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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00513)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2011

(Expressed in Hong Kong dollars)

RESULTS FOR THE YEAR ENDED 30 JUNE 2011

The board of directors (the "Board") of Continental Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 30 June 2011 together with comparative figures for the previous financial years as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2011

	Notes	**2011** *HK$'000*	2010 *HK$'000* (restated)
Revenue	*3*	**973,501**	1,031,708
Cost of sales		**(859,937)**	(930,948)
Gross profit		**113,564**	100,760
Selling and distribution costs		**(22,061)**	(18,097)
Administrative expenses		**(71,258)**	(72,825)
Other operating income/(expenses)		**112**	(2,579)
Change in fair value of investment property		**12,791**	6,608
Share-based compensation		**–**	(53,008)
Profit/(Loss) from operations		**33,148**	(39,141)
Finance costs	*4*	**(2,346)**	(2,231)
Share of results of associates		**(774)**	(260)
Share of results of jointly controlled entities		**5,359**	52,821
Profit before income tax	*5*	**35,387**	11,189
Income tax expense	*6*	**(5,646)**	(6,594)
Profit for the year		**29,741**	4,595

	Notes	**2011** ***HK$'000***	2010 *HK$'000* (restated)
Other comprehensive income			
Change in fair value of available-for-sale financial assets, net		**(23,094)**	(1,518)
Reclassification from equity to profit or loss on impairment of available-for-sale financial assets		**7,864**	–
Exchange difference on translation of foreign operations, associates and jointly controlled entities		**16,514**	5,635
Exchange fluctuation reserve released upon deregistration of subsidiaries		**(447)**	–
Other comprehensive income for the year, including reclassification adjustments and net of tax		**837**	4,117
Total comprehensive income for the year		**30,578**	8,712
Profit for the year attributable to:			
Owners of the Company		**33,453**	4,812
Non-controlling interests		**(3,712)**	(217)
Profit for the year		**29,741**	4,595
Total comprehensive income attributable to:			
Owners of the Company		**34,290**	8,929
Non-controlling interests		**(3,712)**	(217)
		30,578	8,712
Earnings per share for profit attributable to the owners of the Company during the year	*8*		
– Basic		**HK1.06 cent**	HK0.15 cent
– Diluted		**HK1.06 cent**	HK0.15 cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2011

	Notes	**30/06/2011**	30/06/2010	01/07/2009
		HK$'000	*HK$'000*	*HK$'000*
			(restated)	(restated)
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment		**52,298**	49,340	439,519
Land use rights		**3,813**	3,920	5,200
Investment property		**446,500**	410,000	–
Interests in associates		**2,333**	2,821	3,051
Interests in jointly controlled entities		**417,326**	320,466	216,382
Available-for-sale financial assets		**137,718**	28,790	12,974
Long term receivables		**–**	–	–
Deferred tax assets		**9,326**	9,217	9,217
		1,069,314	824,554	686,343
Current assets				
Inventories		**267,829**	275,961	295,492
Trade receivables	*9*	**116,484**	113,375	106,942
Prepayments, deposits and other receivables		**9,720**	19,452	29,177
Current portion of long term receivables		**–**	–	1,305
Financial assets at fair value through profit or loss		**15,235**	11,517	10,324
Derivative financial instruments		**126**	–	–
Due from associates		**18**	202	330
Due from a jointly controlled entity		**141**	110	–
Cash and cash equivalents		**49,867**	153,940	45,759
		459,420	574,557	489,329
Assets classified as held for sale		**–**	–	838,000
		459,420	574,557	1,327,329

	Notes	30/06/2011 HK$'000	30/06/2010 HK$'000 (restated)	01/07/2009 HK$'000 (restated)
Current liabilities				
Trade payables	*10*	**(143,522)**	(147,645)	(157,142)
Other payables and accruals		**(41,859)**	(44,920)	(62,883)
Derivative financial instruments		–	(498)	(170)
Provision for tax		**(16,367)**	(10,180)	(11,623)
Due to associates		–	(335)	(288)
Due to a jointly controlled entity		**(14)**	(5)	–
Bank loans, secured		**(235,139)**	(178,994)	(682,896)
		(436,901)	(382,577)	(915,002)
Liabilities associated with assets classified as held for sale		–	–	(9,628)
		(436,901)	(382,577)	(924,630)
Net current assets		**22,519**	191,980	402,699
Total assets less current liabilities		**1,091,833**	1,016,534	1,089,042
Non-current liabilities				
Loans from non-controlling interests		–	(1,125)	(1,125)
Promissory note		–	–	(42,000)
Due to ultimate holding company		**(7,877)**	(7,877)	–
Convertible note		**(50,802)**	–	–
Deferred tax liabilities		**(16)**	(16)	(16)
		(58,695)	(9,018)	(43,141)
Net assets		**1,033,138**	1,007,516	1,045,901
EQUITY				
Equity attributable to the owners of the Company				
Issued capital		**31,283**	31,283	31,283
Reserves		**1,005,520**	972,048	916,367
Proposed dividends		–	3,128	96,977
		1,036,803	1,006,459	1,044,627
Non-controlling interests		**(3,665)**	1,057	1,274
Total equity		**1,033,138**	1,007,516	1,045,901

Notes:

1. GENERAL AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective terms include all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the requirements of the Hong Kong Companies Ordinance. The financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The financial statements have been prepared on the historical cost basis except for investment properties and certain financial assets and liabilities, which are stated at fair values.

2. ADOPTION OF HKFRSs

2.1 Adoption of new/revised HKFRSs – effective 1 July 2010

In the current year, the Group has applied for the first time the following revision and amendment to standards and interpretations issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 July 2010:

HK Interpretation 5	Presentation of Financial Statements – Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause
HKFRSs (Amendments)	Improvements to HKFRSs 2009

Except as explained below, the adoption of these amended/revised standards and interpretations has no significant impact on the Group's financial statements.

HKAS 17 (Amendments) – Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the statement of financial position. The amendment to HKAS 17 has removed such a requirement and requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

The Group has reassessed the classification of unexpired leasehold land as at 1 July 2010 on the basis of information existing at the inception of those leases according to the transitional provision in the amendment, and recognised the leasehold land in Hong Kong as finance lease retrospectively. Accordingly, the Group has reclassified these interests from Leasehold land/Land use rights to Property, plant and equipment. The corresponding amortisation has also been reclassified to depreciation. These amendments had no impact on the Group's retained profits and current year results and the effects of the above changes are summarised below.

	2011	2010
	HK$'000	*HK$'000*
Consolidated statement of comprehensive income for the year ended 30 June		
Decrease in amortisation of leasehold land	**(107)**	(136)
Increase in depreciation of property, plant and equipment	**107**	136
	–	–
Consolidated statement of financial position as at 30 June		
Decrease in leasehold land, net	**(3,446)**	(3,547)
Increase in property, plant and equipment, net	**3,446**	3,547
	–	–
Consolidated statement of financial position at beginning of the year		
Decrease in leasehold land, net		(3,683)
Increase in property, plant and equipment, net		3,683
		–

HK Interpretation 5 – Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The Interpretation is a clarification of an existing standard, HKAS 1 Presentation of Financial Statements. It sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause.

In order to comply with the requirements of HK Interpretation 5, the Group has changed its accounting policy on the classification of term loans that contain a repayment on demand clause. Under the new policy, term loans with clauses which give the lender the unconditional right to call the loan at any time are classified as current liabilities in the statement of financial position. Previously such term loans were classified in accordance with the agreed repayment schedule unless the Group had breached any of the loan covenants set out in the agreement as of the reporting date or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future.

The new accounting policy has been applied retrospectively by re-presenting the opening balances at 1 July 2009, with consequential reclassification adjustments to comparatives for the year ended 30 June 2010. The reclassification has had no effect on reported profit or loss, total comprehensive income or equity for any period presented.

Effect of adoption of HK Interpretation 5 on the consolidated statement of financial position

	30/06/2011	30/06/2010	01/07/2009
	HK$'000	*HK$'000*	*HK$'000*
Increase/(Decrease) in			
Current liabilities			
Bank loans, secured	**34,000**	11,494	541,633
Non-current liabilities			
Bank loans, secured	**(34,000)**	(11,494)	(541,263)

As a result of the above retrospective reclassification and restatement, an additional consolidated statement of financial position as at 1 July 2009 is presented in accordance with HKAS 1 Presentation of Financial Statements.

2.2 Early adoption of Amendments to HKAS 12 Deferred Tax-Recovery of Underlying Assets

The HKICPA amended HKAS 12 Income Taxes to introduce an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. Currently, HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendments to HKAS 12 introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

At 30 June 2011, the Group had investment property amounting to HK$446,500,000 (2010: HK$410,000,000), representing its fair value in accordance with the Group's accounting policy. The Group's investment property is situated in Hong Kong. In Hong Kong, land leases can typically be renewed without a payment of a market-based premium which is consistent with their reclassification as finance leases under the amendment to HKAS 17. Given this, it is difficult to assert with a high degree of confidence that the Group would consume substantially all of the economic benefits embodied in the investment property over time. Consequently, as required by the amendment, the Group can re-measure the deferred tax relating to the investment property based on the rebuttable presumption that it is recovered entirely by sale if this new policy had always been applied. There is no tax consequence in Hong Kong of a sale of the investment property as there is currently no capital gain tax in Hong Kong.

This change in accounting policy has been applied retrospectively by restating the opening balances at 1 July 2009 and 2010, with consequential adjustments to comparatives for the year ended 30 June 2010. This has resulted in a reduction in the amount of deferred tax liabilities arising from fair value gain as follows:

	30/06/2011	30/06/2010	01/07/2009
	HK$'000	*HK$'000*	*HK$'000*
Effect of consolidated statement of financial position			
Decrease in deferred tax liabilities	**(2,110)**	(1,090)	–
Increase in retained profits	**2,110**	1,090	–
Effect of consolidated statement of comprehensive income			
Decrease in income tax expense	**(2,110)**	(1,090)	–
Increase in basic earnings per share	**HK0.06 cent**	HK0.03 cent	–
Increase in diluted earnings per share	**HK0.06 cent**	HK0.03 cent	–

2.3 New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKAS 27 and HKFRS 3 [1]
HKAS 19 (Revised 2011)	Employee Benefits [4]
HKAS 24 (Revised)	Related Party Disclosures [1]
HKAS 27 (Revised 2011)	Separate Financial Statements [4]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures [4]
Amendments to HKFRS 7	Disclosure – Transfers of Financial Assets [2]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income [3]
HKFRS 9	Financial Instruments [4]
HKFRS 10	Consolidated Financial Statements [4]
HKFRS 11	Joint Arrangements [4]
HKFRS 12	Disclosures of Interest in Other Entities [4]
HKFRS 13	Fair value Measurement [4]

[1] Effective for annual periods beginning on or after 1 January 2011
[2] Effective for annual periods beginning on or after 1 July 2011
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

The amendments to HKFRS 7 improve the disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for de-recognition of financial assets and financial liabilities.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group's financial statements.

3. REVENUE AND SEGMENT INFORMATION

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.

The chief operating decision-maker has been identified as the Company's executive directors. The executive directors of the Company have identified the Group's three services lines as operating segments.

The operating segments were determined based on the reports reviewed by the Company's executive directors that are used to assess performance and allocate resources.

	Design, manufacturing, marketing and trading of fine jewellery and diamonds		Property investment		Investment		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to/revenue from external parties	**969,835**	1,018,293	**–**	10,522	**3,666**	2,893	**973,501**	1,031,708
Segment results	**29,509**	12,366	**12,750**	14,390	**(2,985)**	2,326	**39,274**	29,082
Share-based compensation							**–**	(53,008)
Unallocated expenses							**(6,126)**	(15,215)
Finance costs							**(2,346)**	(2,231)
Share of results of associates							**(774)**	(260)
Share of results of jointly controlled entities							**5,359**	52,821
Profit before income tax							**35,387**	11,189

	Design, manufacturing, marketing and trading of fine jewellery and diamonds		Property investment		Investment		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
								(restated)
Segment assets	**449,995**	461,930	**446,599**	410,122	**153,110**	40,438	**1,049,704**	912,490
Interests in associates							**2,333**	2,821
Interests in jointly controlled entities							**417,326**	320,466
Cash and cash equivalents							**49,867**	153,940
Deferred tax assets							**9,326**	9,217
Unallocated corporate assets							**178**	177
Total assets							**1,528,734**	1,399,111
Segment liabilities	**179,347**	186,636	**5,159**	6,088	**51,198**	365	**235,704**	193,089
Bank loans, secured							**235,139**	178,994
Due to ultimate holding company							**7,877**	7,877
Provision for tax							**16,367**	10,180
Deferred tax liabilities							**16**	16
Unallocated corporate liabilities							**493**	1,439
Total liabilities							**495,596**	391,595

	Design, manufacturing, marketing and trading of fine jewellery and diamonds		Property investment		Investment		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(restated)						(restated)
Other segment information:								
Depreciation of property, plant and equipment	**(6,808)**	(6,805)	**(37)**	(37)	**–**	–	**(6,845)**	(6,842)
Amortisation of land use rights	**(107)**	(78)	**–**	–	**–**	–	**(107)**	(78)
Bad debts recovery	**–**	1,469	**–**	–	**–**	–	**–**	1,469
Change in fair value of investment property	**–**	–	**12,791**	6,608	**–**	–	**12,791**	6,608
Fair value gain/(loss) on derivative financial instruments	**624**	(443)	**–**	–	**–**	–	**624**	(443)
Fair value gain on financial assets at fair value through profit or loss	**–**	–	**–**	–	**2,316**	1,182	**2,316**	1,182
Gain on disposal of land use rights	**–**	616	**–**	–	**–**	–	**–**	616
(Loss)/Gain on disposal of property, plant and equipment	**(124)**	680	**–**	(203)	**–**	–	**(124)**	477
Loss on derivative contract for acquisition of available-for-sale financial assets	**–**	–	**–**	–	**(1,049)**	–	**(1,049)**	–
Reclassification from equity to profit or loss on impairment of available-for-sale financial assets	**–**	–	**–**	–	**(7,864)**	–	**(7,864)**	–
Provision for trade receivables	**(768)**	172	**–**	(840)	**–**	–	**(768)**	(668)
Provision against inventories	**(1,599)**	–	**–**	–	**–**	–	**(1,599)**	–
Interest income	**–**	–	**–**	–	**988**	773	**988**	773
Additions to non-current segment assets	**7,798**	9,072	**18,601**	7,672	**–**	–	**26,399**	16,744

The Group's segment revenue from external customers and its non-current assets (other than financial instruments and deferred tax assets) are divided into the following geographical areas.

	Revenue from external customers	
	2011	2010
	HK$'000	*HK$'000*
Hong Kong (domicile)	**162,897**	140,533
North America	**489,105**	528,551
Europe	**312,121**	346,450
Other locations	**9,378**	16,174
Total	**973,501**	1,031,708

	Non-current assets	
	2011	2010
	HK$'000	*HK$'000*
Hong Kong (domicile)	**455,861**	416,474
Europe	**6,179**	5,556
Mainland China	**460,096**	364,514
Other locations	**134**	3
Total	**922,270**	786,547

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets (other than financial instruments and deferred tax assets) is based on the physical location of the asset.

The executive directors determine the Group is domiciled in Hong Kong, which is the location of the Group's principal office.

4. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Interest charges on:		
Bank loans		
– wholly repayable within five years	**6,480**	6,550
Imputed interest expenses on convertible note	**974**	–
Promissory note wholly repayable within five years	**–**	12
Total borrowing costs	**7,454**	6,562
Less: Bank loan interest capitalised in investment property	**(5,108)**	(4,331)
	2,346	2,231

5. PROFIT BEFORE INCOME TAX

	2011 *HK$'000*	2010 *HK$'000* (restated)
The Group's profit before income tax is arrived at after charging/(crediting):		
Cost of inventories sold	**858,338**	924,552
Gross rental income from investment properties	**–**	(10,522)
Outgoings in respect of investment properties	**–**	982
Net rental income from investment properties	**–**	(9,540)
Depreciation of property, plant and equipment	**6,845**	6,842
Amortisation of land use rights	**107**	78
Minimum lease payments under operating leases on land and buildings	**5,847**	5,321
Auditor's remuneration	**922**	1,042
Bad debts recovery	**–**	(1,469)
Provision for inventories*	**1,599**	–
Fair value loss on redemption option of convertible note	**259**	–
Fair value (gain)/loss on derivative financial instruments		
– forward currency contracts	**(624)**	443
Net foreign exchange losses	**388**	3,006
Gain on disposal of land use rights	**–**	(616)
Loss/(Gain) on disposal of property, plant and equipment	**124**	(477)
Government grants	**(330)**	–
Provision for trade receivables	**768**	668
Reclassification from equity to profit or loss on		
impairment of available-for-sale financial assets	**7,864**	–
Gain on deregistration of subsidiaries	**(4,609)**	–
Loss on derivative contract for acquisition of available-for-sale financial assets	**1,049**	–
Write back of loans from non-controlling interests	**(1,125)**	–

* Provision for inventories for the year was included in "cost of sales" on the face of the consolidated statement of comprehensive income.

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2011	2010
	HK$'000	*HK$'000*
		(restated)
Current tax		
Hong Kong	**4,962**	6,495
Under-provision in prior year	**793**	99
	5,755	6,594
Deferred tax		
Current year	**(109)**	–
Total income tax expense	**5,646**	6,594

7. DIVIDENDS

(a) Dividends payable to the owners of the Company attributable to the year:

	2011	2010
	HK$'000	*HK$'000*
Interim – HK$0.001 (2010: HK$0.001) per ordinary share	**3,128**	3,128
Proposed final – Nil (2010: HK$0.001) per ordinary share	**–**	3,128
	3,128	6,256

The Board of Directors does not recommend the payment of a final dividend for the year ended 30 June 2011 (2010: HK$0.001).

(b) Dividends payable to the owners of the Company attributable to the previous financial year, approved and paid during the year:

	2011	2010
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.001 per ordinary share (2010: HK$0.001 per ordinary share)	**3,128**	3,128
Special dividend in respect of the previous financial year, approved and paid during the year, of Nil per ordinary share (2010: HK$0.030 per ordinary share)	**–**	93,849
	3,128	96,977

8. EARNINGS PER SHARE

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

		2011	2010
		HK$'000	*HK$'000*
			(restated)
Profit attributable to the owners of the Company		**33,453**	4,812
	Note	**2011**	2010
Number of shares			
Weighted average number of ordinary shares for the purpose of basic earnings per share		**3,128,303,340**	3,128,303,340
Effect of dilutive potential ordinary shares in respect of the unlisted warrants	*(i)*	**39,333,977**	66,272,612
Weighted average number of ordinary shares for the purpose of diluted earnings per share		**3,167,637,317**	3,194,575,952

Notes:

(i) The effect of the unlisted warrants was included in the calculation of diluted earnings per share for the year ended 30 June 2011 and 2010.

(ii) Because the diluted earnings per share amount is increased when taking convertible note into account, the convertible note had an anti-dilutive effect on the basis earnings per share for the year and were ignored in the calculation of diluted earnings per share. Therefore, diluted earnings per share amounts are based on the profit attributable to the owners of the Company of HK$33,453,000 and the weighted average number of ordinary shares of 3,167,637,317 in issue during the year ended 30 June 2011.

During the year ended 30 June 2010, convertible note was not issued and therefore, there was no impact on the calculation of the diluted earnings per share.

9. TRADE RECEIVABLES

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

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

	Group	
	2011	2010
	HK$'000	*HK$'000*
0 – 30 days	**71,625**	48,509
31 – 60 days	**22,706**	39,402
61 – 90 days	**7,705**	17,772
Over 90 days	**14,448**	7,692
	116,484	113,375

10. TRADE PAYABLES

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

	Group	
	2011	2010
	HK$'000	*HK$'000*
0 – 30 days	**90,351**	55,941
31 – 60 days	**24,747**	28,302
61 – 90 days	**20,689**	27,188
Over 90 days	**7,735**	36,214
	143,522	147,645

DIVIDENDS

An interim dividend of HK$0.001 per ordinary share was paid on Friday, 18 March 2011. The Board of Directors does not recommend the payment of a final dividend for the year ended 30 June 2011 (2010: HK0.001).

BUSINESS REVIEW AND PROSPECTS

I am pleased to present the annual report of Continental Holdings Limited ("the Company") and its subsidiaries ("the Group") for the financial year ended 30 June 2011. During the fiscal year 2011, the Group achieved a turnover of HK$973.5 million (2010: HK$1,031.7 million). Profit attributable to owners of the Company was HK$33.5 million (2010: HK$4.8 million (restated)) and earnings per share was HK1.06 cents (2010: HK0.15 cents (restated)).

The overall global economy even after months and years of recuperation have yet shown any promising results and the business environment has been adjusting to the slowing momentum of the economies. In jewellery, the luxury consumption overseas remains sluggish attributed to uncertain worldwide economies and the surging gold and diamond prices. Overall, the macro-environment has not been very encouraging. While combating these challenges, the Group has been successful in increasing the bottom line and profit margins despite a slight decrease in revenues. These are resulted from the Group's continual efforts and commitment in tightening the cost structure, providing more value-added services, creating more branded products, as well as partnering on licensed products. Nevertheless, many key challenges still remain ahead with a highly competitive marketplace, the imminent rising of labour costs and expected appreciation of Renminbi.

In Property, the Group maintains investments in both Hong Kong and PRC. Both projects are progressing well as anticipated. The Group's development project of a land site located at Nos. 236-242 Des Voeux Road Central is in good progress. The project occupies site area of approximately 302 square meters which will be developed into a commercial premise with GFA of approximately 4,527 square meters. In PRC, through a 50% jointly controlled entity, the Group holds two parcels of land in Shanghai with a total site area of approximately 18,101 square meters and a GFA totalling of approximately 98,881 square meters. The Group intends to develop this site into an eleven-floored upscale multi-purpose property comprising of a large shopping mall, premium grade offices and car parking facilities. Foundation work of the project has started in early 2011 and the whole project is expected to be completed by 2014.

In Mining, the Group remains optimistic on the outlook of the commodities market. On 30 March 2011, the Group completed the acquisition of 5,384,527 common shares of Macarthur Minerals Limited ("MMS"). MMS is an Australian company listed on TSX Venture Exchange in Canada with principal business in the exploration and development of a prospective iron ore mining project located in Western Australia. Furthermore, the acquisition of Hongzhuang gold mine is just around the corner, we plan to gear up the resumption of gold production and exploration immediately upon completion. In view of the record high gold prices, we foresee these projects will broaden the sources of income to the Group in the near future.

BUSINESS OUTLOOK

Overall, challenges lie ahead in view of today's volatile and uncertain global economic and financial markets. The sovereign debt risk in the United States and Europe remains a looming concern over the development and growth in businesses. Despite a challenging market environment, the Group remains confident in the long term prospect of the jewellery industry. The Group will continue to strengthen its supreme product quality and service; and to focus on new and branded collections in order to offer exceptional product value to our customers. Moreover, the Group also sees great potential in the mining sector and foresees these projects will be able to generate new income streams for the Group. With a more diversed portfolio, the Group hopes to enhance the value to our employees, shareholders, and investors.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

As of 30 June 2011, the Group had a moderate gearing ratio of 0.19 (2010: 0.03), which is calculated on net debt divided by total equity plus net debt. Net debt is calculated as the sum of bank and other borrowings less cash and cash equivalents. Total cash and cash equivalents were HK$49,867,000 (2010: HK$153,940,000) which were mainly denominated in Hong Kong Dollar, US Dollar and British Pound, while bank loans were HK$235,139,000 (2010: HK$178,994,000) which were mainly denominated in Hong Kong Dollar and Renminbi and other borrowings in respect of convertible note of HK$50,802,000 (2010: Nil) and amount due to ultimate holding company of HK$7,877,000 (2010: HK$7,877,000) which were denominated in Hong Kong Dollar. The decrease in cash and cash equivalents and the increase in borrowings were mainly used for capital injection in a jointly controlled entity and payment for the acquisition of 5,384,527 shares in MMS. These bank loans 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 of 30 June 2011, the Group's investment property, certain leasehold land and buildings and land use rights with an aggregate net carrying value of HK$469,032,000 (2010: HK$432,859,000) were pledged to certain banks to secure general banking facilities granted to the Group.

CAPITAL STRUCTURE

All the Group's borrowings are denominated in local Hong Kong Dollar and Renminbi. Interest is determined on the basis of Hong Kong Inter-bank Offering Rate or Prime Rate and Renminbi fixed rate. There was no change to the Group's capital structure during the year ended 30 June 2011. In light of the current financial position of the Group and provided there is no unforeseeable circumstance, the management does not anticipate the need to change the capital structure.

NUMBER OF EMPLOYEES, REMUNERATION POLICIES AND SHARE OPTION SCHEMES

The Group employs a total of approximately 1,010 employees with the majority in the PRC. The Group remunerates its employees largely based on the industrial practice. The Company has adopted a share option scheme on 13 July 2010, under which the Company may grant options to eligible persons including directors and employees. No share option was granted pursuant to the scheme since its adoption.

EXPOSURE TO FINANCIAL RISK AND RELATED HEDGES

The Group utilises conservative strategies on its financial risk management and the market risk is kept to minimum. With the exception of the UK subsidiaries, all transactions and the borrowings of the Group are primarily denominated in US Dollar, Hong Kong Dollar and Renminbi. The risk of foreign exchange fluctuations is minimal. During the year, the Group made use of the foreign exchange forward contract in order to minimise the exchange rate risk as a result of fluctuation in British Pound. Management will continue to monitor the foreign exchange exposure and will take appropriate action when necessary. As of 30 June 2011, the Group has entered into certain foreign exchange forward contract.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Listing Rules, for the purposes of reviewing and providing supervision over the financial reporting process and internal controls of the Group. The audit committee has discussed the Group's accounting policies and basis adopted, the financial and internal control process of the Group and has reviewed the interim and annual financial statements. As of the date of this announcement, the audit committee comprises the four independent non-executive directors of the Company.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in Appendix 14 Code on Corporate Governance Practices (the "Code") of the Listing Rules throughout the accounting year ended 30 June 2011, except for the following deviations:

1. Code Provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

   Dr. Chan Sing Chuk, Charles ("Dr. Chan") is the Chairman of the Company. Dr. Chan oversees the direction of the Group and also provides leadership for the Board. He ensures that the Board works effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. Dr. Chan is also responsible to ensure that all Directors are properly briefed on issues arising at Board meetings and that all Directors receive adequate information, which must be complete and reliable, in a timely manner. Dr. Chan is the husband of Ms. Cheng Siu Yin, Shirley ("Ms. Cheng").

   Ms. Cheng is the Managing Director of the Company. She is responsible for day-to-day management and the marketing activities of the Group. Ms. Cheng is the wife of Dr. Chan.

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

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

   Non-executive Directors and Independent Non-executive Directors of the Company do not have a specific term of appointment but are subject to retirement by rotation and re-election in accordance with articles 115(A) and 115(D) of the articles of association of the Company. The Board considers that the deviation from Code Provision A.4.1 is not material as Non-executive Directors are subject to retirement by rotation at least once in every three years and re-election in view of the small number of total directors of the Company, the Directors will consider to adopt the Code Provision should the number of Directors increase substantially.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules.

The Company has made specific enquiry with all Directors and all of them confirmed that, for the financial year ended 30 June 2011, they have complied with the required standard set out in the Model Code.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited website at www.hkex.com.hk under "Latest Listed Companies Information" and at the website www.equitynet.com.hk/hk513. The annual report for the year ended 30 June 2011 will be dispatched to the shareholders and will be available on the above websites in due course.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my sincere gratitude to the Group's management and staff members for their dedication and hard work, our customers for their confidence and support for our products, and our shareholders for their trust and support.

On behalf of the Board
Chan Sing Chuk, Charles
Chairman

Hong Kong, 26 September 2011

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. Cao Kuangyu and Mr. Fang Gang are non-executive Directors, Mr. Yu Shiu Tin, Paul BBS, MBE, JP, Mr. Chan Ping Kuen, Derek, Mr. Sze, Irons and Mr. Cheung Chi Fai, Frank are independent non-executive Directors.

(In the event of inconsistency, the English text shall prevail over the Chinese text)