Contents

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

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 2012 together with the comparative figures for the corresponding period in 2011 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited Six months ended 31 December	
		2012	2011
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**506,025**	525,850
Cost of sales		**(437,141)**	(447,548)
Gross profit		**68,884**	78,302
Selling and distribution costs		**(4,852)**	(13,053)
Administrative expenses		**(49,454)**	(47,901)
Other operating income		**125**	460
Excess of interest in the net fair value of the net identifiable assets over the fair value of the total cost of acquisition of subsidiaries		**–**	364,797
Impairment loss of available-for-sale financial assets		**–**	(85,779)
Change in fair value of financial assets at fair value through profit or loss		**1,197**	(9,159)
Share-based compensation		**–**	(35,338)
Finance costs	*5*	**(6,244)**	(4,933)
Share of results of associates		**–**	375
Share of results of jointly controlled entities		**(2,137)**	(3,950)
Profit before income tax	*6*	**7,519**	243,821
Income tax (expense)/credit	*7*	**(1,714)**	1,358
Profit for the period		**5,805**	245,179
Other comprehensive income for the period			
Change in fair value of available-for-sale financial assets, net		**7,056**	(67,681)
Reclassification from equity to profit or loss on impairment of available-for-sale financial assets		**–**	85,779
Exchange differences on translation of foreign operations, associates and jointly controlled entities		**16,020**	25,109
Other comprehensive income for the period, net of tax		**23,076**	43,207
Total comprehensive income for the period		**28,881**	288,386

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

		Unaudited Six months ended 31 December	
		2012	2011
	Notes	***HK$'000***	*HK$'000*
Profit for the period attributable to:			
Owners of the Company		**5,587**	247,779
Non-controlling interests		**218**	(2,600)
		5,805	245,179
Total comprehensive income attributable to:			
Owners of the Company		**28,663**	290,986
Non-controlling interests		**218**	(2,600)
		28,881	288,386
Dividends	*8*	–	–
Earnings per share for profit attributable to the owners of the Company during the period	*9*		
– Basic		**HK0.11 cent**	HK6.21 cents
– Diluted		**HK0.10 cent**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Unaudited At 31 December 2012 HK$'000	Audited At 30 June 2012 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**117,163**	115,437
Land use rights		**41,357**	41,824
Investment property		**456,195**	453,500
Mining right	*10*	**1,032,149**	1,020,524
Interests in associates		**–**	–
Interests in jointly controlled entities	*11*	**496,719**	484,655
Available-for-sale financial assets		**44,192**	37,136
Deferred tax assets		**6,093**	6,093
		2,193,868	2,159,169
Current assets			
Inventories		**273,641**	257,352
Trade receivables	*12*	**139,735**	109,010
Prepayments, deposits and other receivables		**10,994**	11,614
Financial assets at fair value through profit or loss		**12,893**	11,696
Derivative financial instruments		**37**	–
Due from associates		**154**	–
Due from a jointly controlled entity		**139**	139
Cash and cash equivalents		**55,328**	85,236
		492,921	475,047
Current liabilities			
Trade payables	*13*	**(153,743)**	(133,166)
Other payables and accruals		**(51,184)**	(72,802)
Due to associates		**–**	(111)
Derivative financial instruments		**–**	(84)
Obligations under finance lease – due within one year		**(110)**	–
Bank loans	*14*	**(340,119)**	(324,172)
Convertible note		**(57,055)**	(54,889)
Provision for tax		**(7,516)**	(10,411)
		(609,727)	(595,635)
Net current liabilities		**(116,806)**	(120,588)
Total assets less current liabilities		**2,077,062**	2,038,581

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	Unaudited At 31 December 2012 HK$'000	Audited At 30 June 2012 HK$'000
Non-current liabilities			
Obligations under finance lease – due after one year		**(155)**	–
Due to a related company		**(29,123)**	(27,961)
Due to ultimate holding company		**(7,877)**	(7,877)
Loan from a controlling shareholder	*15*	**(109,934)**	(105,000)
Convertible note		**(13,977)**	(13,694)
Deferred tax liabilities		**(241,497)**	(238,431)
		(402,563)	(392,963)
Net assets		**1,674,499**	1,645,618
EQUITY			
Equity attributable to the owners of the Company			
Issued capital	*16*	**51,107**	51,107
Reserves		**1,629,739**	1,601,076
		1,680,846	1,652,183
Non-controlling interests		**(6,347)**	(6,565)
Total equity		**1,674,499**	1,645,618

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 31 December	
	2012	2011
	HK$'000	*HK$'000*
Net cash (used in)/generated from operating activities	**(38,234)**	9,504
Net cash used in investing activities	**(15,143)**	(181,037)
Net cash generated from financing activities	**21,014**	257,015
(Decrease)/Increase in cash and cash equivalents	**(32,363)**	85,482
Cash and cash equivalents at 1 July	**85,236**	49,867
Effect of foreign exchange rate changes, net	**2,455**	(12,037)
Cash and cash equivalents at 31 December	**55,328**	123,312
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	**55,328**	123,312

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited
Six months ended 31 December

	Equity attributable to the owners of the Company											Non-controlling interests	Total equity
	Issued capital	Share premium account	Warrant reserve	Non-distributable reserve	Other reserve	Convertible note equity reserve	Exchange fluctuation reserve	Investment revaluation reserve	Retained profits	Proposed dividends	Total		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 30 June 2012 and 1 July 2012:	51,107	391,448	–	273,606	(5,397)	118,344	43,812	723	778,540	–	1,652,183	(6,565)	1,645,618
Profit for the period	–	–	–	–	–	–	–	–	5,587	–	5,587	218	5,805
Other comprehensive income:													
Exchange differences on translation of the financial statements of foreign operations, associates and jointly controlled entities	–	–	–	–	–	–	16,020	–	–	–	16,020	–	16,020
Change in fair value of available -for-sale financial assets	–	–	–	–	–	–	–	7,056	–	–	7,056	–	7,056
Total comprehensive income	–	–	–	–	–	–	16,020	7,056	5,587	–	28,663	218	28,881
Balance at 31 December 2012	51,107	391,448	–	273,606	(5,397)	118,344	59,832	7,779	784,127	–	1,680,846	(6,347)	1,674,499
Balance at 30 June 2011 and 1 July 2011	31,283	190,743	53,008	273,606	(5,397)	2,310	32,078	(16,127)	475,299	–	1,036,803	(3,665)	1,033,138
Share subscription	2,177	34,823	–	–	–	–	–	–	–	–	37,000	–	37,000
Acquisition of subsidiaries	17,647	165,882	–	–	–	–	–	–	–	–	183,529	–	183,529
Issue of convertible note	–	–	–	–	–	116,034	–	–	–	–	116,034	–	116,034
Recognition of share-based compensation	–	–	35,338	–	–	–	–	–	–	–	35,338	–	35,338
Transaction with owners	19,824	200,705	35,338	–	–	116,034	–	–	–	–	371,901	–	371,901
Profit for the period	–	–	–	–	–	–	–	–	247,779	–	247,779	(2,600)	245,179
Other comprehensive income:													
Exchange differences on translation of the financial statements of foreign operations, associates and jointly controlled entities	–	–	–	–	–	–	25,109	–	–	–	25,109	–	25,109
Change in fair value of available -for-sale financial assets	–	–	–	–	–	–	–	(67,681)	–	–	(67,681)	–	(67,681)
Reclassification from equity to profit or loss on impairment of available-for-sale financial assets	–	–	–	–	–	–	–	85,779	–	–	85,779	–	85,779
Total comprehensive income	–	–	–	–	–	–	25,109	18,098	247,779	–	290,986	(2,600)	288,386
Balance at 31 December 2011	51,107	391,448	88,346	273,606	(5,397)	118,344	57,187	1,971	723,078	–	1,699,690	(6,265)	1,693,425

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 on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Financial Reporting Standard ("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 2012.

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA.

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

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 in these condensed consolidated interim financial statements and/or disclosures set out in these condensed consolidated interim financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 9	Presentation – Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date and Transition Disclosures[3]
Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities[2]
HKAS 19 (Revised 2011)	Employee Benefits[1]
HKAS 27 (Revised 2011)	Separate Financial Statements[1]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[1]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosures of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HK(IFRIC) – Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine[1]
HKFRSs (Amendments)	Annual Improvements 2009 – 2011 Cycle[1]

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 statement.

[1] Effective for annual periods beginning on or after 1 January 2013
[2] Effective for annual periods beginning on or after 1 January 2014
[3] Effective for annual periods beginning on or after 1 January 2015

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 (2011: three) services lines as operating segments.

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

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 service lines requires different resources as well as marketing approaches. All inter-segment transfers, if any, are carried out at arms length prices.

3. SEGMENT INFORMATION (CONTINUED)

	Unaudited Six months ended 31 December									
	Design, manufacturing, marketing and trading of fine jewellery and diamonds		Property investment		Mining operation		Investment		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment Revenue:										
Sales to/revenue from external parties	**499,456**	525,231	**–**	–	**6,275**	–	**294**	619	**506,025**	525,850
Segment results	**22,344**	26,635	**(574)**	(559)	**(5,944)**	–	**1,583**	(101,731)	**17,409**	(75,655)
Excess of interest in the net fair value of the net identifiable assets over the fair value of the total cost of acquisition of subsidiaries									**–**	364,797
Share-based compensation									**–**	(35,338)
Unallocated expenses									**(1,509)**	(1,475)
Finance costs									**(6,244)**	(4,933)
Share of results of associates									**–**	375
Share of results of jointly controlled entities									**(2,137)**	(3,950)
Profit before income tax									**7,519**	243,821

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	
	2012	2011
	HK$'000	*HK$'000*
Sale of goods	**499,456**	525,231
Sale of gold ores	**6,275**	–
Dividend income from investments	**294**	619
	506,025	525,850

5. FINANCE COSTS

	Unaudited Six months ended 31 December	
	2012	2011
	HK$'000	*HK$'000*
Interest charges on:		
Bank loans wholly repayable within five years	**4,162**	3,286
Interest expenses on finance lease	**9**	–
Interest expenses on loan from a controlling shareholder	**794**	347
Imputed interest expenses on amount due to a related company	**880**	–
Imputed interest expenses on convertible notes	**2,449**	3,179
Total borrowing costs	**8,294**	6,812
Less: bank loan interest capitalised in investment property	**(2,050)**	(1,879)
	6,244	4,933

6. PROFIT BEFORE INCOME TAX

Profit before income tax is stated after charging/(crediting):

	Unaudited Six months ended 31 December	
	2012	2011
	HK$'000	*HK$'000*
Cost of inventories sold	**437,141**	447,548
Depreciation of property, plant and equipment	**4,085**	4,087
Amortisation of land use rights	**865**	394
Amortisation of mining right	**430**	469
Minimum lease payments under operating leases on land and buildings	**2,901**	2,322
Write back against inventories*	**(6,000)**	–
Provision for trade receivables	**1,210**	1,493
Net foreign exchange losses	**1,190**	2,056
Fair value (gain)/loss on derivative financial instruments – forward currency contracts	**(120)**	105
Loss/(Gain) on disposal of property, plant and equipment	**40**	(70)

* *Amount included in cost of sales*

7. INCOME TAX EXPENSE/(CREDIT)

The amount of income tax expense/(credit) charged to the condensed consolidated statement of comprehensive income represents:

	Unaudited Six months ended 31 December	
	2012	2011
	HK$'000	*HK$'000*
Current tax		
Hong Kong	**2,644**	3,237
People's Republic of China	**511**	335
	3,155	3,572
Over-provision in prior years		
Hong Kong	**(2,105)**	(4,930)
Deferred tax-current period	**664**	–
	1,714	(1,358)

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the 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 2012 (2011: Nil).

9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit attributable to the owners of the Company for the six months ended 31 December 2012 of HK$5,587,000 (2011: HK$247,779,000) and on the weighted average of 5,110,656,270 (2011: 3,990,195,918) ordinary shares in issue during the period.

For the six months ended 31 December 2012, diluted earnings per share amounts is 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 notes existing during the period of 857,606,345. The convertible note of Famous Key Holdings Limited ("Famous Key") has an anti-dilutive effect and are ignored in the calculation of diluted earnings per share.

10. MINING RIGHT

	Unaudited At 31 December 2012 *HK$'000*	Audited At 30 June 2012 *HK$'000*
Opening net carrying amount	**1,020,524**	–
Acquisition of subsidiaries	–	1,017,663
Additions	**1,776**	–
Amortisation charge for the period	**(430)**	(316)
Exchange realignment	**10,279**	3,177
Closing net carrying amount	**1,032,149**	1,020,524
Gross carrying amount	**1,032,895**	1,020,840
Accumulated amortisation	**(746)**	(316)
Net carrying amount	**1,032,149**	1,020,524

11. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Unaudited At 31 December 2012 *HK$'000*	Audited At 30 June 2012 *HK$'000*
Share of net assets	**95,919**	92,855
Loan to a jointly controlled entity	**400,800**	391,800
	496,719	484,655

The loan to a jointly controlled entity is unsecured, interest-free and not repayable within twelve months from the reporting date.

12. 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 *HK$'000*	**31-60 days** *HK$'000*	**61-90 days** *HK$'000*	**Over 90 days** *HK$'000*	**Total** *HK$'000*
Unaudited balance at 31 December 2012	**23,212**	**51,053**	**25,522**	**39,948**	**139,735**
Audited balance at 30 June 2012	51,172	29,340	18,345	10,153	109,010

13. 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 2012	**89,171**	**26,154**	**14,483**	**23,935**	**153,743**
Audited balance at 30 June 2012	88,451	21,171	11,839	11,705	133,166

14. BANK LOANS

At 31 December 2012, the Group's bank loans are as follows:

	Unaudited 31 December 2012	Audited 30 June 2012
	HK$'000	*HK$'000*
Portion of loans from banks due for repayment within one year		
– Secured and guaranteed	**292,500**	292,500
– Guaranteed	**47,619**	30,441
	340,119	322,941
Portion of loans from banks due for repayment after one year which contain a repayable on demand clause		
– Secured and guaranteed	–	–
– Guaranteed	–	1,231
	340,119	324,172

The repayment schedule of bank loans is as follows:

Portion of bank loans due for repayment within one year	**340,119**	322,941
Portion of bank loans due for repayment after one year which contain a repayment on demand clause		
– in second year	–	1,231
	340,119	324,172

14. BANK LOANS (CONTINUED)

At 31 December 2012, the Group's banking facilities were secured/guaranteed by the followings:

(a) legal charges over the Group's investment property, certain leasehold land and buildings and land use rights;

(b) corporate guarantees executed by the Company;

(c) ordinary shares of an indirect wholly-owned subsidiary of the Company; and

(d) guarantees from the Government of the Hong Kong Special Administrative Region, under the Special Loan Guarantee.

Subsequent to reporting date, the Group had renewed several banking facilities, in aggregate, of up to HK$400,000,000 to the Group.

15. LOAN FROM A CONTROLLING SHAREHOLDER

	Total *HK$'000*
Balance as at 1 July 2012 (Audited) *	105,000
Addition **	4,934
Balance as at 31 December 2012 (Unaudited)	109,934

* The loan is advanced from Dr. Chan Sing Chuk, Charles ("Dr. Chan"), a director and shareholder of the Company and is unsecured, interest-bearing at 1.5% per annum and not repayable within the next twelve months from the reporting date.

** The addition loan amount of RMB4,000,000 (equivalent to approximately HK$4,934,000) is advanced from Dr. Chan to a wholly-owned subsidiary of the Company under loan agreement dated 26 October 2012, is unsecured, interest-free and repayable in two years.

16. ISSUED CAPITAL

	Number of ordinary shares of HK$0.01 each	**Total** *HK$'000*
Authorised:		
At 30 June 2012 and 31 December 2012	35,000,000,000	350,000
Issued and fully paid:		
At 30 June 2012 and 31 December 2012	5,110,656,270	51,107

There was no change in the Company's issued share capital during the six months ended 31 December 2012.

17. CAPITAL COMMITMENTS

	Unaudited At 31 December 2012 ***HK$'000***	Audited At 30 June 2012 *HK$'000*
Contracted but not provided for:		
Property, plant and equipment	**2,459**	1,114
Properties under development classified under investment property	**13,752**	13,752
Properties under development classified under investment property undertaken by a jointly controlled entity attributable to the Group	**256,786**	279,389
	272,997	294,255

18. OPERATING LEASE COMMITMENTS

As lessee

The Group leases certain shops, office properties and staff quarters under operating lease arrangements. Leases (including contingent rental) are negotiated at fixed rate or with reference to level of business and terms ranging from one to three years. At 31 December 2012, the total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Unaudited At 31 December 2012 ***HK$'000***	Audited At 30 June 2012 *HK$'000*
Within one year	**2,054**	2,027
In the second to fifth year, inclusive	**1,553**	1,488
	3,607	3,515

19. RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in this report, other significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

(a) No subcontracting fees (2011: HK$3,079,000) is paid and payable to certain associates. The sub-contracting fees are mutually negotiated between the Group and the associates.

(b) During the six months ended 31 December 2012, imputed interest expenses of HK$283,000 (2011: HK$1,175,000) were incurred to Tamar Investments, which is beneficially owned by Dr. Chan and Ms. Cheng Siu Yin, Shirley, in relation to the convertible note issuance for the acquisition of Big Bonus Limited and its subsidiaries ("Big Bonus Group").

(c) During the six months ended 31 December 2012, imputed interest expenses of HK$2,166,000 (2011: HK$2,004,000) were incurred to Famous Key, which is a company wholly owned by Dr. Chan, in relation to the convertible note issuance for the acquisition of the shares of Macarthur Minerals Limited.

19. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) During the six months ended 31 December 2012, imputed interest expenses of HK$880,000 (2011: Nil) were incurred to a related company of which Dr. Chan is a beneficial owner.

(e) During the six months ended 31 December 2012, interest expenses of HK$794,000 (2011: HK$347,000) payable to Dr. Chan in relation to the loan from a controlling shareholder.

(f) Compensation of key management personnel

Included in employee benefit expenses are key management personnel compensation and comprises the following categories:

	Unaudited Six months ended 31 December	
	2012	2011
	HK$'000	*HK$'000*
Short term employee benefits	**5,397**	4,050
Post-employment benefits	**186**	162
	5,583	4,212

(g) As at 31 December 2012, the outstanding balance due to a related party is RMB23,612,000 (equivalent to approximately HK$29,123,000) (30 June 2012: HK$27,961,000). The amount payable to the related party is interest free, unsecured and repayable on 31 May 2015.

(h) As at 31 December 2012, the outstanding balance due to an ultimate holding company is HK$7,877,000 (30 June 2012: HK$7,877,000). The amount payable to the ultimate holding company is interest free, unsecured and not payable within the next twelve months from the reporting date.

Except for the aforesaid in notes 15, 19(b) to 19(h), during the period and up to the date of this report, no other material related party transactions/connected transactions were entered into between the Group and related parties/connected persons of the Group.

20. CONTINGENT LIABILITIES

The Company has provided guarantees amounting to HK$527,500,000 (30 June 2012: HK$487,500,000) 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 that the repayment of the loans would be in default.

During the six months ended 31 December 2012, a guarantee to the extent of RMB235,000,000 (equivalent to approximately HK$289,849,000), being 50% of the term loan facility of RMB470,000,000 (the "Facility") was given by the Company to a bank in respect of the Facility granted to 上海海錦房地產有限公司 (Shanghai Haijin Real Estate Co., Ltd.) (the "JV Subsidiary"). The JV Subsidiary is a wholly-owned subsidiary of Wealth Plus Developments Limited ("Wealth Plus"), a jointly controlled entity of the Company. As at 31 December 2012, the aggregate amount that the JV Subsidiary has utilised was approximately RMB63,768,000 (equivalent to HK$78,651,000).

In the opinion of the Directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition after taking into consideration the possibility of the default of the parties involved. Accordingly, no value has been recognised in the consolidated interim Financial Statements.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

The Group consolidated turnover for the six months ended 31 December 2012 recorded a slight decrease of 3.8% from last interim of HK$525,850,000 to HK$506,025,000. Profit attributable to equity owners of the Company of HK$5,587,000, a decrease of HK$242,192,000 when compare to the last interim profit of HK$247,779,000. Such decrease in profit is mainly attributable to the absence of the one-off gain arising from acquisition of subsidiaries engaging in mining and exploration of mineral resources in the People's Republic of China (the "PRC") recorded in the last interim. Earnings per share dropped to HK0.11 cent from HK6.21 cents in last interim period.

BUSINESS REVIEW AND PROSPECT

In the period under review, the Group achieved a turnover of HK$499,456,000 for the jewellery and diamonds operations. The United States, one of our major markets of our jewellery businesses is still slowly recovering. The pace remains lower than expectations and the luxury consumption is still being affected. In Europe and United Kingdom, the uncertainty of the sovereign debt in the regions continues to persist. Retail sales have been greatly impacted and jewellery sales have dropped as a result. Customers are cautious and conservative in managing their jewellery inventory and retail merchandise. We foresee this environment to prolong in the coming seasons. In view of the overall business environment, the Group will continue to enhance our wholesale brands and we expect to see more developments and increased contributions to the Group in the future.

As for the property investment, the Group is maintaining two development projects in Hong Kong and PRC. In Hong Kong, the project is located at No. 236-242 Des Voeux Road Central and the foundation work is in progress. The project occupies a site area of approximately 302 sq. m, which will be developed into a multi-storey commercial, shop and retail premises with a gross floor area of approximately 4,527 sq. m. We expect completion date will be in 2015. In the PRC, the Group has a 50% interest through a jointly controlled entity holds two parcels of land with a total area of approximately to 18,101 sq. m. and a 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 upscale multi-purpose property comprising of a large shopping mall, premium grade offices and car parking facilities. Basement level and foundation works are close to completion. Works will commence on the ground upper levels this year. We target completion by end of 2014.

For the mining business, trial production continued. Pre-production exploration carried on at Hongzhuang site in the second half of 2012. Some areas with potential were identified. Further studies will be required to complete the mining design. In anticipation of the development plan at Hongzhuang site, management is also considering re-visiting some of the old shafts at Yuanling site to investigate the feasibility of re-opening some of these easily accessible shafts which may contain residue ore of economic value at today's gold price level.

PROSPECTS

The Group at all levels are making steady progress. On jewellery end, we will continue to focus our efforts on product innovations, value added services, as well as branding and marketing initiatives. In property and mining, both segments are making good progress and aim to bring in positive contributions to the Group. A hum of mining operations will be directed toward increasing the value of the project. These include exploration to enhance the resources value at both the Yuanling and Hongzhuang sites. The mining department will continue to further improve on the trial production and will explore new grounds for future development.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2012 (2011: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2012, the Group had a gearing ratio of 0.23 (30 June 2012: 0.21), 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 the cash and cash equivalents. Total cash and cash equivalents were HK$55,328,000 (30 June 2012: HK$85,236,000) which were mainly denominated in Hong Kong Dollars, US Dollars and British Pounds. The decrease in total cash and cash equivalents is mainly attributable to settlement of balance payment of the mining licence and advance to a jointly controlled entity. While bank loans were HK$340,119,000 (30 June 2012: HK$324,172,000) which were mainly denominated in Hong Kong Dollar and Renminbi. Other borrowings in respect of convertible notes, amount due to a related company, loan from a controlling shareholder and amount due to ultimate holding company were approximately of HK$217,966,000 (30 June 2012: HK$209,421,000). 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.

Subsequent to reporting date, the Group had renewed several banking facilities, in aggregate, of up to HK$400,000,000 to the Group. 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 at 31 December 2012, the Group's investment property, certain leasehold land and buildings and land use rights with an aggregate net carrying value of HK$477,376,000 (30 June 2012: HK$475,126,000) were pledged to certain banks to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 31 December 2012, the Company has provided guarantees amounting to HK$527,500,000 (30 June 2012: HK$487,500,000) with respect to bank loans to its subsidiaries. A guarantee to the extent of RMB235,000,000 (equivalent to approximately HK$289,849,000) (30 June 2012: Nil) was given by the Company in favour of a bank in respect of a term loan facility granted to a subsidiary of a jointly controlled entity of the Company.

Details of contingent liabilities of the Company are set out in Note 20 to the condensed consolidated interim financial statements.

CAPITAL STRUCTURE

There was no change to the Group's capital structure during the six months ended 31 December 2012.

SIGNIFICANT EVENT

On 8 November 2012, the Company, as one of the guarantors, entered into a facility agreement in favour of a bank in relation to the provision of term loan facility in a principal amount of RMB470,000,000 (equivalent to approximately HK$579,698,000) (the "Facility") by the bank to a wholly-owned subsidiary of Wealth Plus, a jointly controlled entity of the Company. Pursuant to the Facility, the Company entered into a repayment guarantee with the bank for financial obligations of RMB235,000,000 (equivalent to HK$289,849,000), being 50% of the Facility. The Facility will be utilised for the payment of construction costs, associated professional and consulting fees (including architect's and surveyor's fees), marketing expenses, other reasonably related and overhead expenses and taxes in respect of the construction site located in Yangpu District of Shanghai (上海楊浦區). Further details of which are set out in the announcement of the Company dated 8 November 2012 and the circular of the Company dated 29 November 2012.

NUMBER OF EMPLOYEES, REMUNERATION POLICIES AND SHARE OPTION SCHEMES

As at 31 December 2012, the Group employed a total of approximately 1,090 employees (30 June 2012: 1,155) 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 contract in order to minimise the exchange rate risk as a result of fluctuation in British Pound. Management will continue to monitor the foreign exchange risk exposure and will take appropriate action when necessary. During the six months ended 31 December 2012, 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 2012.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2012, the interests and short positions of the Directors and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register maintained by the Company under Section 352 of Part XV of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as set out below:

Name of directors	Capacity	Number and class of shares held	Percentage Holdings
Chan Sing Chuk, Charles *(Note 1)*	Interest in a controlled Corporation	5,201,894,033 ordinary	101.785%
Cheng Siu Yin, Shirley *(Note 1)*	Interest in a controlled Corporation	5,201,894,033 ordinary	101.785%
Chan Wai Lap, Victor	Beneficial Owner	2,700,000 ordinary	0.053%
Chan Ping Kuen, Derek	Beneficial Owner	200,000 ordinary	0.004%

Name of directors	Capacity	Debenture (Principal Amount)
Chan Sing Chuk, Charles *(Note 2)*	Interest in a controlled Corporation	HK$383.17 million *(Note 2)*
Cheng Siu Yin, Shirley *(Note 2)*	Interest in a controlled Corporation	HK$383.17 million *(Note 2)*

Notes:

1. Such interests are held as to (i) 5,063,395,220 shares by Tamar Investments, which is a company wholly owned by Dr. Chan and Ms. Cheng Siu Yin, Shirley and include interests in the conversion shares which have been issued to Tamar Investments on 12 October 2011 under the acquisition of Big Bonus Group; and (ii) 138,498,813 Shares by Famous Key, which is a company wholly owned by Dr. Chan and represent interest in the conversion shares as defined and disclosed in the circular of the Company dated 25 June 2010 (the "Circular") under the Famous Key Convertible Note (as defined and disclosed in the Circular). Dr. Chan and Ms. Cheng Siu Yin, Shirley, both being Directors, are the directors of Tamar Investments.

2. Such interest is held by (i) Tamar Investments in the convertible note in HK$325,000,000 principal amount (issued on 12 October 2011 under the acquisition of Big Bonus Group); and (ii) Famous Key in the Famous Key Convertible Note in HK$58,170,000 principal amount (issued on 30 March 2011 under the Macarthur Minerals Limited Acquisition). Tamar Investments is wholly owned by Dr. Chan and Ms. Cheng Siu Yin, Shirley as referred to in Note 1 and Famous Key is wholly owned by Dr. Chan as referred to in Note 1.

Except as disclosed above, at the reporting date, none of the Directors or their respective associates had any personal, family, corporate or other interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2012, no person, other than Dr. Chan and Ms. Cheng Siu Yin, Shirley, whose interests are set out in the section "Directors' interests and short positions in shares, underlying shares and debentures" above, had registered an interest in 5% or more of the issued share capital of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONTINUING DISCLOSURE REQUIREMENTS UNDER 13.20 AND 13.22 OF THE LISTING RULES IN RELATION TO FINANCIAL ASSISTANCE TO AFFILIATED COMPANIES

Based on the disclosure obligations under Rules 13.20 and 13.22 of the Listing Rules, the financial assistance, which was made by the Group, continued to exist as at 31 December 2012. The financial assistance, in aggregate, represent approximately 25.7% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules.

The amounts of the Financial Assistance as at 31 December 2012 were set out below:

Name of the entities	**Attributable interest held by the Group**	**Shareholder's loan or Advances** *HK$*	**Corporate Guarantee** *HK$*	**Aggregate Financial Assistance** *HK$*
Wealth Plus and its subsidiary	50%	400,800,000 *(Note 1)*	289,849,000 *(Note 2)*	690,649,000

Notes:

1. The shareholder's loan or advances had been granted as working capital for the development of the construction site located in Yangpu District, Shanghai. The outstanding shareholder's loan or advances is interest free, unsecured and has no fixed repayment term.

2. A guarantee to the extent of RMB235,000,000 (equivalent to approximately HK$289,849,000) was given by the Company in favour of a bank in respect of a term loan facility granted to a subsidiary of Wealth Plus. Particulars of the guarantee is set out in Note 20 to the condensed consolidated interim financial statements.

In accordance with the requirement under Rule 13.22 of the Listing Rules, the proforma combined unaudited statement of financial position of the jointly controlled entity and the Group's attributable interests in these affiliated companies based on their latest financial statements available are presented below:

	Proforma combined unaudited statement of financial position *HK$'000*	**Group's attributable interest** *HK$'000*
Non-current assets	1,171,708	585,854
Current assets	36,906	18,453
Current liabilities	(157,016)	(78,508)
Non-current liabilities	(859,768)	(429,884)
Net assets	191,830	95,915

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 2012 except for the following deviations:

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. 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 Article 115(A) & 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 and re-election in view of small number of total Directors of the Company, the Directors will consider to adopt the Code Provision should the number of Directors increase substantially.

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 2012.

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 2012. The Audit Committee has approved the unaudited consolidated interim financial statements.

On behalf of the Board
Chan Sing Chuk, Charles
Chairman

Hong Kong, 26 February 2013