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 2014

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 2014 together with comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2014 HK$'000	2013 HK$'000
Revenue	*3*	**868,103**	949,215
Cost of sales		**(753,837)**	(828,895)
Gross profit		**114,266**	120,320
Selling and distribution costs		**(24,467)**	(17,527)
Administrative expenses		**(89,853)**	(94,847)
Other operating income		**11,137**	2,768
Change in fair value of investment property		**14,544**	84,769
Impairment loss of available-for-sale financial assets		**(2,077)**	(10,076)
Gain on disposal of available-for-sale financial assets		**–**	510
Income arising from amortising the financial guarantee liabilities		**2,481**	1,654
Share-based compensation		**(2,114)**	–
Finance costs	*4*	**(12,240)**	(12,405)
Share of results of joint ventures		**40,294**	12,494
Profit before income tax	*5*	**51,971**	87,660
Income tax expense	*6*	**(1,232)**	(1,303)
Profit for the year		**50,739**	86,357

	Notes	2014 HK$'000	2013 HK$'000
Other comprehensive income, net of tax			
Items that may be subsequently reclassified to profit or loss:			
Change in fair value of available-for-sale financial assets, net		**(363)**	(8,187)
Reclassification from equity to profit or loss on impairment of available-for-sale financial assets		**2,077**	10,076
Exchange difference on translation of foreign operations, associates and joint ventures		**(2,618)**	39,478
Other comprehensive income for the year, net of tax		**(904)**	41,367
Total comprehensive income for the year		**49,835**	127,724
Profit for the year attributable to:			
Owners of the Company		**50,580**	85,847
Non-controlling interests		**159**	510
		50,739	86,357
Total comprehensive income for the year attributable to:			
Owners of the Company		**49,676**	127,214
Non-controlling interests		**159**	510
		49,835	127,724
Earnings per share for profit attributable to the owners of the Company	*8*		
– Basic		**HK0.99 cent**	HK1.68 cent
– Diluted		**HK0.75 cent**	HK1.30 cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	2014 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**115,940**	116,242
Land use rights		**40,083**	41,440
Investment property		**581,000**	543,500
Mining right		**1,052,432**	1,050,495
Interests in associates		**–**	–
Interests in joint ventures		**573,224**	532,569
Available-for-sale financial assets		**28,294**	27,497
Long-term receivables		**–**	–
Deferred tax assets		**6,109**	6,109
		2,397,082	2,317,852
Current assets			
Inventories		**257,922**	271,772
Trade receivables	9	**105,054**	105,198
Prepayments, deposits and other receivables		**14,023**	13,781
Financial assets at fair value through profit or loss		**14,309**	12,079
Derivative financial instruments		**–**	38
Due from a joint venture		**169**	139
Cash and cash equivalents		**78,124**	37,911
		469,601	440,918

	Notes	2014 HK$'000	2013 HK$'000
Current liabilities			
Trade payables	*10*	**(135,354)**	(138,132)
Other payables and accruals		**(36,357)**	(32,300)
Bank loans	*11*	**(411,126)**	(336,181)
Obligation under finance leases		**(212)**	(113)
Due to related companies		**(2,330)**	(2,321)
Loan from a controlling shareholder		**–**	(10,000)
Convertible note		**(4,924)**	–
Financial guarantee liabilities		**(2,481)**	(2,481)
Provision for tax		**(4,291)**	(8,114)
		(597,075)	(529,642)
Net current liabilities		**(127,474)**	(88,724)
Total assets less current liabilities		**2,269,608**	2,229,128
Non-current liabilities			
Obligation under finance leases		**(345)**	(104)
Due to related companies		**(76,774)**	(83,903)
Due to ultimate holding company		**–**	(1,546)
Loan from a controlling shareholder		**(95,037)**	(95,022)
Convertible note		**–**	(9,874)
Financial guarantee liabilities		**(5,789)**	(8,270)
Deferred tax liabilities		**(245,437)**	(245,001)
		(423,382)	(443,720)
Net assets		**1,846,226**	1,785,408
EQUITY			
Share capital		**442,555**	51,107
Reserves		**1,409,567**	1,740,356
Equity attributable to the owners of the Company		**1,852,122**	1,791,463
Non-controlling interests		**(5,896)**	(6,055)
Total equity		**1,846,226**	1,785,408

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The consolidated 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 issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Hong Kong Companies Ordinance, which concern the preparation of consolidated financial statements, which for this financial year and the comparative period continue to be those of the Hong Kong Companies Ordinance, Cap. 32 in accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance, Cap. 622 "Accounts and Audit" which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The consolidated financial statements also include applicable disclosures as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These consolidated financial statements have been prepared under historical cost basis except for investment property and certain financial assets, which are stated at fair values.

In preparing the financial statements, the directors considered the operations of the Group as a going concern notwithstanding that the Group's current liabilities exceeded its current assets by approximately HK$127.5 million as at 30 June 2014. The consolidated financial statements were prepared based on the assumption that the Group can be operated as a going concern and the directors are of the view that the Group will have sufficient working capital to finance its operations in the next twelve months from 30 June 2014 after taking into consideration of the followings:

(i) The Group is actively negotiating with banks to seek for new bank borrowings. Subsequent to year end date, the Group obtained an additional loan facility line of HK$29,000,000 from one of its principal bankers;

(ii) The Group had a good and long-standing relationship with certain of its principal bankers; and

(iii) The Group is actively exploring the availability of internal source of financing. Subsequent to year end date, the Group had disposed an owner occupied property at a total consideration of approximately HK$28,888,000 as detailed in note 12(a).

2. ADOPTION OF HKFRSs

(a) Adoption of new/revised HKFRSs

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

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009 – 2011 Cycle
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010 – 2012 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 in the Production Phase of a Surface Mine

Except as explained below, the adoption of these amendments has no material impact on the Group's financial statements.

HKFRSs (Amendments) – Annual Improvements to HKFRSs 2010 – 2012 Cycle

The Basis of Conclusions for HKFRS 13 Fair Value Measurement was amended to clarify that short-term receivables and payables with no stated interest rate can be measured at their invoice amounts without discounting, if the effect of discounting is immaterial. This is consistent with the Group's existing accounting policy.

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

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32.

The adoption of the amendments has no impact on these financial statements as the Group has not offset financial instruments, nor has it entered into a master netting agreement or a similar arrangement.

2. ADOPTION OF HKFRSs (CONTINUED)

(a) Adoption of new/revised HKFRSs (Continued)

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 accounting requirements in HKAS 27 (2008) on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively. The Group has changed its accounting policy in determining whether it has control over an investee. The adoption of HKFRS 10 does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 July 2013.

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, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). HKFRS 11 does not allow proportionate consolidation of a joint venture arrangement. 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. The Group has changed its accounting policy for joint arrangements. The Group has reclassified the investment in a jointly-controlled entity to joint venture. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial results of the Group.

2. ADOPTION OF HKFRSs (CONTINUED)

(a) Adoption of new/revised HKFRSs (Continued)

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 12 disclosures are provided in notes to the financial statements. As the new standard affects only disclosure, there is no effect on the Group's financial position and performance.

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 is applied prospectively.

HKFRS 13 did not materially affect any fair value measurements of the Group's assets and liabilities and therefore has no effect on the Group's financial position and performance. The standard requires additional disclosures about fair value measurements which are measured at fair value and these are included in notes to the financial statements. Comparative disclosures have not been presented in accordance with the transitional provisions of the standard.

2. ADOPTION OF HKFRSs (CONTINUED)

(a) Adoption of new/revised HKFRSs (Continued)

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 adoption of the interpretation has no impact on these financial statements.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new and revised HKFRSs, potentially relevant to the Group's financial statements, that have been issued, but are not yet effective in the financial year of which the consolidated financial statements were prepared, have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010 – 2012 Cycle[3]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011 – 2013 Cycle[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
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[6]
HKFRS 14	Regulatory Deferral Accounts[4]
HKFRS 15	Revenue from Contracts with Customers[5]
HK(IFRIC) – Interpretation 21	Levies[1]

[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 occurring, on or after 1 July 2014*

[4] *Effective for annual periods beginning on or after 1 January 2016*

[5] *Effective for annual periods beginning on or after 1 January 2017*

[6] *Effective for annual periods beginning on or after 1 January 2018*

2. ADOPTION OF HKFRSs (CONTINUED)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRSs (Amendments) – Annual Improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear.

Amendments to HKAS 32 – Presentation – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

HKFRS 9 – Financial Instruments

This standard is effective for accounting periods beginning on or after 1 January 2018. 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 or losses in other comprehensive income. A third measurement category has been added for debt instruments – fair value through other comprehensive income. This measurement category applies to debt instruments that meet the Solely Payments of Principal and Interest contractual cash flow characteristics test and where the entity is holding the debt instrument to both collect the contractual cash flows and to sell the financial assets.

HKFRS 9 introduced a new "expected loss" impairment model and replaces the "incurred loss" model in HKAS 39 Financial Instruments: Recognition and Measurement. The impairment model is a more "forward looking" model in that a credit event (or impairment "trigger") no longer has to occur before credit losses are recognised. For financial assets at amortised cost or fair value through other comprehensive income, an entity will now always recognise (at a minimum) 12 months of expected losses in profit or loss. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk after initial recognition. HKFRS 9 also introduced a new hedge accounting model which allows entities to apply hedge accounting more broadly to manage profit or loss mismatches, and as a result reduce "artificial" hedge ineffectiveness that can arise under HKAS 39.

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 de-recognition of financial assets and financial liabilities.

2. ADOPTION OF HKFRSs (CONTINUED)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 15 – Revenue from Contracts with Customers

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

An entity may adopt HKFRS 15 on a full retrospective basis. Alternatively, it may choose to adopt it prospectively from the date of initial application. Transitional disclosures are different depending on the approach adopted by the entity.

HK(IFRIC) – Interpretation 21 – Levies

HK (IFRIC) Interpretation 21 clarifies that an entity recognises a liability to pay a levy imposed by government when the activity that triggers payment, as identified by the relevant legislation, occurs.

Save as the main changes described above, 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, interest income and dividend income from investments.

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

	2014	2013
	HK$'000	*HK$'000*
Sale of goods	**848,601**	936,099
Sale of gold ores	**17,339**	10,464
Interest income	**128**	203
Dividend income from investments	**2,035**	2,449
	868,103	949,215

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

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

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) Business segment

	Design, manufacturing, marketing and trading of fine jewellery and diamonds		Property investment		Mining operation		Investment		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	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	**848,601**	936,099	**–**	–	**17,339**	10,464	**2,163**	2,652	**868,103**	949,215
Segment results	**16,990**	24,740	**14,506**	84,659	**(10,241)**	(15,612)	**1,882**	(7,385)	**23,137**	86,402
Share-based compensation									**(2,114)**	–
Unallocated expenses									**(2,900)**	(3,202)
Income arising from amortising the financial guarantee liabilities									**2,481**	1,654
Finance costs									**(8,927)**	(9,688)
Share of results of joint ventures									**40,294**	12,494
Profit before income tax									**51,971**	87,660

	Design, manufacturing, marketing and trading of fine jewellery and diamonds		Property investment		Mining operation		Investment		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**419,493**	436,918	**581,057**	543,604	**1,165,376**	1,161,620	**42,933**	39,814	**2,208,859**	2,181,956
Interests in joint ventures									**573,224**	532,569
Cash and cash equivalents									**78,124**	37,911
Deferred tax assets									**6,109**	6,109
Unallocated corporate assets									**367**	225
Total assets									**2,866,683**	2,758,770
Segment liabilities	**155,472**	163,480	**5,706**	1,768	**40,696**	46,806	**53,473**	53,761	**255,347**	265,815
Bank loans									**411,126**	336,181
Due to ultimate holding company									**–**	1,546
Loan from a controlling shareholder									**95,037**	105,022
Financial guarantee liabilities									**8,270**	10,751
Provision for tax									**4,291**	8,114
Deferred tax liabilities									**245,437**	245,001
Unallocated corporate liabilities									**949**	932
Total liabilities									**1,020,457**	973,362

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) Business segment (Continued)

	Design, manufacturing, marketing and trading of fine jewellery and diamonds		Property investment		Mining operation		Investment		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	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	**(6,111)**	(5,975)	**–**	–	**(1,800)**	(1,739)	**–**	–	**(7,911)**	(7,714)
Amortisation of land use rights	**(109)**	(110)	**–**	–	**(1,356)**	(1,351)	**–**	–	**(1,465)**	(1,461)
Amortisation of mining right	**–**	–	**–**	–	**(1,074)**	(668)	**–**	–	**(1,074)**	(668)
Change in fair value of investment property	**–**	–	**14,544**	84,769	**–**	–	**–**	–	**14,544**	84,769
Gain on debt extinguishment arising from recognition of amount due to a related company	**–**	–	**–**	–	**3,880**	–	**–**	–	**3,880**	–
Fair value gain on derivative financial instruments	**74**	116	**–**	–	**–**	–	**–**	–	**74**	116
Fair value gain on financial assets at fair value through profit or loss	**–**	–	**–**	–	**–**	–	**2,237**	524	**2,237**	524
Fair value loss on redemption option of convertible notes	**–**	–	**–**	–	**(7)**	(122)	**–**	(19)	**(7)**	(141)
Gain/(Loss) on disposal of property, plant and equipment	**77**	–	**–**	–	**–**	(20)	**–**	–	**77**	(20)
Write-off of property, plant and equipment	**(675)**	–	**–**	–	**–**	–	**–**	–	**(675)**	–
Gain on disposal of available-for-sale financial assets	**–**	–	**–**	–	**–**	–	**–**	510	**–**	510
Impairment loss of available-for-sale financial assets	**–**	–	**–**	–	**–**	–	**(2,077)**	(10,076)	**(2,077)**	(10,076)
Reversal of provision for long-term receivables	**1,000**	967	**–**	–	**–**	–	**–**	–	**1,000**	967
Provision for trade receivables	**(542)**	(123)	**–**	–	**–**	–	**–**	–	**(542)**	(123)
(Provision for)/Write back of provision for inventories	**(1,196)**	3,804	**–**	–	**–**	–	**–**	–	**(1,196)**	3,804
Interest income	**–**	–	**–**	–	**–**	–	**128**	203	**128**	203
Interest expenses	**–**	–	**–**	–	**(3,313)**	(2,717)	**–**	–	**(3,313)**	(2,717)
Additions to non-current segment assets	**4,461**	2,883	**18,694**	852	**3,131**	4,844	**–**	–	**26,286**	8,579

3. **REVENUE AND SEGMENT INFORMATION (CONTINUED)**

(b) Geographical information

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	
	2014	2013
	HK$'000	*HK$'000*
Hong Kong (place of domicile)	**148,263**	160,374
North America	**232,563**	233,983
Europe and Middle East	**444,890**	527,675
Other locations	**42,387**	27,183
Total	**868,103**	949,215

	Non-current assets	
	2014	2013
	HK$'000	*HK$'000*
Hong Kong (place of domicile)	**593,063**	553,698
United Kingdom	**5,933**	5,433
Mainland China	**1,763,641**	1,725,043
Other locations	**42**	72
Total	**2,362,679**	2,284,246

The revenue information above 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 assets.

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

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Geographical information (Continued)

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:

	2014	2013
	HK$'000	*HK$'000*
Customer A	**245,294**	320,541
Customer B	**111,219**	112,647

The revenue from these major customers was all derived by the business segment engaging in design, manufacturing, marketing and trading of fine jewellery and diamonds.

4. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Interest charges on:		
Bank loans wholly repayable within five years*	**9,209**	8,676
Interest expenses on loan from a controlling shareholder	**1,389**	1,575
Finance charges on obligation under finance leases	**45**	14
Imputed interest expenses arising from amounts due to related companies	**5,533**	2,717
Imputed interest expenses on convertible notes	**326**	3,802
Total borrowing costs	**16,502**	16,784
Less: Bank loan interest capitalised in investment property	**(4,262)**	(4,379)
	12,240	12,405

* This represents the finance costs on bank loans, including term loans which contain a repayment on demand clause in accordance with the agreed scheduled repayments dates set out in the loan agreements. For the year ended 30 June 2014, the interest on bank loans which contain a repayment on demand clause amounted to approximately HK$9,209,000 (2013: HK$8,676,000).

5. PROFIT BEFORE INCOME TAX

	2014	2013
	HK$'000	*HK$'000*
The Group's profit before income tax is arrived at after charging/(crediting):		
Auditor's remuneration	**1,234**	1,019
Amortisation of land use rights	**1,465**	1,461
Amortisation of mining right	**1,074**	668
Cost of inventories sold	**726,705**	807,941
Depreciation of property, plant and equipment		
– owned assets	**7,698**	7,616
– leased assets	**213**	98
	7,911	7,714
Minimum lease payments under operating leases on land and buildings	**4,652**	6,555
Gain on debt extinguishment arising from recognition of amount due to a related company	**(3,880)**	–
Fair value gain on financial assets at fair value through profit or loss	**(2,237)**	(524)
Fair value loss on redemption options of convertible notes	**7**	141
Fair value gain on derivative financial instruments		
– forward currency contracts	**(74)**	(116)
Net foreign exchange (gain)/loss	**(8,223)**	980
(Gain)/Loss on disposal of property, plant and equipment	**(77)**	20
Government grants#	**(293)**	(446)
Provision for/(Write back of provision for) inventories*	**1,196**	(3,804)
Provision for trade receivables	**542**	123
Reversal of provision for long-term receivables	**(1,000)**	(967)
Write-off of property, plant and equipment	**675**	–

* Provision for/(Write back of provision for) inventories for the year was included in "cost of sales" on the face of the consolidated statement of profit or loss and other comprehensive income.

\# Government grants are mainly received from 江門市蓬江區經濟促進局 for one of the Group's subsidiaries in respect of 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% (2013: 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.

	2014	2013
	HK$'000	*HK$'000*
Current tax		
Hong Kong	**635**	2,217
People's Republic of China	**572**	720
Under/(Over)-provision in prior years	**291**	(1,436)
	1,498	1,501
Deferred tax		
Current year	**(266)**	(198)
Total income tax expense	**1,232**	1,303

7. DIVIDENDS

The directors do not recommend any payment of dividends during the year (2013: Nil).

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:

	2014	2013
	HK$'000	*HK$'000*
Profit attributable to the owners of the Company	**50,580**	85,847
Imputed interest expenses on convertible notes	**326**	3,802
Fair value loss on embedded options of convertible notes	**7**	141
Profit attributable to owners of the Company before imputed interest expenses on convertible notes and fair value loss on embedded options of the convertible notes	**50,913**	89,790

	2014	2013
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,110,656,270**	5,110,656,270
Effect of dilutive potential ordinary shares in respect of convertible notes *(note (ii))*	**1,710,526,316**	1,814,115,840
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**6,821,182,586**	6,924,772,110

Notes:

(i) For the year ended 30 June 2014, the computation of diluted earnings per share did not assume the exercise of the share options as the exercise of the share options was anti-dilutive.

(ii) For the year ended 30 June 2014 and 2013, the amount of diluted earnings per share is based on the profit for the year attributable to owners of the Company of HK$50,580,000 (2013: HK$85,847,000) 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$50,913,000 (2013: HK$89,790,000) and on the adjusted weighted average of 6,821,182,586 (2013: 6,924,772,110) ordinary shares outstanding during the year, being the weighted average of number of ordinary shares of 5,110,656,270 (2013: 5,110,656,270) 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 1,710,526,316 (2013: 1,814,115,840).

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	
	2014	2013
	HK$'000	*HK$'000*
0 – 30 days	**33,837**	30,808
31 – 60 days	**21,366**	24,194
61 – 90 days	**23,752**	23,400
Over 90 days	**26,099**	26,796
	105,054	105,198

10. TRADE PAYABLES

The credit terms of trade payables vary according to the terms agreed with different suppliers. The ageing analysis of trade payables of the Group as at the reporting date, based on the invoice dates, is as follows:

	Group	
	2014	2013
	HK$'000	*HK$'000*
0 – 30 days	**43,621**	49,041
31 – 60 days	**35,866**	25,636
61 – 90 days	**19,021**	24,932
Over 90 days	**36,846**	38,523
	135,354	138,132

11. BANK LOANS

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

	Group	
	2014	2013
	HK$'000	*HK$'000*
Current liabilities		
Portion of loans from banks due for repayment within one year		
– Guaranteed	**77,425**	53,681
– Secured and guaranteed	**125,000**	90,000
	202,425	143,681
Portion of loans from banks due for repayment after one year which contain a repayable on demand clause		
– Guaranteed	**4,601**	–
– Secured and guaranteed	**204,100**	192,500
	208,701	192,500
	411,126	336,181

At 30 June 2014, the bank loans were scheduled to repay as follows:

	2014	2013
	HK$000	*HK$000*
Bank loans:		
Repayable within one year	**202,425**	143,681
Repayable in the second year	**207,340**	192,500
Repayable in the third to fifth years, inclusive	**1,361**	–
	411,126	336,181

The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

The bank loans of the Group denominated in HK$ of HK$402,941,000 (2013: HK$323,731,000) have floating interest rates ranging from 1.46% to 2.46% (2013: 1.67% to 2.9%) per annum. The RMB bank loans of HK$8,185,000 (2013: HK$12,450,000) have floating interest rates at 7% (2013: 7% to 8.54%) per annum.

12. EVENTS AFTER THE REPORTING DATE

(a) Subsequent to year end date, the Group had disposed of an owner-occupied property of a carrying amount of HK$634,000 at a consideration of HK$28,888,000 and the gain arising from this disposal amounted to HK$28,254,000.

(b) On 28 August 2014, Master Gold Development Limited ("Master Gold"), a wholly-owned subsidiary of the Company, as the lender entered into a facility agreement with Wealth Plus Developments Limited ("Wealth Plus"), a joint venture of the Group as the borrower, for providing a facility in the amount of HK$78,000,000. The facility will be used as working capital for the development of a commercial property in Shanghai. The details of the facility agreement were set out in the announcement of the Company dated 28 August 2014.

The Board is pleased to present the annual results of Continental Holdings Limited ("the Company") and its subsidiaries ("the Group") for the financial year ended 30 June 2014.

BUSINESS REVIEW AND PROSPECTS

During the fiscal year 2014, the Group achieved a turnover of HK$868.1 million (2013: HK$949.2 million). Profit attributable to owners of the Company was HK$50.6 million (2013: HK$85.8 million) and basic earnings per share was HK0.99 cent (2013: HK1.68 cent). The decrease in profitability was mainly attributed by the lower revaluation gain from the Group's property development projects.

During the year under review, the Group's revenue on trading of fine jewellery and diamond business recorded a decrease by approximately HK$87.5 million or 9.3% from approximately HK$936.1 million for the year ended 30 June 2013 to approximately HK$848.6 million for 2014. Such decrease was mainly due to a drop in our business of diamond polishing. While the US economy is starting to pick up, the jewellery segment is still slowly progressing. Private label brands continue to be the key growth segment, and we are working closely with retailers in this area. Meanwhile, the Group is also expanding our retail network in China. This year, the Group added two Continental Diamond boutiques in Guangdong province, and an additional 15 point of sales across China promoting our silver jewellery brand. Going forward, we certainly hope this can contribute to the Group more in the near future.

As for 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 has been completed. 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 4,524 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 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 completed and the interior decoration is in progress. Leasing activities are in good progress and the estimated completion is targeted in 2015.

In mining, trial production continued in the Hongzhuang Gold Mine. Even though all the previously reported gold resources in the Yuanling mine field had been exhausted, the residue ore successfully recovered was sufficient to support the continuation of the trial production. This residue ore was not included in previous reports and there is no official estimation on its potential. Despite such, exploration has commenced at the north eastern part of Yuanling site. A potential new vein with promising grades had been identified during the program. Further exploration to increase the geological confidence and feasibility studies will continue.

BUSINESS OUTLOOK

While the jewellery industry is still recovering, we believe there are many opportunities to explore. In jewellery, we continue to develop new ideas and private label brands which are the fuel of future growth. In property, we see both projects entering the final stages of development and we expect revenue stream to commence in the coming year and the year after. Finally in mining, explorations have been underway and results are slowly coming to light, we are optimistic in putting these findings to production. We believe that the new developments in jewellery as well as the completion of the Shanghai and Hong Kong properties will have higher profit contributions to the Group in the coming year; hence providing higher return to our management team, the Board, our employees and our shareholders.

IMPAIRMENT LOSS OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

At 30 June 2014, 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 for long term investment and accounted for as a non-current asset as "available-for-sale financial assets".

During the year, the fair value of MMS was determined to be impaired on the basis of significant and prolonged decline in its fair value below cost. Accordingly, impairment loss of HK$2,077,000 (2013: HK$10,076,000) was recognized in the consolidated statement of profit or loss and other comprehensive income. The impairment loss was considered to be an exceptional item and did not have any effect on the Group's cash flows in the financial year.

ANNUAL UPDATE ON DETAILS OF RESOURCES AND/OR RESERVES UNDER RULES OF 18.15, 18.17 AND 18.18 OF THE LISTING RULES

There has been no material change on the resources and/or reserves of the Group during the year. The following table shows the details of resources and/or reserves of the Group as at 30 June 2014:

Subsidiary	Mine field	Area	Reporting date	Type of mining operation	Gold resources	Reporting Standard	Gold grade
		(km^2)			*(t)*		*(g/t)*
Henan Multi-Resources Mining Company Limited*	Hongzhuang	1.09	30 June 2014	Underground	10.73	PRC 122b	5.58
					5.46	PRC 332	1.89
					24.66	PRC 333	4.46
	Yuanling	4.57	30 June 2014	Underground	–	PRC 122b	–
					0.05	PRC 333	3.87

Factors and assumptions such as gold grade, ore body thickness and shape of vein were considered for estimating the resources and/or reserves. Please refer to Section 8 of Appendix VII of the circular of the Company dated 25 January 2010 for further information of the resources and/or reserves estimation.

* *The unofficial English translations or transliterations of Chinese names are for identification purpose only*

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

As of 30 June 2014, the Group had a gearing ratio of 0.22 (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 and other borrowings less cash and cash equivalents. Total cash and cash equivalents were HK$78,124,000 (2013: HK$37,911,000) which were mainly denominated in Hong Kong Dollar, US Dollar and British Pound. While bank loans were HK$411,126,000 (2013: HK$336,181,000) which were mainly denominated in Hong Kong Dollar and Renminbi. Other borrowings in respect of convertible notes, amounts due to related companies and loan from a controlling shareholder were approximately of HK$179,065,000 (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, certain land use rights and guaranteed by corporate guarantees executed by the Company.

Among the total bank loan of HK$411,126,000 classified as current liabilities, certain bank loans of HK$208,701,000 are contractually due for repayment after twelve months from the reporting date.

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 2014, the Group's investment property, certain leasehold land and buildings and land use rights with an aggregate net carrying value of HK$600,579,000 (2013: HK$564,334,000) were pledged to certain banks to secure general banking facilities granted to the Group.

CAPITAL STRUCTURE

All the Group's borrowings are denominated in 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 year ended 30 June 2014. 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 1,035 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. 30,000,000 share options were granted pursuant to the scheme since its adoption and up to 30 June 2014.

CONTINGENT LIABILITIES

The Company has provided guarantees amounting to HK$577,500,000 (2013: HK$528,381,000) with respect to bank loans to its subsidiaries. A guarantee to the extent of RMB235,000,000 (equivalent to approximately to HK$295,912,000) (2013: RMB235,000,000 (equivalent to approximately HK$295,066,000)) was given by the Company in favour of a bank in respect of a term loan facility granted to a subsidiary of a joint venture of the Company.

CAPITAL COMMITMENTS

At 30 June 2014, the Group had outstanding capital commitments of approximately HK$265,837,000 (2013: HK$304,165,000), which was mainly the capital commitments for the properties under development classified under investment property undertaken by the Group and a joint venture 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. During the year, 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 2014.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") will be held on Tuesday, 2 December 2014 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 Friday, 28 November 2014 to Tuesday, 2 December 2014, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, 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 Thursday, 27 November 2014.

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 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 year ended 30 June 2014 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.

   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 at the Company's AGM 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.

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 transaction by 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 year ended 30 June 2014.

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 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 2014 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 2014 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, 29 September 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, Mr. Chan Wai Lap, Victor, Mr. Wong Edward Gwon-hing and Mr. Yam Tat Wing 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.