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 2012

RESULTS FOR THE YEAR ENDED 30 JUNE 2012

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 2012 together with comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**2012** **HK$'000**	2011 *HK$'000* (Restated)
Revenue	*3*	**955,712**	973,501
Cost of sales		**(821,120)**	(848,622)
Gross profit		**134,592**	124,879
Selling and distribution costs		**(18,521)**	(22,061)
Administrative expenses		**(100,937)**	(82,573)
Other operating (expenses)/income		**(1,829)**	7,976
Change in fair value of investment property		**1,656**	12,791
Impairment loss of available-for-sale financial assets		**(118,361)**	(7,864)
Excess of interest in the net fair value of the net identifiable assets over the fair value of the total cost of acquisition of subsidiaries		**364,797**	–
Share-based compensation		**(35,339)**	–
Finance costs	*4*	**(9,434)**	(2,346)
Share of results of associates		**(252)**	(774)
Share of results of jointly controlled entities		**(1,352)**	5,359

	Notes	2012 HK$'000	2011 HK$'000 (Restated)
Profit before income tax	5	**215,020**	35,387
Income tax expense	6	**(2,494)**	(5,646)
Profit for the year		**212,526**	29,741
Other comprehensive income			
Change in fair value of available-for-sale financial assets, net		**(101,511)**	(23,094)
Reclassification from equity to profit or loss on impairment of available-for-sale financial assets		**118,361**	7,864
Exchange difference on translation of foreign operations, associates and jointly controlled entities		**11,734**	16,514
Exchange reserve released upon deregistration of subsidiaries		**–**	(447)
Other comprehensive income for the year, including reclassification adjustments and net of tax		**28,584**	837
Total comprehensive income for the year		**241,110**	30,578
Profit for the year attributable to:			
Owners of the Company		**214,894**	33,453
Non-controlling interests		**(2,368)**	(3,712)
Profit for the year		**212,526**	29,741
Total comprehensive income attributable to:			
Owners of the Company		**243,478**	34,290
Non-controlling interests		**(2,368)**	(3,712)
		241,110	30,578
Earnings per share for profit attributable to the owners of the Company during the year	8		
– Basic		**HK4.72 cent**	HK1.07 cent
– Diluted		**HK3.75 cent**	HK1.06 cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2012

	Notes	**2012** **HK$'000**	2011 *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**115,437**	52,298
Land use rights		**41,824**	3,813
Investment property		**453,500**	446,500
Mining rights		**1,020,524**	–
Interests in associates		**–**	2,333
Interests in jointly controlled entities		**484,655**	417,326
Available-for-sale financial assets		**37,136**	137,718
Deferred tax assets		**6,093**	9,326
		2,159,169	1,069,314
Current assets			
Inventories		**257,352**	267,829
Trade receivables	*9*	**109,010**	116,484
Prepayments, deposits and other receivables		**11,614**	9,720
Financial assets at fair value through profit or loss		**11,696**	15,235
Derivative financial instruments		**–**	126
Due from associates		**–**	18
Due from a jointly controlled entity		**139**	141
Cash and cash equivalents		**85,236**	49,867
		475,047	459,420

	Notes	**2012**	2011
		HK$'000	*HK$'000*
Current liabilities			
Trade payables	*10*	**(133,166)**	(143,522)
Other payables and accruals		**(72,802)**	(41,859)
Derivative financial instruments		**(84)**	–
Due to associates		**(111)**	–
Due to a jointly controlled entity		**–**	(14)
Bank loans	*11*	**(324,172)**	(235,139)
Convertible note		**(54,889)**	–
Provision for tax		**(10,411)**	(16,367)
		(595,635)	(436,901)
Net current (liabilities)/assets		**(120,588)**	22,519
Total assets less current liabilities		**2,038,581**	1,091,833
Non-current liabilities			
Due to a related company		**(27,961)**	–
Due to ultimate holding company		**(7,877)**	(7,877)
Loan from a controlling shareholder		**(105,000)**	–
Convertible note		**(13,694)**	(50,802)
Deferred tax liabilities		**(238,431)**	(16)
		(392,963)	(58,695)
Net assets		**1,645,618**	1,033,138
EQUITY			
Equity attributable to the owners of the Company			
Issued capital		**51,107**	31,283
Reserves		**1,601,076**	1,005,520
		1,652,183	1,036,803
Non-controlling interests		**(6,565)**	(3,665)
Total equity		**1,645,618**	1,033,138

Notes:

1. BASIS OF PREPARATION

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 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. These financial statements have been prepared on the historical cost basis except for investment property 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 2011

In the current year, the Group has applied for the first time the following new standards, amendments 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 2011:

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKFRS 3 (Revised)	Business Combination
HKFRS 7 (Amendments)	Disclosure – Transfers of Financial Assets
HKAS 24 (Revised)	Related Party Disclosures

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

HKFRS 3 (Revised) – Business Combinations

As part of the Improvements to HKFRSs issued in 2010, HKFRS 3 has been amended to clarify that the option to measure non-controlling interests ("NCI") at either fair value or the NCI's proportionate share in the recognised amounts of the acquiree's identifiable net assets is limited to instruments that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of NCI are measured at their acquisition date fair value unless another measurement basis is required by HKFRSs. The Group has amended its accounting policies for measuring NCI but the adoption of the amendment has had no impact on the Group's financial statements as the Group did not have any NCI arising from the business acquisition in current year.

HKFRS 7 (Amendments) – Financial Assets: Disclosures

As part of the Improvements to HKFRSs issued in 2010, HKFRS 7 has been amended to enhance the interaction between quantitative and qualitative disclosures. If the carrying amount of a financial asset best represents the maximum exposure to credit risk, the standard does not require a positive statement to this effect in the financial statements. This amended disclosure requirement has been applied retrospectively. The carrying amount of the Group's trade and other receivables, amounts due from associates and jointly controlled entities and cash and cash equivalents represent the Group's maximum exposure to credit risk in respect of these financial assets as at 30 June 2012 and 2011. The prior year financial statements included a positive statement to this effect which is removed in the 2012 financial statements following the amendments. The adoption of the amendments has no impact on the Group's reported profit or loss, total comprehensive income or equity for any period presented.

Amendments to HKFRS 7 – Disclosure – Transfer of Financial Assets

The amendments to HKFRS 7 improve the derecognition 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. The adoption of the amendments has no impact on the Group's financial statements as the Group did not have any transfer of financial assets in current year.

HKAS 24 (Revised) – Related Party Disclosures

HKAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous years.

HKAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

2.2 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.

Amendments to HKFRS 7	Disclosure – Offsetting Financial Assets and Financial Liabilities [2]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income [1]
Amendments to HKAS 9	Presentation – Offsetting Financial Assets and Financial Liabilities [4]
Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities [3]

HKAS 19 (Revised 2011)	Employee Benefits [2]
HKAS 27 (Revised 2011)	Separate Financial Statements [2]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures [2]
HKFRS 9	Financial Instruments [4]
HKFRS 10	Consolidated Financial Statements [2]
HKFRS 11	Joint Arrangements [2]
HKFRS 12	Disclosures of Interest in Other Entities [2]
HKFRS 13	Fair value Measurement [2]
HK(IFRIC) – Interpretation 20	Stripping Costs of the Production Phase of a Surface Mine [2]
Annual improvements 2009 – 2011 Cycle Annual Improvements	Amendments to a number of HKFRSs contained in 2009 and 2011 Cycle issued in June 2012 [2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

Amendments to HKFRS 7 – Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to HKFRS 7 issue new disclosure requirements in relation to the offsetting models of financial assets and financial liabilities. The amendments also improve the transparency in the reporting of how companies mitigate credit risk, including disclosure of related collateral pledged or received. The Group expects to adopt the amendments from 1 July 2013.

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future and those that may not. Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

HKFRS 9 – Financial Instruments

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, classification 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 derecognition of financial assets and financial liabilities.

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 11 – Joint Arrangements

Joint arrangements under HKFRS 11 have the same basic characteristics as joint ventures under HKAS 31. Joint arrangements are classified as either joint operations or joint ventures. Where the Group has rights to the assets and obligations for the liabilities of the joint arrangement, it is regarded as a joint operator and will recognise its interests in the assets, liabilities, income and expenses arising from the joint arrangement. Where the Group has rights to the net assets of the joint arrangement as a whole, it is regarded as having an interest in a joint venture and will apply the equity method of accounting. HKFRS 11 does not allow proportionate consolidation. In an arrangement structured through a separate vehicle, all relevant facts and circumstances should be considered to determine whether the parties to the arrangement have rights to the net assets of the arrangement. Previously, the existence of a separate legal entity was the key factor in determining the existence of a jointly controlled entity under HKAS 31. HKFRS 11 will be applied retrospectively with specific restatement requirements for a joint venture which changes from proportionate consolidation to the equity method.

HKFRS 12 – Disclosure Of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

HK(IFRIC) Interpretation 20 – Stripping Costs in the Production Phase of a Surface Mine

Stripping activities carried out in the production phase of a surface mine may give rise to two benefits: usable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. The Interpretation requires that costs of stripping activity are accounted for in accordance with the principles in HKAS 2 Inventories to the extent that the benefit from stripping activity is realised in the form of inventory produced. The costs of stripping activity that provide a benefit in the form of improved access to ore are recognised as a non-current stripping activity asset when certain criteria are met. This asset will be accounted for as an addition or enhancement to an existing asset and is classified as tangible or intangible according to the nature of the existing asset of which it forms part. The stripping activity asset is measured initially at cost and subsequently in the same way as the existing asset of which it forms part. It is depreciated or amortised on a systematic basis over the expected useful life of the component of the ore body that becomes more accessible as a result of the stripping activity. The interpretation is applied to production stripping costs incurred after the beginning of the earliest period presented. Predecessor stripping activity asset balance is reclassified as a part of an existing asset subject to the conditions in the Interpretation.

Annual Improvements 2009-2011 Cycle

Annual Improvements 2009-2011 Cycle sets out a collection of amendments to HKFRSs (including HKFRS 1, HKAS 1, HKAS 16, HKAS 32 and HKAS 34) which is issued in response to the International Accounting Standards Boards (IASB) annual improvements project to make necessary, but non-urgent, amendments to International Financial Reporting Standards that will not be included as part of another major project. The Group expects to adopt the amendments from 1 July 2013.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors are not yet in a position to quantify the effects 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 four (2011: 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		Mining operation		Investment		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sales to/revenue from external parties	**947,021**	969,835	**–**	–	**3,831**	–	**4,860**	3,666	**955,712**	973,501
Segment results	**28,206**	29,509	**1,613**	12,750	**355,509**	–	**(115,430)**	(2,985)	**269,898**	39,274
Share-based compensation									**(35,339)**	–
Unallocated expenses									**(8,642)**	(6,126)
Finance costs									**(9,293)**	(2,346)
Share of results of associates									**(252)**	(774)
Share of results of jointly controlled entities									**(1,352)**	5,359
Profit before income tax									**215,020**	35,387

	Design, manufacturing, marketing and trading of fine jewellery and diamonds		Property investment		Mining operation		Investment		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**428,105**	449,995	**453,672**	446,599	**1,127,358**	–	**48,919**	153,110	**2,058,054**	1,049,704
Interests in associates									**–**	2,333
Interests in jointly controlled entities									**484,655**	417,326
Cash and cash equivalents									**85,236**	49,867
Deferred tax assets									**6,093**	9,326
Unallocated corporate assets									**178**	178
Total assets									**2,634,216**	1,528,734
Segment liabilities	**168,111**	179,347	**2,086**	5,159	**75,794**	–	**55,299**	51,198	**301,290**	235,704
Bank loans									**324,172**	235,139
Due to ultimate holding company									**7,877**	7,877
Loan from a controlling shareholder									**105,000**	–
Provision for tax									**10,411**	16,367
Deferred tax liabilities									**238,431**	16
Unallocated corporate liabilities									**1,417**	493
Total liabilities									**988,598**	495,596

	Design, manufacturing, marketing and trading of fine jewellery and diamonds		Property investment		Mining operation		Investment		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:										
Depreciation of property, plant and equipment	**(6,480)**	(6,808)	**–**	(37)	**(1,152)**	–	**–**	–	**(7,632)**	(6,845)
Amortisation of land use rights	**(109)**	(107)	**–**	–	**(1,321)**	–	**–**	–	**(1,430)**	(107)
Amortisation of mining rights	**–**	–	**–**	–	**(316)**	–	**–**	–	**(316)**	–
Change in fair value of investment property	**–**	–	**1,656**	12,791	**–**	–	**–**	–	**1,656**	12,791
Imputed interest income arising from initial recognition of amount due to a related company	**–**	–	**–**	–	**5,455**	–	**–**	–	**5,455**	–
Fair value (loss)/gain on derivative financial instruments	**(286)**	624	**–**	–	**–**	–	**–**	–	**(286)**	624
Fair value (loss)/gain on financial assets at fair value through profit or loss	**–**	–	**–**	–	**–**	–	**(2,328)**	2,316	**(2,328)**	2,316
Excess of interest in the net fair value of the net identifiable assets over the fair value of the total cost of acquisition of subsidiaries	**–**	–	**–**	–	**364,797**	–	**–**	–	**364,797**	–
Fair value loss on redemption option of convertible notes	**–**	–	**–**	–	**(1,515)**	–	**(1,342)**	(259)	**(2,857)**	(259)
Gain/(Loss) on disposal of property, plant and equipment	**70**	(124)	**–**	–	**(345)**	–	**–**	–	**(275)**	(124)
Loss on derivative contract for acquisition of available-for-sale financial assets	**–**	–	**–**	–	**–**	–	**–**	(1,049)	**–**	(1,049)
Impairment loss of available-for-sale financial assets	**–**	–	**–**	–	**–**	–	**(118,361)**	(7,864)	**(118,361)**	(7,864)
Reversal of provision for long-term receivables	**500**	–	**–**	–	**–**	–	**–**	–	**500**	–
Provision for trade receivables	**(756)**	(768)	**–**	–	**–**	–	**–**	–	**(756)**	(768)
Provision for inventories	**(1,612)**	(1,599)	**–**	–	**–**	–	**–**	–	**(1,612)**	(1,599)
Interest income	**–**	–	**–**	–	**–**	–	**392**	988	**392**	988
Additions to non-current segment assets	**3,128**	7,798	**1,009**	18,601	**7,321**	–	**–**	–	**11,458**	26,399

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	
	2012	2011
	HK$'000	*HK$'000*
Hong Kong (domicile)	**165,215**	162,897
North America	**267,215**	176,673
Europe and Middle East	**507,973**	624,553
Other locations	**15,309**	9,378
Total	**955,712**	973,501

	Non-current assets	
	2012	2011
	HK$'000	*HK$'000*
Hong Kong (domicile)	**462,735**	455,861
United Kingdom	**5,742**	6,179
Mainland China	**1,647,360**	460,096
Other locations	**103**	134
Total	**2,115,940**	922,270

The geographical location of customers is based on the location of the customers. 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.

Information about major customers

Revenue from each of the major customers, which amounted to 10% or more of the total revenue, is set out below:

	2012	2011
	HK$'000	*HK$'000*
Customer A	**234,120**	312,432
Customer B	**112,251**	N/A
Customer C	**98,271**	N/A

4. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Interest charges on:		
Bank loans		
– wholly repayable within five years	**7,939**	6,480
Interest expenses on loan from a controlling shareholder	**1,137**	–
Imputed interest expenses arising from amount due to a related company	**141**	–
Imputed interest expenses on convertible notes	**4,552**	974
Total borrowing costs	**13,769**	7,454
Less: Bank loan interest capitalised in investment property	**(4,335)**	(5,108)
	9,434	2,346

5. PROFIT BEFORE INCOME TAX

	2012	2011
	HK$'000	*HK$'000*
The Group's profit before income tax is arrived at after charging/(crediting):		
Cost of inventories sold	**805,715**	858,338
Depreciation of property, plant and equipment	**7,632**	6,845
Amortisation of land use rights	**1,430**	107
Amortisation of mining rights	**316**	–
Minimum lease payments under operating leases on land and buildings	**6,399**	5,847
Auditor's remuneration	**1,034**	922
Provision for inventories*	**1,612**	1,599
Imputed interest income arising from initial recognition of amount due to a related company	**(5,455)**	–
Fair value loss/(gain) on financial assets at fair value through profit or loss held for trading	**2,328**	(2,316)
Fair value loss on redemption option of convertible notes	**2,857**	259
Fair value loss/(gain) on derivative financial instruments – forward currency contracts	**286**	(624)
Net foreign exchange losses	**3,076**	388
Impairment loss on interests in associates	**2,136**	–
Loss on disposal of property, plant and equipment	**275**	124
Government grants#	**(132)**	(330)
Provision for trade receivables	**756**	768
Reversal of provision for long-term receivables	**(500)**	–
Gain on deregistration of subsidiaries	**(714)**	(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.

\# Government grants have been received from 江門市蓬江區對外貿易經濟合作局 for one of the Group's subsidiaries in which its business activities carried on in this area. There are no unfulfilled conditions or contingencies related to these grants.

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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.

	2012	2011
	HK$'000	*HK$'000*
Current tax		
Hong Kong	**3,528**	4,962
People's Republic of China	**559**	–
(Over)/Under-provision in prior years	**(4,714)**	793
	(627)	5,755
Deferred tax		
Current year	**3,121**	(109)
Total income tax expense	**2,494**	5,646

7. DIVIDENDS

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

	2012	2011
	HK$'000	*HK$'000*
Interim – Nil (2011: HK$0.001) per ordinary share	**–**	3,128

The directors do not recommend the payment of a final dividend for the years ended 30 June 2012 and 30 June 2011.

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

	2012	2011
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of Nil per ordinary share (2011: HK$0.001 per ordinary share)	**–**	3,128

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:

	2012	2011
	HK$'000	*HK$'000*
Profit attributable to the owners of the Company	**214,894**	33,453
Imputed interest expenses on convertible notes	**4,552**	–
Fair value loss on embedded option of convertible notes	**2,857**	–
Profit attributable to owners of the Company before imputed interest expenses on convertible notes and fair value loss on embedded option of the convertible notes	**222,303**	33,453

	Notes	**2012**	2011
Number of shares			
Weighted average number of ordinary shares for the purpose of basic earnings per share		**4,551,252,566**	3,128,303,340
Effect of dilutive potential ordinary shares in respect of the unlisted warrants	*(i)*	**–**	39,333,977
Effect of dilutive potential ordinary shares in respect of convertible notes	*(ii)*	**1,371,015,036**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share		**5,922,267,602**	3,167,637,317

Notes:

(i) For the year ended 30 June 2012, the computation of diluted earnings per share did not assume the exercise of the unlisted warrants as the exercises of the unlisted warrants was anti-dilutive.

For the year ended 30 June 2011, the effect of the unlisted warrants was included in the calculation of diluted earning per share.

(ii) For the year ended 30 June 2012, diluted earnings per share amounts is based on the profit for the year attributable to owners of the Company of HK$214,894,000 and adjusted to reflect the imputed interest expenses on the convertible notes and fair value loss on the embedded options of convertible notes, where applicable, after adjustments to reflect the effect of deemed exercise or conversion of convertible notes, which was HK$222,303,000 and on the adjusted weighted average of 5,922,267,602 ordinary shares outstanding during the year, being the weighted average of number of ordinary shares of 4,551,252,566 used in basic earnings per share calculation and adjusted for the effect of deemed exercise or conversion of convertible notes existing during the year of 1,371,015,036.

For the year ended 30 June 2011, because of the diluted earnings per share amount increased when taking convertible note into account, the convertible note had an anti-dilutive effect on the basic earnings per share for the year and were ignored in the calculation of diluted earnings per share. Therefore, diluted earnings per share amounts were 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 3,128,303,340 used in basic earnings per share calculation and adjusted for the effect of deemed exercise of unlisted warrants existing during the year ended 30 June 2011 of 39,333,977.

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	
	2012	2011
	HK$'000	*HK$'000*
0 – 30 days	**51,172**	71,625
31 – 60 days	**29,340**	22,706
61 – 90 days	**18,345**	7,705
Over 90 days	**10,153**	14,448
	109,010	116,484

10. TRADE PAYABLES

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
0 – 30 days	**88,451**	90,351
31 – 60 days	**21,171**	24,747
61 – 90 days	**11,839**	20,689
Over 90 days	**11,705**	7,735
	133,166	143,522

11. BANK LOANS

The analysis of the carrying amount of bank loans is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Current liabilities		
Portion of loans from banks due for repayment within one year:		
– Guaranteed	**30,441**	33,639
– Secured and guaranteed	**292,500**	167,500
	322,941	201,139
Portion of loans from banks due for repayment after one year which contain a repayable on demand clause:		
– Guaranteed	**1,231**	12,000
– Secured and guaranteed	**–**	22,000
	324,172	235,139

The bank loans of the Group denominated in HK$ of HK$311,961,000 (2011: HK$223,139,000) have floating interest rates ranging from 1.45% to 2.90% (2011: 1.36% to 3.04%) per annum. The RMB bank loans of HK$12,211,000 (2011: HK$12,000,000) have floating interest rates ranging from 7.56% to 8.14% (2011: 6.11% to 7.56%) per annum.

Subsequent to reporting date, the Group had obtained a written confirmation from one of the Group's major bankers to confirm its intention to renew several banking facilities, in aggregate, of up to HK$380 million to the Group upon maturity of the borrowings.

12. COMPARATIVE FIGURES

In order to conform with current year's presentation of the consolidated statement of comprehensive income, certain reclassification was made including impairment loss of available-for-sale financial assets of HK$7,864,000 was reclassified from other operating expenses as a separate line item as impairment loss of available-for-sale financial assets for the year ended 30 June 2011 and certain factory charges for administrative purpose of HK$11,315,000 was reclassified from cost of sales to administrative expenses for the year ended 30 June 2011.

BUSINESS REVIEW AND PROSPECTS

The board of directors is pleased to present the annual result of Continental Holdings Limited ("the Company") and its subsidiaries ("the Group") for the financial year ended 30 June 2012.

During the fiscal year 2012, the Group achieved a turnover of HK$955.7 million (2011: HK$973.5 million). Profit attributable to owners of the Company was HK$214.9 million (2011: HK$33.4 million) and basic earnings per share was HK4.72 cents (2011: HK1.07 cent). The increase in profit is mainly attributable to the gain on bargain purchase arising on the acquisition of subsidiaries engaging in mining and exploration of mineral resources in the People's Republic of China (the "PRC"), which offset partially by the impairment loss of available-for-sale financial assets and share-based compensation.

The Jewellery sales in the second half of 2011 and the first half of 2012 were soft. Although business momentum in the United States has slightly picked up from its lowest point, the uncertainties in the European debt crisis continue to deter luxury consumer buying sentiment. Globally, the consumer sentiment has been weak and we foresee this trend to follow through in the year to come. We believe the pace of businesses will stay weak in the coming years. The Group's jewellery sales have dropped slightly as comparing to last year but the overall gross profit has improved. The improvement was partly as a result of our efforts in developing our branding and licensing businesses. In the future, the Group will focus more on innovative marketing initiatives in increasing our competitive advantages in the trade. On the manufacturing side, we will continue to focus on tight cost control measures to counter the escalating labor cost in the PRC.

In property investment, the Group is maintaining two development projects in Hong Kong and the PRC. In Hong Kong, the Group's development project of a site located at Nos. 236-242 Des Voeux Road Central is in progress. The project is occupying a site area of approximately 302 square meters, which will be developed into a multi-storey commercial premise with a GFA of approximately 4,527 square meters. The project is expected to be completed in 2015. Whereas for the investment in the PRC, the Group through a 50% jointly controlled entity, is holding two parcels of land in Yangpu District of Shanghai. The total site area is approximately 18,101 square meters and the GFA is approximately 98,881 square meters. The Group is intending to develop this site into an eleven-floored upscale multipurpose property comprising of a large shopping mall, premium grade offices and car parking facilities. Foundation work at the site is progressing at full speed and we anticipate the ground work to be completed within next year. The whole project is expected to be completed in 2014. Upon completion of both projects, the Group will anticipate a steady income stream from the Hong Kong and Shanghai projects.

The acquisition of the Big Bonus Limited and its subsidiaries (the "Big Bonus Group") was completed on 12 October 2011. Big Bonus Group holds 100% interest in the Hongzhuang Gold Mine, which is located in Luanchuan County, Henan Province. The project takes place mainly on two mining areas of 1.90km^2 and 4.57km^2. Currently the mine is in a trial production state. Simultaneously, detailed studies on future production have also begun in early 2012, These studies included pre-production exploration to identify and prioritise mining target.

BUSINESS OUTLOOK

Although the macro-economy remains uncertain and sluggish, the Company will target on providing the best value and designs in our merchandise and emphasize the strength of branding to our customer. In addition, we will also explore untapped markets, such as Mainland China via potential wholesale and retail channels.

The Group will maintain its diversity in jewellery, property and mining. In the future, we will continue to operate and focus on optimizing our current projects while exploring future potential opportunities to provide the best value for our Group, shareholders, employees and customers.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

As of 30 June 2012, the Group had a moderate gearing ratio of 0.21 (2011: 0.19), 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$85,236,000 (2011: HK$49,867,000) which were mainly denominated in Hong Kong Dollar, US Dollar and British Pound, while bank loans were HK$324,172,000 (2011: HK$235,139,000) which were mainly denominated in Hong Kong Dollar and Renminbi. Other borrowings in respect of convertible notes, amount due to a related company, loan from a controlling shareholder and amount due to ultimate holding company were approximately of HK$209,421,000 (2011: HK$58,679,000). The bank loans are secured by first legal charges over the Group's investment property, certain leasehold land and buildings, and guaranteed by corporate guarantees executed by the Company. The increase in bank loans and other borrowings was mainly utilised as cash consideration for the acquisition of Big Bonus Group and as a shareholders' loan to a jointly controlled entity. This shareholders' loan is provided as working capital for the development of a commercial property in Shanghai.

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 2012, the Group's investment property, certain leasehold land and buildings and land use rights with an aggregate net carrying value of HK$475,126,000 (2011: HK$469,032,000) were pledged to certain banks to secure general banking facilities granted to the Group.

CAPITAL STRUCTURE

On 12 October 2011, 1,764,705,880 new shares of the Company, at a price of HK$0.104 per share, have been issued upon completion of acquisition of Big Bonus Group. On the same date, the Company completed a share subscription of 217,647,050 new shares which has been issued at a subscription price of HK$0.17 per share, resulting a net proceed of approximately HK$37,000,000. Thereafter, the total number of the Company's issued shares have increased from 3,128,303,340 to 5,110,656,270 during the year.

MATERIAL ACQUISITION OF SUBSIDIARIES

On 20 November 2009, the Company entered into a Sale and Purchase Agreement with Benefit Well Investments Limited, a company indirectly wholly-owned by Dr. Chan Sing Chuk, Charles ("Dr. Chan") to acquire 100% of the issued share capital of Big Bonus Group and the outstanding shareholder's loan. The principal business of Big Bonus Group is in mining and exploration of mineral resources in the PRC. The acquisition was completed on 12 October 2011 with a fair value total consideration of approximately HK$424,148,000.

NUMBER OF EMPLOYEES, REMUNERATION POLICIES AND SHARE OPTION SCHEMES

The Group employs a total of approximately 1,155 employees with the majority in the PRC. The Group's remuneration to its employees is largely based on common industrial practice. The Company has adopted a share option scheme on 13 July 2010, under which, the Company may grant options to eligible persons including directors and employees. No share option was granted pursuant to the scheme since its adoption.

CONTINGENT LIABILITIES

The Company has provided guarantees amounting to HK$487.5 million (2011: HK$481 million) with respect to bank loans to its subsidiaries. Under the guarantees, the Company would be liable to pay the banks if the banks are unable to recover the loans. At the reporting date, no provision for the Company's obligation under the guarantee contract has been made as the directors considered that it was unlikely that the repayment of the loans would be in default.

CAPITAL COMMITMENTS

At 30 June 2012, the Group had outstanding capital commitments of approximately HK$294,255,000 (2011: HK$247,329,000), which was mainly the capital commitments for the properties under development, classified under investment property undertaken by jointly controlled entities attributable to the Group.

EXPOSURE TO FINANCIAL RISK AND RELATED HEDGES

The Group utilises conservative strategies on its financial risk management and the market risk had been kept to 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 fluctuation is minimal. During the year, the Group made use of foreign exchange forward contracts in order to minimise exchange rate risk as a result of fluctuation in British Pound. Management will continue to monitor the foreign exchange risk exposure and will take appropriate actions when necessary. As of 30 June 2012, the Group has entered into certain foreign exchange forward contracts.

DIVIDENDS

The directors do not recommend the payment of a final dividend for the year ended 30 June 2012.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") will be held on Thursday, 13 December 2012 and the Notice of AGM will be published and despatched in the manner as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the Register of Members of the Company will be closed from Tuesday, 11 December 2012 to Thursday, 13 December 2012, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Monday, 10 December 2012.

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 of the four independent non-executive directors of the Company.

CORPORATE GOVERNANCE

The Appendix 14 to the Listing Rules set out the Code on Corporate Governance Practices (the "Former Code") was revised and renamed as the Corporate Governance Code and Corporate Governance Report (the "New Code") with effect from 1 April 2012. During the period from 1 July 2011 to 31 March 2012, the Company has complied with the Former Code; and during the period from 1 April 2012 to 30 June 2012, the Company has complied with the New Code, 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 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 for 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 subjected 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 2012, 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.continental.com.hk. The annual report for the year ended 30 June 2012 will be dispatched to the shareholders and will be available on the above websites in due course.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 30 June 2012 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

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
Continental Holdings Limited
Chan Sing Chuk, Charles
Chairman

Hong Kong, 28 September 2012

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. Fang Gang is a non-executive Director, Mr. Yu Shiu Tin, Paul BBS, MBE, JP, Mr. Chan Ping Kuen, Derek, Mr. Sze, Irons, JP 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)