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

INTERIM REPORT 2011
二零一一年中期報告

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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 interim results of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2010 together with the comparative figures for the corresponding period in 2009.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited Six months ended 31December	
		2010	2009
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**516,752**	554,315
Cost of sales		**(459,442)**	(496,584)
Gross profit		**57,310**	57,731
Selling and distribution costs		**(13,911)**	(12,807)
Administrative expenses		**(31,479)**	(36,303)
Other operating income		**3,674**	4,794
Profit from operations		**15,594**	13,415
Finance costs	*5*	**(416)**	(1,776)
Share of results of associates		**75**	(241)
Share of results of jointly controlled entities		**(2,465)**	(1,665)
Profit before income tax	*6*	**12,788**	9,733
Income tax expense	*7*	**(1,280)**	(1,720)
Profit for the period		**11,508**	8,013
Other comprehensive income/(loss) for the period:			
Exchange differences arising on translation of foreign operations, associates and jointly controlled entities		**5,436**	3,315
Change in fair value of available-for-sales financial assets		**(4,449)**	788
Other comprehensive income for the period, net of tax		**987**	4,103
Total comprehensive income for the period		**12,495**	12,116
Profit for the period attributable to:			
Owners of the Company		**11,508**	8,013
Non-controlling interests		**–**	–
Profit for the period		**11,508**	8,013
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**14,695**	12,116
Non-controlling interests		**(2,200)**	–
		12,495	12,116
Dividends	*8*	**3,128**	3,128
Earnings per share for profit attributable to the owners of the Company during the period	*9*		
– Basic		**HK0.37 cents**	HK0.26 cents
– Diluted		**HK0.36 cents**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**Unaudited At 31 December 2010 *HK$'000***	Audited At 30 June 2010 *HK$'000* (restated)#
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**46,678**	49,340
Land use rights		**3,882**	3,920
Investment property		**415,721**	410,000
Interests in associates		**2,896**	2,821
Interests in jointly controlled entities		**413,950**	320,466
Available-for-sale financial assets		**24,821**	28,790
Deferred tax assets		**9,217**	9,217
		917,165	824,554
Current assets			
Inventories		**261,846**	275,961
Trade receivables	*10*	**121,574**	113,375
Prepayments, deposits and other receivables		**102,015**	19,452
Financial assets at fair value through profit or loss		**15,214**	11,517
Derivative financial instruments		**276**	–
Due from associates		**8**	202
Due from a jointly controlled entity		**141**	110
Cash and cash equivalents		**65,559**	153,940
		566,633	574,557
Current liabilities			
Trade payables	*11*	**(148,318)**	(147,645)
Other payables and accruals		**(46,090)**	(44,920)
Derivative financial instruments		–	(498)
Provision for tax		**(13,716)**	(10,180)
Due to associates		**(293)**	(335)
Due to a jointly controlled entity		**(5)**	(5)
Bank loans, secured	*12*	**(249,475)**	(178,994)
		(457,897)	(382,577)
Net current assets		**108,736**	191,980
Total assets less current liabilities		**1,025,901**	1,016,534

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Notes	Unaudited At 31 December 2010 HK$'000	Audited At 30 June 2010 HK$'000 (restated)#
Non-current liabilities			
Loans from non-controlling interests		**(1,125)**	(1,125)
Due to ultimate holding company		**(7,877)**	(7,877)
Deferred tax liabilities		**(1,106)**	(1,106)
		(10,108)	(10,108)
Net assets		**1,015,793**	1,006,426
EQUITY			
Equity attributable to the owners of the Company			
Issued capital	*13*	**31,283**	31,283
Reserves		**982,525**	970,958
Proposed dividends		**3,128**	3,128
		1,016,936	1,005,369
Non-controlling interests		**(1,143)**	1,057
Total equity		**1,015,793**	1,006,426

Refer to Note 2 to the condensed interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 31 December	
	2010	2009
	HK$'000	*HK$'000*
Net cash generated from/(used in) operating activities	**17,820**	(86,183)
Net cash (used in)/generated from investing activities	**(176,010)**	801,053
Net cash generated from/(used in) financing activities	**70,481**	(546,032)
(Decrease)/Increase in cash and cash equivalents	**(87,709)**	168,838
Cash and cash equivalents at 1 July	**153,940**	45,759
Effect of foreign exchange rate changes, net	**(672)**	731
Cash and cash equivalents at 31 December	**65,559**	215,328
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	**65,559**	215,328

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited Six months ended 31 December											
	Equity attributable to the owners of the Company										Non-controlling interests	Total equity
	Issued capital	Share premium account	Warrant reserve	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$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 30 June 2010 and 1 July 2010:	31,283	190,743	53,008	273,606	(8,779)	16,011	(897)	447,266	3,128	1,005,369	1,057	1,006,426
Exchange differences on translation of the financial statements of foreign subsidiaries, associates and jointly controlled entities	–	–	–	–	–	5,436	–	–	–	5,436	–	5,436
Change in fair value of available-for-sale financial assets	–	–	–	–	–	–	(2,249)	–	–	(2,249)	(2,200)	(4,449)
Other comprehensive income/(loss) for the period, net of tax	–	–	–	–	–	5,436	(2,249)	–	–	3,187	(2,200)	987
Profit for the period	–	–	–	–	–	–	–	11,508	–	11,508	–	11,508
Total comprehensive income for the period	–	–	–	–	–	5,436	(2,249)	11,508	–	14,695	(2,200)	12,495
Payment of final 2010 dividend	–	–	–	–	–	–	–	–	(3,128)	(3,128)	–	(3,128)
Interim dividend, proposed	–	–	–	–	–	–	–	(3,128)	3,128	–	–	–
Balance at 31 December 2010	31,283	190,743	53,008	273,606	(8,779)	21,447	(3,146)	455,646	3,128	1,016,936	(1,143)	1,015,793
Balance at 1 July 2009	31,283	190,743	–	273,606	(8,779)	10,376	621	449,800	96,977	1,044,627	1,274	1,045,901
Exchange differences on translation of the financial statements of foreign subsidiaries, associates and jointly controlled entities	–	–	–	–	–	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	31,283	190,743	–	273,606	(8,779)	13,691	1,409	454,685	3,128	959,766	1,274	961,040

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

The unaudited condensed consolidated interim financial statements have 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 statements have 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 statements are consistent with those used in the Group's annual financial statements for the year ended 30 June 2010.

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 2010.

HKAS 32 (Revised)	Classification of Right Issues
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 2 (Amendment)	Group cash-settled share-based payment transaction
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments
HK Interpretation 4 (Revised in December 2009)	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases
Improvements to HKFRSs (May 2009)	Amendments to a number of HKFRSs*

* Improvements to HKFRSs contain amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36, HKAS 38, HKAS 39, HK(IFRIS)-Int 9 and HK(IFRIC)-Int 16.

Except for the adoption of amendment to HKAS 17 and HK Interpretation 5, the adoption of other new and revised HKFRSs has had no material effect on the operating results and presentation of financial statements for the current and prior accounting periods.

The amendments to HKAS 17 "Leases" are effective for the Group with effect from 1 July 2010. Amendments to HKAS 17 require that the classification of leases is based on the extent to which the risks and rewards incidental to ownership of an asset lie with the lessor or the lessee. In particular, the amendments deleted the specific guidance in the standard which previously required that the land element in a lease is normally classified as an operating lease unless title to the leasehold land is expected to be passed to the lessee by the end of the lease term. Under the amended HKAS 17, a leasehold land is classified as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership of the leasehold land to the lessee.

2. Summary of significant accounting policies (Continued)

The amendments to HKAS 17 are required to be applied retrospectively. Comparative information has been restated to reflect this change in accounting policy. The effect of the adoption of this change in accounting policy is a reclassification of the Group's leases from "Leasehold land" to "Property, plant and equipment" of HK$3,481,000, HK$3,547,000 and HK$3,683,000 as of 31 December 2010, 1 July 2010 and 1 July 2009 respectively; and the reclassification of the corresponding "Amortisation of leasehold land" to "Depreciation" of HK$66,000 and HK$27,000 for six months ended 31 December 2010 and 31 December 2009 respectively. This amendment had no impact on the Group's retained earnings and current period's profit.

On 29 November 2010, the HKICPA issued HK Interpretation 5 – Presentation of Financial Statements-Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause. This interpretation states that liability, which may be callable by the lender at any time without cause (an overriding right of demand), must be classified as a current liability in accordance with HKAS 1. In prior years, the Group classified the borrowings based on the maturity of the borrowings. The effective of the interpretation has resulted in a change in the accounting policy relating to the classification of Group's borrowings from non-current liabilities to current liabilities amount of HK$6,055,000, HK$11,494,000 and HK$541,263,000 as of 31 December 2010, 1 July 2010 and 1 July 2009 respectively. This amendment had no impact on the Group's retained earnings and current period's profit.

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 2010[1]
HKAS 24 (Revised)	Related party disclosures [1]
HKFRS 7 (Amendments)	Disclosure – Transfers of Financial Assets [2]
HKFRS 9	Financial instruments [3]
HK(IFRIC) – Int 14 (Amendments)	Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement [1]

Effective date

1: Annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
2: Annual periods beginning on or after 1 July 2011
3: Annual period beginning on or after 1 January 2013

3. Segment information

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

The Group has identified the following reportable segments:

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

– Property investment; and

– Investment

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

	Unaudited Six months ended 31 December							
	Design, manufacturing, marketing and trading of fine jewellery and diamonds		Property investment		Investment		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment Revenue:								
Sales to/revenue from external parties	**514,833**	542,252	**149**	10,433	**1,770**	1,630	**516,752**	554,315
Segment results	**11,933**	2,835	**133**	11,227	**5,275**	2,977	**17,341**	17,039
Unallocated expenses							**(1,747)**	(3,624)
Finance costs							**(416)**	(1,776)
Share of results of associates							**75**	(241)
Share of results of jointly controlled entities							**(2,465)**	(1,665)
Profit before income tax							**12,788**	9,733

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	
	2010	2009
	HK$'000	*HK$'000*
Sale of goods	**514,833**	542,252
Gross rental income	**149**	10,433
Interest income	**286**	1,435
Dividend income from investments	**1,484**	195
	516,752	554,315

5. Finance costs

	Unaudited Six months ended 31 December	
	2010	2009
	HK$'000	*HK$'000*
Interest charges on:		
Bank loans wholly repayable within five years	**2,852**	4,211
Promissory note wholly repayable within five years	**–**	12
Total borrowing cost	**2,852**	4,223
Less: bank loan interest capitalised in investment property	**(2,436)**	(2,447)
	416	1,776

6. Profit before income tax

The Group's profit before income tax is arrived at after charging/(crediting):

	Unaudited Six months ended 31 December	
	2010	2009
	HK$'000	*HK$'000*
		(restated)
Cost of inventories sold	**459,442**	496,584
Fair value gains on financial assets at fair value through profit or loss	**(3,674)**	(2,426)
Depreciation of property, plant and equipment	**2,662**	3,034
Amortisation of land use rights	**38**	21
Operating leases charges – land and buildings	**2,956**	2,577
Provision for trade receivables	**1,339**	1,177
Net exchange (gains)/loss	**(3,744)**	1,281

7. **Income tax expense**

The amount of income tax expense charged to the condensed consolidated statement of comprehensive income represents:

	Unaudited Six months ended 31 December	
	2010	2009
	HK$'000	*HK$'000*
Hong Kong profits tax		
– current	**1,280**	1,720

8. **Dividends**

	Unaudited Six months ended 31 December	
	2010	2009
	HK$'000	*HK$'000*
(a) Dividends payable to the interim period		
Interim dividend of HK$0.001 (2009: HK$0.001) 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 2010.

(b) Dividends payable to the previous financial period, approved and paid during the interim period		
2010 final paid – HK$0.001 (2009 final paid: HK$0.001) per ordinary share	**3,128**	3,128
2010 special paid – HK$Nil (2009 special paid: HK$0.030) per ordinary share	**–**	93,849
	3,128	96,977

9. **Earnings per share**

The calculation of earnings per share is based on the net profit attributable to the owners of the Company for the six months ended 31 December 2010 of HK$11,508,000 (2009: Profit of HK$8,013,000) and on the weighted average of 3,128,303,340 (2009: 3,128,303,340) ordinary shares in issue during the period.

The calculation of diluted earnings per share is based on the net profit attributable to the owners of the Company for the six months ended 31 December 2010 of HK$11,508,000 and the weighted average of 3,170,954,367 ordinary shares outstanding during the period, adjusted for the effects of all dilutive potential shares. The weighted average number of ordinary shares used in the calculation of diluted earnings per share is calculated based on the weighted average of 3,128,303,340 ordinary shares in issue during the period plus the weighted average of 42,651,027 ordinary shares deemed to be issued at no consideration as if all the Company's unlisted warrants have been exercised.

No diluted earnings per share was shown as the Company has no potential dilutive ordinary shares for the six months ended 31 December 2009.

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 2010	**43,087**	**45,819**	**21,905**	**10,763**	**121,574**
Audited balance at 30 June 2010	48,509	39,402	17,772	7,692	113,375

11. 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 2010	**76,132**	**34,594**	**24,216**	**13,376**	**148,318**
Audited balance at 30 June 2010	55,941	28,302	27,188	36,214	147,645

12. Bank loans, secured

At 31 December 2010, the Group's bank loans are as follows:

	Unaudited 31 December 2010	Audited 30 June 2010
	HK$'000	*HK$'000* (restated)
Secured bank loans:		
Portion of bank loans due for repayment within one year	**231,655**	167,500
Portion of bank loans due for repayment after one year which contain a repayment on demand clause	**17,820**	11,494
	249,475	178,994

At 31 December 2010, the Group's banking facilities were supported by the following:

(a) legal charges over the Group's investment property and certain leasehold land and buildings; and

(b) corporate guarantees executed by the Company.

13. Issued capital

	Number of ordinary shares of HK$0.01 each	Total *HK$'000*
Authorised:		
At 30 June 2010 and 31 December 2010	**35,000,000,000**	**350,000**
Issued and fully paid:		
At 30 June 2010 and 31 December 2010	**3,128,303,340**	**31,283**

14. Operating lease arrangements

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. At 31 December 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Unaudited At 31 December 2010 ***HK$'000***	Audited At 30 June 2010 *HK$'000*
Within one year	**3,481**	6,012
In the second to fifth years, inclusive	**486**	1,652
	3,967	7,664

15. Capital commitments

	Unaudited At 31 December 2010 ***HK$'000***	Audited At 30 June 2010 *HK$'000*
Contracted but not provided for:		
Property, plant and equipment	**112**	559
Investment property	**25,821**	29,981
	25,933	30,540

16. 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$2,902,000 (2009: HK$3,169,000) paid and payable to certain associates. The sub-contracting fees are mutually negotiated between the Group and the associates.

(b) 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	
	2010	2009
	HK$'000	*HK$'000*
Short term employee benefits	**3,788**	3,085
Post-employment benefits	**154**	133
	3,942	3,218

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

The Group consolidated turnover for the six months ended 31 December 2010 recorded a slight decrease of 6.8% from last interim's HK$554,315,000 to HK$516,752,000. Profit attributable to owners of the Company improved to HK$11,508,000, an increase of 43.6% when compared to last interim's profit of HK$8,013,000. Earnings per share rose to HK0.37 cents from HK0.26 cents in last interim period.

BUSINESS REVIEW AND PROSPECTS

The international markets have undergone a turbulent ride in recent years. Despite signs of a recovery in global economy, the U.S. and European markets remain soft amidst of the sovereign debt crisis. The road of recovery is still long and windy, as the unemployment rates and low consumer confidence remains a governing factor to speedy recovery. Over the past year, the Group has implemented stringent cost control measures and proactive marketing initiatives, such as the introduction of numerous branded collections and product innovation, in order to generate higher margins for the Group. Coupled with our strong reputation in the jewellery industry, we believe the Group will maintain its competitive edge and continue to strengthen its market position.

In property investment, the Group's development project situated at Nos. 236-242 Des Voeux Road Central, Hong Kong is moving ahead and in good progress. In view of the recent demand of high-grade office areas, the Group has planned to re-develop the site into a commercial premise. With respect to the 50% jointly controlled entity, which holds two parcels of land in Shanghai, the Group plans to develop the site into a shopping center and office premise. Upon completion of the above developments, the Group will maintain a balanced investment portfolio in hopes to provide steady income streams in the future.

For mining investments, the acquisition of Hongzhuang gold mine in PRC as well as 18.09% of Macarthur Minerals Limited in Australia are expected to be completed in the second half of the financial year. With the hike in both gold and iron ore prices, the Group foresees these projects to have positive and high growth potentials.

PROSPECTS

Looking ahead, there are still many uncertainties and challenges in the second half of the year. Overall industry performance remains mixed across the regions with some industry players reported better than expected results while some were underperformed. Despite a gradual improvement, profit margins remain tight and competitive as the escalation in workers' wages in PRC and the appreciation of Renminbi will persist. Nonetheless, having combat with numerous challenges over the years, the group remains confident and optimistic. Overall, with the solid financial position, strong management, and a diversified portfolio, the Group will continue to strive for the best value for our customers, shareholders and employees.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK$0.001 per share for the six months ended 31 December 2010 (2009: HK$0.001), totalling HK$3,128,000 (2009: HK$3,128,000), payable in cash on Friday, 18 March 2011.

CLOSURE OF REGISTERS OF MEMBERS

The register of members of the Company will be closed from Tuesday, 8 March 2011 to Thursday, 10 March 2011, 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, Shop 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:00 p.m. on Monday, 7 March 2011.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2010, the Group had a gearing ratio of 0.16 (30 June 2010: 0.03), which is net debt divided by total equity plus net debt. Net debt is calculated at the sum of bank borrowings and other borrowings less the cash and cash equivalents. Total cash and cash equivalents were HK$65,559,000 (30 June 2010: HK$153,940,000) which were mainly denominated in Hong Kong Dollars, US Dollars and British Pounds, while bank borrowings were HK$249,475,000 (30 June 2010: HK$178,994,000) which were mainly denominated in Hong Kong Dollar and Renminbi. The reduction in cash and cash equivalents and increase in bank borrowings during the six months were mainly due to capital injection in a jointly controlled entity and prepayment for the acquisition of the issued shares capital of Macarthur Minerals Limited. The bank borrowings are secured by first legal charges over the Group's investment property, certain leasehold land and buildings 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 2010, the Group's investment property, certain leasehold land and buildings with an aggregate net book/carrying value of HK$438,404,000 (30 June 2010: HK$432,859,000) 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 2010.

NUMBER OF EMPLOYEES, REMUNERATION POLICIES AND SHARE OPTION SCHEMES

As at 31 December 2010, the Group employed a total of approximately 1,100 employees (30 June 2010: 1,100), the majority of whom are employed in the PRC. The Group's remuneration package for its employees is largely based on industry 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. No share option was granted pursuant to the scheme since its adoption.

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, Hong Kong Dollars and Renminbi. The risk of foreign exchange fluctuations is minimal. During the period, the Group made use of the foreign exchange forward contracts in order to minimise the exchange rate risk as a result of fluctuation in British pounds. Management will continue to monitor the foreign exchange exposure and will take appropriate action when necessary. During the six months ended 31 December 2010, the Group has entered into certain foreign exchange forward contract.

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 at 31 December 2010, 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 maintained by the Company under Section 352 of Part XV 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 *(Note 1)*	Interest in a controlled Corporation	5,201,894,033 ordinary	166.285%
Cheng Siu Yin, Shirley *(Note 1)*	Interest in a controlled Corporation	5,201,894,033 ordinary	166.285%
Chan Wai Lap, Victor *(Note 2)*	Interest of spouse	2,700,000 ordinary	0.086%
Chan Ping Kuen, Derek	Beneficial Owner	200,000 ordinary	0.006%

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

Name of directors	Capacity	Debenture
Chan Sing Chuk, Charles *(Note 3)*	Interest in a controlled Corporation	HK$383.17 million *(Note 3)*
Cheng Siu Yin, Shirley *(Note3)*	Interest in a controlled Corporation	HK$383.17 million *(Note 3)*

Note:

1. Such interests are held as to (i) 5,063,395,220 shares by Tamar Investments Group Limited ("Tamar Investments"), which is a company wholly owned by Dr. Chan and Ms. Cheng Siu Yin, Shirley and include interests in the consideration Shares and the conversion Shares to be issued under the Hongzhuang Gold Mine Acquisition as defined and disclosed in the circular of the Company dated 25 June 2010 (the "Circular"); and (ii) 138,498,813 Shares by Famous Key Holdings Limited ("Famous Key"), which is a company wholly owned by Dr. Chan and represent interest in the Conversion Shares (as defined and disclosed in the Circular) under the Famous Key Convertible Note (as defined and disclosed in the Circular). Dr. Chan and Ms. Cheng Siu Yin, Shirley, both being Directors, are the directors of Tamar Investments.

2. The 2,700,000 Shares were held by Ms. Kwok Ching Yan, Louisa who is the spouse of Mr. Chan Wai Lap, Victor, an Executive Director.

3. Such interest is held by (i) Tamar Investments in the convertible note in HK$325 million principal amount to be issued under the Hongzhuang Gold Mine Acquisition; and (ii) Famous Key in the Famous Key Convertible Note in HK$58.17 million principal amount. Tamar Investments is wholly owned by Dr. Chan and Ms. Cheng Siu Yin, Shirley as referred to in Note 1 and Famous Key is wholly owned by Dr. Chan as referred to in Note 1.

Except as disclosed above, at the reporting 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 Part XV 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 2010, 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 compiled with all the applicable Code Provisions throughout the six months ended 31 December 2010 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 of the Company.

The Audit Committee has discussed the Group's accounting policies and basis adopted, the financial and internal control process of the Group and has reviewed the unaudited interim financial statements for the six months ended 31 December 2010. The Audit Committee has approved the unaudited interim financial statements.

On behalf of the Board
Chan Sing Chuk, Charles
Chairman

Hong Kong, 21 February 2011