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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00513)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

The board of directors (the "Board") 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 2013 together with the comparative figures for the corresponding period in 2012 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Unaudited Six months ended 31 December	
		2013	2012
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**445,537**	506,025
Cost of sales		**(385,391)**	(437,141)
Gross profit		**60,146**	68,884
Selling and distribution costs		**(5,887)**	(4,852)
Administrative expenses		**(48,364)**	(49,454)
Other operating income		**145**	125
Impairment loss of available-for-sale financial assets		**(2,077)**	–
Change in fair value of financial assets at fair value through profit or loss		**2,107**	1,197
Income arising from amortising the financial guarantee liabilities		**1,240**	–
Finance costs	*5*	**(6,196)**	(6,244)
Share of results of joint ventures		**(3,534)**	(2,137)
(Loss)/Profit before income tax	*6*	**(2,420)**	7,519
Income tax expense	*7*	**(1,287)**	(1,714)
(Loss)/Profit for the period		**(3,707)**	5,805

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

	Notes	Unaudited Six months ended 31 December 2013 HK$'000	2012 HK$'000
Other comprehensive income for the period, after tax			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale financial assets, net		**(3,129)**	7,056
Reclassification from equity to profit or loss on impairment of available-for-sale financial assets		**2,077**	–
Exchange difference on translation of foreign operations, associates and joint ventures		**19,266**	16,020
Other comprehensive income for the period, net of tax		**18,214**	23,076
Total comprehensive income for the period		**14,507**	28,881
(Loss)/Profit for the period attributable to:			
Owners of the Company		**(3,936)**	5,587
Non-controlling interests		**229**	218
		(3,707)	5,805
Total comprehensive income for the period attributable to:			
Owners of the Company		**14,278**	28,663
Non-controlling interests		**229**	218
		14,507	28,881
Dividends	*8*	**–**	–
(Loss)/Earnings per share for (loss)/profit attributable to the owners of the Company during the period	*9*		
– Basic		**HK(0.077) cent**	HK0.11 cent
– Diluted		**HK(0.077) cent**	HK0.10 cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**Unaudited At 31 December 2013 *HK$'000***	Audited At 30 June 2013 *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**118,890**	116,242
Land use rights		**41,138**	41,440
Investment property		**550,564**	543,500
Mining right		**1,062,592**	1,050,495
Interests in associates		**–**	–
Interests in joint ventures		**535,658**	532,569
Available-for-sale financial assets		**24,367**	27,497
Deferred tax assets		**6,109**	6,109
		2,339,318	2,317,852
Current assets			
Inventories		**295,540**	271,772
Trade receivables	*10*	**132,694**	105,198
Prepayments, deposits and other receivables		**12,543**	13,781
Financial assets at fair value through profit or loss		**14,186**	12,079
Derivative financial instruments		**–**	38
Due from a joint venture		**145**	139
Cash and cash equivalents		**55,838**	37,911
		510,946	440,918
Current liabilities			
Trade payables	*11*	**(185,320)**	(138,132)
Other payables and accruals		**(35,011)**	(32,300)
Bank loans		**(370,890)**	(336,181)
Obligation under finance leases		**(220)**	(113)
Due to related companies		**(2,351)**	(2,321)
Loan from a controlling shareholder		**(5,584)**	(10,000)
Convertible note		**(10,036)**	–
Financial guarantee liabilities		**(2,481)**	(2,481)
Provision for tax		**(4,074)**	(8,114)
		(615,967)	(529,642)
Net current liabilities		**(105,021)**	(88,724)
Total assets less current liabilities		**2,234,297**	2,229,128

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	**Unaudited At 31 December 2013** *HK$'000*	Audited At 30 June 2013 *HK$'000*
Non-current liabilities			
Obligation under finance leases		**(446)**	(104)
Due to related companies		**(87,133)**	(83,903)
Due to ultimate holding company		**(1,546)**	(1,546)
Loan from a controlling shareholder		**(90,000)**	(95,022)
Convertible note		**–**	(9,874)
Financial guarantee liabilities		**(7,029)**	(8,270)
Deferred tax liabilities		**(248,228)**	(245,001)
		(434,382)	(443,720)
Net assets		**1,799,915**	1,785,408
EQUITY			
Share capital		**51,107**	51,107
Reserves		**1,754,634**	1,740,356
Equity attributable to the owners of the Company		**1,805,741**	1,791,463
Non-controlling interests		**(5,826)**	(6,055)
Total equity		**1,799,915**	1,785,408

NOTES TO THE CONDENSED CONSOLIDATED 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 ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These condensed consolidated interim financial statements are prepared on the basis that the Group is a going concern in view of the net current liabilities as at 31 December 2013. Management opines that the Group will continue to generate positive cash flows from its operating activities. Together with the continuing support from the Group's bankers, the Group will have sufficient funds for the needs of working capital, investing and financing activities. Accordingly, it is appropriate to prepare these financial statements on a going concern basis.

Subsequent to reporting date, the Group had renewed several banking facilities, in aggregate, of up to HK$36,000,000 to the Group. In addition, the Group had also obtained a written confirmation from one of the Group's major bankers to confirm its intention to renew the Group's existing banking facilities, in aggregate, of up to HK$400,000,000 to the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") 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 condensed consolidated interim financial statements are consistent with those used in the Group's annual financial statements for the year ended 30 June 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the current interim period, the Group has applied, for the first time, the following new and revised HKFRSs and amendments which are relevant to and effective for the Group's interim financial statements for interim period beginning on 1 July 2013, issued by the HKICPA.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HK(IFRIC) – Interpretation 20	Stripping Costs of the Production Phase of a Surface Mine

The application of the above new and revised HKFRSs in the current interim period, except as described below, has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated interim financial statements.

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.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the conclusions reached by the Group in respect of its control over other entities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, incomes 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.

As a result of the adoption of HKFRS 11, the Group has re-evaluated its interests in its joint arrangements and reclassified the interests from interests in jointly controlled entities to interests in joint ventures. The Group continues to apply the equity method of accounting to account for the interests in joint ventures. The adoption of HKFRS 11 has had no other effect on the Group's condensed consolidated interim 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.

HKFRS 13 contains extensive disclosure requirements. In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in note to the condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group has not early applied the following new and revised HKFRSs, potentially relevant to the Group's interim financial statements, that have been issued but are not yet effective:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities[1]
Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting[1]
HKFRS 9	Financial Instruments
HK(IFRIC) – Interpretation 21	Levies[1]
HKFRSs (Amendments)	Annual Improvements 2010-2012 cycle[3]
HKFRSs (Amendments)	Annual Improvements 2011-2013 cycle[2]

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.

1 *Effective for annual periods beginning on or after 1 January 2014*
2 *Effective for annual periods beginning on or after 1 July 2014*
3 *Effective for annual periods beginning, or transactions occuring on or after 1 July 2014*

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

3. SEGMENT INFORMATION

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 (2012: four) business lines as operating segments.

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

The Group has identified the following reportable segments:

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

– Property investment;

– Mining operation; and

– Investment

Each of these operating segments is managed separately as each of the product and business 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		Mining operation		Investment		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	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	**438,552**	499,456	**–**	–	**6,468**	6,275	**517**	294	**445,537**	506,025
Segment results	**15,108**	22,344	**(358)**	(574)	**(8,012)**	(5,944)	**689**	1,583	**7,427**	17,409
Unallocated expenses									**(1,357)**	(1,509)
Income arising from amortising the financial guarantee liabilities									**1,240**	–
Finance costs									**(6,196)**	(6,244)
Share of results of joint ventures									**(3,534)**	(2,137)
(Loss)/Profit before income tax									**(2,420)**	7,519

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

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 and dividend income from investments.

An analysis of the Group's revenue is as follows:

	Unaudited	
	Six months ended 31 December	
	2013	2012
	HK$'000	*HK$'000*
Sale of goods	**438,552**	499,456
Sale of gold ores	**6,468**	6,275
Dividend income from investments	**517**	294
	445,537	506,025

5. FINANCE COSTS

	Unaudited	
	Six months ended 31 December	
	2013	2012
	HK$'000	*HK$'000*
Interest charges on:		
Bank loans wholly repayable within five years	**4,558**	4,162
Interest expenses on loan from a controlling shareholder	**720**	794
Finance charges on obligation under finance leases	**27**	9
Imputed interest expenses arising from amounts due to related companies	**2,853**	880
Imputed interest expenses on convertible notes	**161**	2,449
Total borrowing costs	**8,319**	8,294
Less: bank loan interest capitalised in investment property	**(2,123)**	(2,050)
	6,196	6,244

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

6. (LOSS)/PROFIT BEFORE INCOME TAX

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

	Unaudited Six months ended 31 December	
	2013	2012
	HK$'000	*HK$'000*
Cost of inventories sold	**385,391**	437,141
Depreciation of property, plant and equipment	**4,451**	4,085
Amortisation of land use rights	**738**	865
Amortisation of mining right	**787**	430
Minimum lease payments under operating leases on land and buildings	**2,499**	2,901
Write back of inventories	**–**	(6,000)
Provision for trade receivables	**1,157**	1,210
Net foreign exchange (gain)/loss	**(2,770)**	1,190
Fair value loss/(gain) on derivative financial instruments – forward currency contracts	**35**	(120)
Written off of property, plant and equipment	**555**	–
(Gain)/Loss on disposal of property, plant and equipment	**(14)**	40

7. INCOME TAX EXPENSE

The amount of income tax expense charged to the condensed consolidated statement of profit or loss and other comprehensive income represents:

	Unaudited Six months ended 31 December	
	2013	2012
	HK$'000	*HK$'000*
Current tax		
Hong Kong	**491**	2,644
People's Republic of China	**374**	511
	865	3,155
Under/(Over)-provision in prior years		
Hong Kong	**201**	(2,105)
Deferred tax – current period	**221**	664
Total income tax expense	**1,287**	1,714

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

7. INCOME TAX EXPENSE (CONTINUED)

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. 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.

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2013 (2012: HK$Nil).

9. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share is based on the loss of HK$3,936,000 attributable to the owners of the Company for the six months ended 31 December 2013 (2012: Profit of HK$5,587,000) and on the weighted average of 5,110,656,270 (2012: 5,110,656,270) ordinary shares in issue during the period.

For the six months ended 31 December 2013, the convertible note has an anti-dilutive effect on the basic loss per share and is ignored in the calculation of dilution loss per share. Therefore, the basic and diluted loss per share calculations are equal.

For the six months ended 31 December 2012, diluted earnings per share amounts was based on the profit for the period attributable to owners of the Company of HK$5,587,000 and adjusted to reflect the imputed interest expenses on the convertible notes, after adjustments to reflect the effect of deemed exercise or conversion of convertible note of Tamar Investments Group Limited (“Tamar Investments”), which was HK$5,869,000 and on the adjusted weighted average of 5,968,262,615 ordinary shares outstanding during the period, being the weighted average of number of ordinary shares of 5,110,656,270 used in basic earnings per share calculation and adjusted for the effect of deemed exercise or conversion of convertible note existing during the period of 857,606,345.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

10. 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:

	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 2013	**25,977**	**46,414**	**29,802**	**30,501**	**132,694**
Audited balance at 30 June 2013	30,808	24,194	23,400	26,796	105,198

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 2013	**68,342**	**36,440**	**27,680**	**52,858**	**185,320**
Audited balance at 30 June 2013	49,041	25,636	24,932	38,523	138,132

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

The Group consolidated revenue for the six months ended 31 December 2013 recorded a decrease of 12.0% from last interim period of HK$506,025,000 to HK$445,537,000. During the period under review, loss attributable to equity owners of the Company was HK$3,936,000, as compare to the last interim profit of HK$5,587,000. The loss was mainly due to decrease in gross profit of HK$8,738,000 and impairment loss of available-for-sale financial assets of HK$2,077,000. Basic loss per share was HK0.077 cent for the six months ended 31 December 2013 (2012: Basic earning per share of HK0.11 cent).

BUSINESS REVIEW AND PROSPECTS

In the period under review, the Group's revenue on trading of fine jewellery and diamond business suffered a decrease of HK$60,904,000 or 12.2% from HK$499,456,000 for the six months ended 31 December 2012 to HK$438,552,000 for the corresponding period in 2013. Such decrease was mainly due to the drop in our diamond polishing business admist a challenging market environment. For our jewellery wholesale business, the Group managed to maintain at a similar level in both revenues and profit margins. Although the USA market has showed signs of improvement, jewellery sales remains weak. We believe it will take another year or two to post much stronger sales. In the United Kingdom and Europe, 2013 was an extremely difficult year as numerous European countries, continued to suffer economic downturn. With a balanced portfolio, we managed to reduce the impact to a minimal. In the coming year, we hope to see improved market conditions in the USA and Europe. Meanwhile, the Group will cautiously expand into other markets, such as Mainland China, in order to generate more growth and profit contribution to our shareholders.

As for the property investment, the Group is maintaining two development projects in Hong Kong and the PRC. In Hong Kong, the project is located at No. 236-242 Des Voeux Road Central and the foundation work is anticipated to complete around mid-June of 2014. Following which is the construction of the superstructure. The project occupies a site area of approximately 302 sq. m., which will be developed into a 29-storey high commercial, shop and retail premises with a gross floor area of approximately 4,527 sq. m. The completion is expected by the end of 2015. In the PRC, the Group has a 50% interest through a joint venture holding two parcels of land with a total area of approximately to 18,101 sq. m. and total gross floor area of approximately 98,881 sq. m. in Yangpu District of Shanghai（上海楊浦區）in the PRC. The land parcels will be developed into an eleven-floored shopping mall with over 500 parking spaces. The superstructure of the property – Bauhinia Mall is close to completion and will be moving on to interior decoration later in the year. Leasing activities is underway and the estimated completion is targeted towards the end of 2014.

BUSINESS REVIEW AND PROSPECTS (CONTINUED)

For the mining sector, trial production continued in the Hong Zhuang Gold Mine in the second half of 2013. Residue ore successfully retrieved from some of the old shafts had enabled the trial production to continue. Meanwhile, drilling works conducted at targeted locations had identified a possible new vein with promising grades in the Yuanling site. Further exploration works are required to increase the geological confidence and economic feasibility. Moreover, the decline of the gold price had impacted the financial performance of the mining sector, resulting in a loss being recorded.

PROSPECTS

Though results have taken a toll, there are various projects in each of our segments that are all in development. It will be a phase of working in progress while we solidify our foundations for future incoming revenue stream in jewellery, property and mining. In 2014, we foresee a challenging year ahead as we gear up for more opportunities in future. The management team continues to focus on providing the best value, quality and standards to sustain and increase our competitive advantage.

IMPAIRMENT LOSS OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

At 31 December 2013, the Group held an equity interest in Macarthur Minerals Limited ("MMS"), MMS is an Australian company listed on the Toronto Stock Exchange in Canada. The Group holds the interest in MMS as for long term investment and accounted for as a non-current asset "available-for-sale financial assets".

As a result of the recent fluctuation in commodities price, the fair value of MMS declined to approximately HK$5,915,000 as at 31 December 2013 (30 June 2013: HK$7,992,000), representing a fair value loss of HK$2,077,000 for the period. This amount of fair value loss, was as an impairment loss of available-for-sale financial assets due to the significant and prolonged decline in the share price of MMS. The impairment losses were considered to be an exceptional item and did not have any effect on the Group's cash flow.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2013 (2012: HK$Nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, the Group had a gearing ratio of 0.22 (30 June 2013: 0.22), which is calculated on net debt divided by total equity plus net debt. Net debt is calculated as the sum of bank borrowings and other borrowings less cash and cash equivalents. Total cash and cash equivalents were HK$55,838,000 (30 June 2013: HK$37,911,000) which were mainly denominated in Hong Kong Dollar, US Dollar and British Pound. Bank loans were HK$370,890,000 (30 June 2013: HK$336,181,000), which were mainly denominated in Hong Kong Dollar and Renminbi. Other borrowings in respect of convertible notes, amount due to related companies, loan from a controlling shareholder and amount due to ultimate holding company were approximately of HK$196,650,000 (30 June 2013: HK$202,666,000). 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.

PLEDGE OF ASSETS

As at 31 December 2013, the Group's investment property, certain leasehold land and buildings and land use rights with an aggregate net carrying value of HK$570,746,000 (30 June 2013: HK$564,334,000) were pledged to certain banks to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

The Company has provided guarantees amounting to HK$547,500,000 (30 June 2013: HK$528,381,000) 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 the repayment of the loans would be in default.

A guarantee to the extent of RMB235,000,000 (equivalent to approximately HK$298,685,000) (30 June 2013: HK$295,066,000) was given by the Company in favour of a bank in respect of the term loan facility granted to a subsidiary of a joint venture.

CAPITAL STRUCTURE

All the Group's borrowings are denominated in Hong Kong Dollar and Renminbi. Interest is determined on the basis of Hong Kong Interbank Offering Rate or Prime Rate for Hong Kong Dollar borrowings, and the benchmark lending rate of the People's Bank of China for Renminbi borrowings. The Group also made use of foreign exchange forward contracts in order to minimise exchange rate risk as a result of fluctuation in British Pound. There was no change to the Group's capital structure during the six months ended 31 December 2013. 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

As at 31 December 2013, the Group employed a total of approximately 1,031 employees (30 June 2013: 1,020) 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.

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 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 Pound. Management will continue to monitor the foreign exchange risk exposure and will take appropriate action when necessary. During the six months ended 31 December 2013, the Group has entered into certain foreign exchange forward contracts.

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 six months ended 31 December 2013.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governances Practices

The Company adopted all the Code Provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules and has complied with all the applicable Code Provisions throughout the six months ended 31 December 2013 except for the following derivations:

1. *Code Provision A.2.1*

Code Provision A.2.1 provides that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual. The Company does not have a separate Chairman and Chief Executive and Dr. Chan Sing Chuk, Charles currently holds both positions. The Board believes that vesting the roles of Chairman and Chief Executive 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 Director 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 at the Company's Annual General Meeting at least once every three years 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.

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 of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors of the Company. The Company has made specific enquiry with all Directors and all of them have confirmed that they have complied with the required standards as set out in the Model Code during the six months ended 31 December 2013.

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 consolidated interim financial statements for the six months ended 31 December 2013. The Audit Committee has approved the unaudited consolidated interim financial statements.

On behalf of the Board
Chan Sing Chuk, Charles
Chairman

Hong Kong, 24 February 2014

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.