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 2014

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 2014 together with the comparative figures for the corresponding period in 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Unaudited Six months ended 31 December	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**407,842**	445,537
Cost of sales		**(353,133)**	(385,391)
Gross profit		**54,709**	60,146
Selling and distribution costs		**(10,142)**	(5,887)
Administrative expenses		**(49,588)**	(48,364)
Other operating income		**372**	145
Change in fair value of investment property		**334,493**	–
Gain on disposal of property		**28,255**	–
Impairment loss of available-for-sale financial assets		**(4,834)**	(2,077)
Change in fair value of financial assets at fair value through profit or loss		**2,163**	2,107
Income arising from amortising the financial guarantee liabilities		**1,341**	1,240
Share-based compensation		**(470)**	–
Finance costs	*5*	**(6,716)**	(6,196)
Share of results of joint ventures		**(3,018)**	(3,534)
Profit/(Loss) before income tax	*6*	**346,565**	(2,420)
Income tax credit/(expense)	*7*	**212**	(1,287)
Profit/(Loss) for the period		**346,777**	(3,707)

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

		Unaudited Six months ended 31 December	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
Other comprehensive income for the period, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale financial assets, net		**(4,509)**	(3,129)
Reclassification from equity to profit or loss on impairment of available-for-sale financial assets		**4,834**	2,077
Exchange difference on translation of foreign operations, associates and joint ventures		**5,525**	19,266
Other comprehensive income for the period, net of tax		**5,850**	18,214
Total comprehensive income for the period		**352,627**	14,507
Profit/(Loss) for the period attributable to:			
Owners of the Company		**346,836**	(3,936)
Non-controlling interests		**(59)**	229
		346,777	(3,707)
Total comprehensive income for the period attributable to:			
Owners of the Company		**352,686**	14,278
Non-controlling interests		**(59)**	229
		352,627	14,507
Dividends	*8*	**–**	–
Earnings/(Loss) per share for profit/(loss) attributable to the owners of the Company during the period	*9*		
– Basic		**HK5.89 cents**	HK(0.077) cent
– Diluted		**HK5.45 cents**	HK(0.077) cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**Unaudited At 31 December 2014** *HK$'000*	Audited At 30 June 2014 *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**113,955**	115,940
Land use rights		**39,375**	40,083
Investment property		**426,880**	581,000
Mining right		**1,052,124**	1,052,432
Interests in associates		**–**	–
Interests in joint ventures		**708,656**	573,224
Available-for-sale financial assets		**23,784**	28,294
Deferred tax assets		**6,109**	6,109
		2,370,883	2,397,082
Current assets			
Property under development		**513,257**	–
Inventories		**235,894**	257,922
Trade receivables	*10*	**126,841**	105,054
Prepayments, deposits and other receivables		**29,775**	14,023
Financial assets at fair value through profit or loss		**16,472**	14,309
Due from a joint venture		**165**	169
Cash and cash equivalents		**52,358**	78,124
		974,762	469,601
Current liabilities			
Trade payables	*11*	**(144,474)**	(135,354)
Other payables and accruals		**(57,819)**	(36,357)
Bank loans		**(449,568)**	(411,126)
Obligation under finance leases		**(213)**	(212)
Due to related companies		**(3,087)**	(2,330)
Convertible note		**–**	(4,924)
Financial guarantee liabilities		**(3,084)**	(2,481)
Provision for tax		**(3,269)**	(4,291)
		(661,514)	(597,075)
Net current assets/(liabilities)		**313,248**	(127,474)
Total assets less current liabilities		**2,684,131**	2,269,608

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	**Unaudited At 31 December 2014** ***HK$'000***	Audited At 30 June 2014 *HK$'000*
Non-current liabilities			
Obligation under finance leases		**(429)**	(345)
Due to related companies		**(79,391)**	(76,774)
Loan from a controlling shareholder		**(153,040)**	(95,037)
Financial guarantee liabilities		**(5,654)**	(5,789)
Deferred tax liabilities		**(245,328)**	(245,437)
		(483,842)	(423,382)
Net assets		**2,200,289**	1,846,226
EQUITY			
Share capital		**560,048**	442,555
Reserves		**1,646,196**	1,409,567
Equity attributable to the owners of the Company		**2,206,244**	1,852,122
Non-controlling interests		**(5,955)**	(5,896)
Total equity		**2,200,289**	1,846,226

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").

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 2014.

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 2014, issued by the HKICPA.

Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Interpretation 21	Levies

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The application of the above amendments to 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.

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

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010 – 2012 Cycle[2]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011 – 2013 Cycle[1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012 – 2014 Cycle[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
HKFRS 9 (2014)	Financial Instruments[5]
HKFRS 14	Regulatory Deferral Accounts[3]
HKFRS 15	Revenue from Contracts with Customers[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to HKAS 27	Separate Financial Statements – Equity Method in Separate Financial Statements[3]
Disclosure Initiative (Amendments to HKAS 1)	Presentation of Financial Statements[3]

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 July 2014*

[2] *Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014*

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

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

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

3. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the 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 (2013: four) business lines as operating segments.

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 arm's length prices.

	Unaudited Six months ended 31 December									
	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	**398,706**	438,552	**–**	–	**8,877**	6,468	**259**	517	**407,842**	445,537
Segment results	**31,481**	15,108	**334,173**	(358)	**(6,769)**	(8,012)	**(2,607)**	689	**356,278**	7,427
Share-based compensation									**(470)**	–
Unallocated expenses									**(850)**	(1,357)
Income arising from amortising the financial guarantee liabilities									**1,341**	1,240
Finance costs									**(6,716)**	(6,196)
Share of results of joint ventures									**(3,018)**	(3,534)
Profit/(Loss) before income tax									**346,565**	(2,420)

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	
	2014	2013
	HK$'000	*HK$'000*
Sale of goods	**398,706**	438,552
Sale of gold ores	**8,877**	6,468
Dividend income from investments	**259**	517
	407,842	445,537

5. FINANCE COSTS

	Unaudited Six months ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
Interest charges on:		
Bank loans wholly repayable within five years	**5,429**	4,558
Interest expenses on loan from a controlling shareholder	**862**	720
Finance charges on obligation under finance leases	**16**	27
Imputed interest expenses arising from amounts due to related companies	**2,600**	2,853
Imputed interest expenses on convertible notes	**71**	161
Total borrowing costs	**8,978**	8,319
Less: bank loan interest capitalised in investment property and property under development	**(2,262)**	(2,123)
	6,716	6,196

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

6. PROFIT/(LOSS) BEFORE INCOME TAX

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

	Unaudited Six months ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
Cost of inventories sold	**353,133**	385,391
Depreciation of property, plant and equipment	**3,726**	4,451
Amortisation of land use rights	**733**	738
Amortisation of mining right	**893**	787
Minimum lease payments under operating leases on land and buildings	**2,940**	2,499
Provision for trade receivables	**1,100**	1,157
Net foreign exchange loss/(gain)	**2,065**	(2,770)
Fair value (gain)/loss on derivative financial instruments – forward currency contracts	**(75)**	35
Written off of property, plant and equipment	**–**	555
Gain on disposal of property, plant and equipment	**(84)**	(14)

7. INCOME TAX (CREDIT)/EXPENSE

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

	Unaudited Six months ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
Current tax		
Hong Kong	**337**	491
People's Republic of China	**366**	374
	703	865
(Over)/Under-provision in prior years		
Hong Kong	**(669)**	201
	(669)	201
Deferred tax – current period	**(246)**	221
	(212)	1,287

7. INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

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 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 2014 (2013: HK$Nil).

9. EARNINGS/(LOSS) PER SHARE

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

	Unaudited	
	Six months ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
Profit/(loss) attributable to the owners of the Company	**346,836**	(3,936)
Imputed interest expenses on convertible notes	**71**	–
Profit/(loss) attributable to owners of the Company before imputed interest expenses on convertible notes	**346,907**	(3,936)

9. EARNINGS/(LOSS) PER SHARE (CONTINUED)

	Unaudited Six months ended 31 December 2014	2013
	Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**5,884,002,377**	5,110,656,270
Effect of dilutive potential ordinary shares in respect of convertible notes	**473,323,721**	–
Effect of dilutive potential ordinary shares in respect of share options	**3,635,093**	–
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	**6,360,961,191**	5,110,656,270

The calculation of basic earnings per share is based on the profit of HK$346,836,000 attributable to the owners of the Company for the six months ended 31 December 2014 (2013: Loss of HK$3,936,000) and on the weighted average of 5,884,002,377 (2013: 5,110,656,270) ordinary shares in issue during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares granted under the Company's share option scheme and the number of dilutive potential ordinary share granted in relation to the convertible note.

For the six months ended 31 December 2014, the amount of diluted earnings per share was based on the profit for the period attributable to owners of the Company of HK$346,836,000 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$346,907,000 and on the adjusted weighted average of 6,360,961,191 ordinary shares outstanding 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 was ignored in the calculation of dilution loss per share. Therefore, the basic and diluted loss per share calculations were equal.

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 2014	**19,876**	**45,086**	**27,129**	**34,750**	**126,841**
Audited balance at 30 June 2014	33,837	21,366	23,752	26,099	105,054

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 2014	**44,704**	**27,824**	**18,608**	**53,338**	**144,474**
Audited balance at 30 June 2014	43,621	35,866	19,021	36,846	135,354

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

The Group's consolidated revenue for the six months ended 31 December 2014 recorded a decline of approximately 8.5% from last interim period of HK$445,537,000 to HK$407,842,000. During the period under review, profit attributable to equity owners of the Company was HK$346,836,000, as compared to the last interim loss of HK$3,936,000. The substantial profit was mainly due to unrealised fair value gain on the investment property amounted to HK$334,493,000 (2013: HK$ Nil). Basic earnings per share was HK5.89 cents for the six months ended 31 December 2014 (2013: Basic loss per share of HK0.077 cent).

BUSINESS REVIEW AND PROSPECTS

In the period under review, the Group's revenue on trading of fine jewellery and diamond business recorded a decrease of approximately HK$39,846,000 or 9% from HK$438,552,000 for the six months ended 31 December 2013 to HK$398,706,000 for the corresponding period in 2014. Such decrease was mainly resulted from a drop in our diamond polishing business. Meanwhile, for jewellery export, sales remained the same as previous year despite the continued weak market condition. The overall global markets were challenging, but our Group has strengthened our relationships with key customers, and secured more core programs and collections last year. In 2015, we foresee the USA markets will slowly pick up while Europe will remain weak. For China, although we believe the market will remain soft, in the coming year, the Group intends to cautiously explore retailing opportunities in Mainland China. We hope that by diversifying geographically, it will enable our Group to maintain stable growth in the jewellery segment in the 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. About 40% of the reinforcement concrete frame of the superstructure has now been completed. The project occupies a site area of approximately 302 sq.m., which will be developed into 29-storey high commercial, shop and retail premises with a gross floor area of approximately 4,523 sq.m. The completion is expected in the mid year of 2016. The Group's original intention was to develop the property for the rental income for long term investment purposes. In view of the booming property market, the Board considers it appropriate to lease out a portion of the property and sell a portion of the property. In this connection, a pre-sale press briefing was held on 26 November 2014. Market response was positive and formal sale and purchase agreements have been signed for three floors at an aggregate consideration of HK$133,500,000 during the reporting period. The Board believes that the proceeds of the sales can be better utilised by the Group which will positively strengthen the liquidity of the Group.

BUSINESS REVIEW AND PROSPECTS (CONTINUED)

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 a 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 have been developed into an eleven-floored shopping mall with over 500 parking spaces. The superstructure of the property – "**Bauhinia Square**" is completed and the interior decoration is targeted to be completed in the first half of 2015. Leasing activities are actively underway and we foresee selective tenants moving in mid 2015 and soft opening by the end of the year.

In mining, although the trial production in the Hongzhuang Gold Mine has been continuing, the pace has slowed down due to reducing residue ore volume recovered from the old shafts. Based on the results of the initial explorative drilling works from the last quarter of 2013, follow up enhanced drilling program has commenced in the second half of 2014. Further exploration to delineate the ore body, increase the geological confidence and feasibility studies will continue. Moreover, the decline of the gold price had impacted the financial performance of the mining sector, resulting in a loss recorded.

PROSPECTS

In the long run, the Group is still confident in growing on the jewellery business while the global financial environment is becoming stabilised. We expect the consumers will gradually regain their confidence and will eventually boost the jewellery consumption. Going forward, the management will continue to explore more growth opportunities for the Group. Meanwhile, we anticipate that both property projects will start generating income for the Group in the coming year.

IMPAIRMENT LOSS OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

At 31 December 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 as for long term investment and accounted for as a non-current asset "available-for-sale financial assets".

During the reporting period, 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$4,834,000 (31 December 2013: HK$2,077,000) was recognised 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.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2014 (2013: HK$Nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, the Group had a gearing ratio of 0.22 (30 June 2014: 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$52,358,000 (30 June 2014: HK$78,124,000) which were mainly denominated in Hong Kong Dollar, US Dollar and British Pound. Bank loans were HK$449,568,000 (30 June 2014: HK$411,126,000), which were mainly denominated in Hong Kong Dollar and Renminbi. Other borrowings in respect of amount due to related companies and loan from a controlling shareholder were approximately of HK$235,518,000 (30 June 2014: HK$179,065,000). The bank loans are secured by first legal charges over the Group's investment property, property under development, certain leasehold land and buildings, land use right and guaranteed by corporate guarantees executed by the Company.

PLEDGE OF ASSETS

As at 31 December 2014, the Group's investment property, property under development, certain leasehold land and buildings and land use right with an aggregate net carrying value of HK$958,447,000 (30 June 2014: HK$600,579,000) were pledged to certain banks to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

The Company has provided guarantees amounting to HK$581,500,000 (30 June 2014: HK$577,500,000) 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. Guarantees to the extent of RMB335,000,000 (equivalent to approximately HK$422,066,500) (30 June 2014: HK$295,912,000) was given by the Company in favour of a bank in respect of the term loan facilities granted to a subsidiary of a joint venture of the Company.

CAPITAL STRUCTURE

On 10 October 2014, the Company issued and allotted a total of 1,710,526,310 conversion shares to Tamar Investments upon conversion of convertible note into shares.

As at 31 December 2014, 40,000,000 share options were granted by the Company under its share option scheme to eligible persons (the "Grantee") to subscribe for the ordinary shares of the Company, subject to acceptance of the Grantee. As at the date of this announcement, 7,000,000 share options were exercised. Details of the share option scheme were disclosed in the Company's circular dated 25 June 2010.

Due to the conversion of convertible note and issue of shares upon exercise of share options, the number of issued shares and total share capital of the Company has increased from 5,110,656,270 to 6,828,182,580 and HK$442,555,000 to HK$560,048,000 respectively during the reporting period.

NUMBER OF EMPLOYEES, REMUNERATION POLICIES AND SHARE OPTION SCHEMES

As at 31 December 2014, the Group employed a total of approximately 1,076 employees (30 June 2014: 1,035) 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. On 25 July 2014, the Company granted 10,000,000 share options to Mr. Wong Edward Gwon-hing, an executive director of the Company, at an exercise price of HK$0.121 per share. As at 31 December 2014, 40,000,000 share options were 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 2014, 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 2014.

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 2014 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 subject to retirement by rotation at least once in every three years and re-election.

3. Code Provision A.4.3

Under Code Provision A.4.3, if an independent non-executive director serves more than nine years, his further appointment should be subject to a separate resolution to be approved by shareholders of the Company.

Mr. Yu Shiu Tin, Paul, has served as an independent non-executive director for more than nine years since 25 April 2005. In accordance with the Articles of Association of the Company, Mr. Yu retired from office by rotation at the 2014 Annual General Meeting (the "2014 AGM") and offered himself for re-election at the 2014 AGM. An ordinary resolution was passed at the 2014 AGM to approve the appointment of Mr. Yu as an independent non-executive director of the Company.

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 2014.

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 2014. The Audit Committee has approved the unaudited consolidated interim financial statements.

On behalf of the Board
Continental Holdings Limited
Chan Sing Chuk, Charles
Chairman

Hong Kong, 27 February 2015

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.