equitynet.com.hk/hk513. The interim report for the period ended 31 December 2009 will be dispatched to the shareholders and will be available on the above websites in due course.

On behalf of the Board
Chan Sing Chuk, Charles
Chairman

Hong Kong, 10 March 2010

As at the date of this announcement, Dr. Chan Sing Chuk, Charles BBS, JP, Ms. Cheng Siu Yin, Shirley, Ms. Chan Wai Kei, Vicki and Mr. Chan Wai Lap, Victor are executive Directors, Mr. Chu Wai Kok is a non-executive Director, Mr. Wong Kai Cheong, Mr. Yu Shiu Tin, Paul BBS, MBE, JP, Mr. Chan Ping Kuen, Derek and Mr. Sze, Irons are independent non-executive Directors.