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**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 2009**

(Expressed in Hong Kong dollars)

**RESULTS FOR THE YEAR ENDED 30 JUNE 2009**

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 2009 together with comparative figures for the previous financial year as follows:

**CONSOLIDATED INCOME STATEMENT**

for the year ended 30 June 2009

	Notes	2009 HK\$'000	2008 HK\$'000
<b>Revenue</b>	3	<b>1,189,622</b>	1,497,682
Cost of sales		<b>(1,061,343)</b>	(1,337,277)
Gross profit		<b>128,279</b>	160,405
Selling and distribution costs		<b>(21,465)</b>	(26,676)
Administrative expenses		<b>(111,890)</b>	(73,143)
Other operating expenses		<b>(17,446)</b>	(18,690)
Changes in fair value of investment properties		<b>101,080</b>	81,445
<b>Profit from operations</b>		<b>78,558</b>	123,341
Finance costs	4	<b>(12,187)</b>	(19,733)
Share of results of associates		<b>(701)</b>	(681)
Share of results of jointly controlled entities		<b>5,472</b>	(1,854)
<b>Profit before income tax</b>	5	<b>71,142</b>	101,073
Income tax credit/(expense)	6	<b>64,807</b>	(13,985)
<b>Profit for the year</b>		<b>135,949</b>	87,088

	<i>Notes</i>	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Attributable to:			
Equity holders of the Company		<b>135,939</b>	83,477
Minority interests		<b>10</b>	3,611
		<hr/>	<hr/>
<b>Profit for the year</b>		<b>135,949</b>	87,088
		<hr/> <hr/>	<hr/> <hr/>
<b>Dividends</b>	7		
Interim		<b>3,128</b>	2,798
Proposed final dividend		<b>3,128</b>	4,197
Proposed special dividend		<b>93,849</b>	–
		<hr/>	<hr/>
		<b>100,105</b>	6,995
		<hr/> <hr/>	<hr/> <hr/>
<b>Earnings per share for profit attributable to the equity holders of the Company during the year</b>	8		
– Basic		<b>HK44.5 cents</b>	HK29.8 cents
		<hr/> <hr/>	<hr/> <hr/>
– Diluted		<b>N/A</b>	N/A
		<hr/> <hr/>	<hr/> <hr/>

**CONSOLIDATED BALANCE SHEET***as at 30 June 2009*

	<b>2009</b>	2008
<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>		
<b>Non-current assets</b>		
Property, plant and equipment	<b>435,836</b>	50,723
Leasehold land/Land use rights	<b>8,883</b>	9,119
Investment properties	–	752,400
Interests in associates	<b>3,051</b>	3,606
Interests in jointly controlled entities	<b>216,382</b>	131,978
Available-for-sale financial assets	<b>12,974</b>	14,177
Long term receivables	–	6,135
Deferred tax assets	<b>9,217</b>	8,890
	<hr/> <b>686,343</b>	<hr/> 977,028
<b>Current assets</b>		
Inventories	<b>295,492</b>	338,573
Trade receivables	<b>106,942</b>	168,745
Prepayments, deposits and other receivables	<b>29,177</b>	42,257
Current portion of long term receivables	<b>1,305</b>	4,926
Financial assets at fair value through profit or loss	<b>10,324</b>	12,763
Due from associates	<b>330</b>	493
Due from a jointly controlled entity	–	120
Cash and cash equivalents	<b>45,759</b>	128,868
	<hr/> <b>489,329</b>	<hr/> 696,745
Assets classified as held for sale	<b>838,000</b>	–
	<hr/> <b>1,327,329</b>	<hr/> 696,745

	<i>Notes</i>	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
<b>Current liabilities</b>			
Trade payables	<i>10</i>	<b>(157,142)</b>	(199,930)
Other payables and accruals		<b>(62,883)</b>	(46,170)
Derivative financial instruments		<b>(170)</b>	–
Provision for tax		<b>(11,623)</b>	(17,183)
Due to associates		<b>(288)</b>	(538)
Due to jointly controlled entities		–	(3)
Bank loans, secured		<b>(141,633)</b>	(90,870)
		<u><b>(373,739)</b></u>	<u>(354,694)</u>
Liabilities associated with assets classified as held for sale		<b>(9,628)</b>	–
		<u><b>(383,367)</b></u>	<u>(354,694)</u>
<b>Net current assets</b>		<u><b>943,962</b></u>	<u>342,051</u>
<b>Total assets less current liabilities</b>		<b>1,630,305</b>	1,319,079
<b>Non-current liabilities</b>			
Loans from minority shareholders		<b>(1,125)</b>	(1,125)
Bank loans, secured		<b>(541,263)</b>	(372,409)
Promissory note		<b>(42,000)</b>	–
Deferred tax liabilities		<b>(16)</b>	(66,972)
		<u><b>(584,404)</b></u>	<u>(440,506)</u>
<b>Net assets</b>		<u><b>1,045,901</b></u>	<u>878,573</u>
<b>EQUITY</b>			
<b>Equity attributable to the Company's equity holders</b>			
Issued capital		<b>31,283</b>	27,980
Reserves		<b>916,367</b>	844,531
Proposed dividend		<b>96,977</b>	4,197
		<u><b>1,044,627</b></u>	<u>876,708</u>
<b>Minority interests</b>		<b>1,274</b>	1,865
<b>Total equity</b>		<u><b>1,045,901</b></u>	<u>878,573</u>

## 1. GENERAL AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective terms include all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (“Int”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the requirements of the Hong Kong Companies Ordinance. The financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The financial statements have been prepared on the historical cost basis except for investment properties and certain financial assets and liabilities, which are stated at fair values.

## 2. ADOPTION OF NEW OR AMENDED HKFRSs

During the year, the Group has applied for the first time the following new standards, amendments and interpretations (the new “HKFRSs”) issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 July 2008:

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The new HKFRSs have no material effect on how the results and financial positions for the current and prior period have been prepared and presented. Accordingly, no prior period adjustment is required.

At the date of authorisation of these financial statements, the following new or amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 32, HKAS 39 & HKFRS 7 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKAS 39 (Amendment)	Eligible Hedged Items <sup>2</sup>
HKFRS 1 (Revised)	First-time Adoption of HKFRSs <sup>2</sup>
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters <sup>4</sup>
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity and an Associate <sup>1</sup>
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions <sup>4</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate <sup>1</sup>
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation <sup>3</sup>
HK(IFRIC) – Int 17	Distribution of Non-Cash Assets to Owners <sup>2</sup>
HK(IFRIC) – Int 18	Transfer of Assets from Customers <sup>5</sup>
Various	Annual Improvements to HKFRSs 2008 <sup>6</sup>
Various	Annual Improvements to HKFRSs 2009 <sup>7</sup>

Notes:

- <sup>1</sup> *Effective for annual periods beginning on or after 1 January 2009*
- <sup>2</sup> *Effective for annual periods beginning on or after 1 July 2009*
- <sup>3</sup> *Effective for annual periods beginning on or after 1 October 2008*
- <sup>4</sup> *Effective for annual periods beginning on or after 1 January 2010*
- <sup>5</sup> *Effective for transfers of assets from customers received on or after 1 July 2009*
- <sup>6</sup> *Generally effective for annual periods beginning on or after 1 January 2009 unless otherwise stated in the specific HKFRS*
- <sup>7</sup> *Generally effective for annual periods beginning on or after 1 January 2010 unless otherwise stated in the specific HKFRS*

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

Amongst these new standards and interpretations, HKAS 1 (Revised) Presentation of Financial Statements is expected to materially change the presentation of the Group's financial statements. The amendment affects the presentation of owner changes in equity and introduces a statement of comprehensive income. The Group will have the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with subtotals or in two separate statements (a separate income statement followed by a statement of other comprehensive income). This amendment does not affect the financial positions or results of the Group but will give rise to additional disclosures.

In addition, HKFRS 8 Operating Segments may result in new or amended disclosures. The directors are in the process of identifying reportable operating segments as defined in HKFRS 8.

The directors are currently assessing the impact of the other new or amended HKFRSs upon initial application. So far, the directors have preliminarily concluded that the initial application of these HKFRSs is unlikely to have a significant impact on the Group's results and financial positions.

### **3. REVENUE AND SEGMENT INFORMATION**

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowance for returns and trade discounts, subcontracting services income, gross rental income, interest income, and dividend income from investments.

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers and assets are attributed to the segments based on the location of the assets.

**(a) Business segment**

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments.

	Design, manufacturing, marketing and trading of fine jewellery and diamonds		Property investment		Investment		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to/revenue from external parties	<u>1,151,465</u>	<u>1,462,746</u>	<u>36,861</u>	<u>31,464</u>	<u>1,296</u>	<u>3,472</u>	<u>1,189,622</u>	<u>1,497,682</u>
Segment results	<u>(17,842)</u>	<u>24,250</u>	<u>108,810*</u>	<u>108,025*</u>	<u>(6,947)</u>	<u>(2,518)</u>	<u>84,021</u>	<u>129,757</u>
Unallocated expenses							<u>(5,463)</u>	<u>(6,416)</u>
Profit from operations							<u>78,558</u>	<u>123,341</u>
Finance costs							<u>(12,187)</u>	<u>(19,733)</u>
Share of results of associates							<u>(701)</u>	<u>(681)</u>
Share of results of jointly controlled entities							<u>5,472</u>	<u>(1,854)</u>
Profit before income tax							<u>71,142</u>	<u>101,073</u>
Income tax credit/(expense)							<u>64,807</u>	<u>(13,985)</u>
Profit for the year							<u>135,949</u>	<u>87,088</u>

\* The changes in fair value of investment properties of HK\$101,080,000 (2008: HK\$81,445,000) were included in the segment results of the business segment of "Property investment".

	Design, manufacturing, marketing and trading of fine jewellery and diamonds		Property investment		Investment		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets	481,238	619,230	1,231,363	753,748	23,980	27,369	1,736,581	1,400,347
Interests in associates							3,051	3,606
Interests in jointly controlled entities							216,382	131,978
Unallocated assets							57,658	137,842
Total assets							<u>2,013,672</u>	<u>1,673,773</u>
Segment liabilities	194,270	236,222	36,587	9,765	379	354	231,236	246,341
Bank loans, secured							682,896	463,279
Promissory note							42,000	-
Unallocated liabilities							11,639	85,580
Total liabilities							<u>967,771</u>	<u>795,200</u>
Other segment information:								
Depreciation	8,153	8,855	137	112	59	59	8,349	9,026
Amortisation on leasehold land/land use rights	236	239	-	-	-	-	236	239
Non-cash expenses	13,980	17,408	23	-	-	-	14,003	17,408
Capital expenditure	2,545	7,459	391,389	-	-	-	393,934	7,459

**(b) Geographical segment**

- (i) The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods and services.

	Sales revenue by geographical market	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
North America	558,919	762,303
Europe	411,914	499,675
Hong Kong	194,227	225,828
Other locations	24,562	9,876
	<u>1,189,622</u>	<u>1,497,682</u>

- (ii) The following is an analysis of the carrying amount of segment assets and capital expenditure, analysed by the geographical area in which the segment assets are located.

	Carrying amount of segment assets		Capital expenditure	
	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
North America	96,458	132,222	–	–
Europe	74,831	107,168	86	1,536
Hong Kong	1,364,209	937,098	391,614	318
Mainland China	199,818	218,971	2,234	5,605
Other locations	1,265	4,888	–	–
	<u>1,736,581</u>	<u>1,400,347</u>	<u>393,934</u>	<u>7,459</u>

#### 4. FINANCE COSTS

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Interest charges on:		
Bank loans		
– wholly repayable within five years	16,361	2,782
– repayable over five years	–	16,951
Promissory note wholly repayable within five years	562	–
	<u>16,923</u>	<u>19,733</u>
Total borrowing costs	16,923	19,733
Less: Bank loan interest capitalised in properties under development	(4,736)	–
	<u>12,187</u>	<u>19,733</u>

## 5. PROFIT BEFORE INCOME TAX

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
The Group's profit before income tax is arrived at after charging/(crediting):		
Cost of inventories sold	1,047,469	1,292,926
Depreciation of property, plant and equipment	8,349	9,026
Amortisation of leasehold land/land use rights	236	239
Minimum lease payments under operating leases on land and buildings	4,749	5,171
Auditors' remuneration	925	997
Write back against inventories	(4,991)	(3,342)
Net foreign exchange losses/(gains)	11,072	(2,197)
Impairment loss on property, plant and equipment	2,261	–
Provision for long term receivables	8,449	1,195
Gain on disposal of leasehold land/land use rights	–	(3)
Loss on disposal of property, plant and equipment	65	45
Bad debts written off	–	2,227
Amount due from an associate written off	–	1,070
Provision for trade receivables	3,205	9,006
Fair value loss on derivative financial instruments		
– forward currency contracts	1,485	–
– interest rate swap contracts	–	39
	<u>                    </u>	<u>                    </u>

## 6. INCOME TAX (CREDIT)/EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 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.

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Current tax		
Hong Kong	2,757	10,108
Over provision in prior years	(281)	(9,554)
	<u>                    </u>	<u>                    </u>
	2,476	554
Deferred tax		
Current year	(67,283)	15,982
Attributable to decrease in tax rate	–	(2,551)
	<u>                    </u>	<u>                    </u>
	(67,283)	13,431
Total income tax (credit)/expense	<u>                    </u>	<u>                    </u>
	(64,807)	13,985

## 7. DIVIDENDS

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

	<b>2009</b>	2008
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Interim-HK\$0.010 (2008: HK\$0.010) per ordinary share	<b>3,128</b>	2,798
Proposed final – HK\$0.010 (2008: HK\$0.015) per ordinary share	<b>3,128</b>	4,197
Proposed special dividend – HK\$0.300 (2008: Nil) per ordinary share	<b>93,849</b>	–
	<u><b>100,105</b></u>	<u>6,995</u>

The final and special dividends proposed after the balance sheet date have not been recognised as a liability at the balance sheet date, but reflected as an appropriation of retained profits for the year ended 30 June 2009.

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

	<b>2009</b>	2008
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$0.015 per ordinary share (2008: HK\$0.020 per ordinary share)	<u><b>4,692*</b></u>	<u>5,596</u>

\* The actual final dividend paid for the year ended 30 June 2008 was HK\$4,692,000 due to additional 33,030,303 ordinary shares issued and allotted on 22 September 2008.

## 8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to the equity holders of the Company for the year of HK\$135,939,000 (2008: HK\$83,477,000), and on the weighted average of 305,319,334 (2008: 279,800,031) ordinary shares in issue during the year.

No diluted earnings per share amounts are shown as the Company has no potential ordinary shares for the years ended 30 June 2009 and 2008.

## 9. TRADE RECEIVABLES

The Group normally applies 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 balance sheet date, based on the date of recognition of the sale, is as follows:

	<b>Group</b>	
	<b>2009</b>	<b>2008</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	40,389	82,269
31 – 60 days	40,412	36,343
61 – 90 days	19,709	17,430
Over 91 days	6,432	32,703
	<hr/>	<hr/>
	<b>106,942</b>	<b>168,745</b>
	<hr/> <hr/>	<hr/> <hr/>

## 10. TRADE PAYABLES

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

	<b>Group</b>	
	<b>2009</b>	<b>2008</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	125,589	104,170
31 – 60 days	19,632	41,260
61 – 90 days	9,201	21,085
Over 91 days	2,720	33,415
	<hr/>	<hr/>
	<b>157,142</b>	<b>199,930</b>
	<hr/> <hr/>	<hr/> <hr/>

## **DIVIDENDS**

An interim dividend of HK\$0.01 per ordinary share was paid on Thursday, 23 April 2009. The directors recommend the payment of a final dividend of HK\$0.01 and a special dividend of HK\$0.30 per ordinary share in respect of the year, to shareholders on the register of members on Tuesday, 1 December 2009. The final and special dividends will be paid on or about Monday, 7 December 2009.

## **CLOSURE OF REGISTERS OF MEMBERS**

The register of member of the Company will be temporarily closed from Friday, 27 November 2009 to Tuesday, 1 December 2009, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the final and special dividends and for attendance at the Company's annual general meeting to be held on Tuesday, 1 December 2009, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Thursday, 26 November 2009.

## **BUSINESS REVIEW AND PROSPECTS**

The financial year ended 30 June 2009 the Group achieved a turnover of HK\$1.190 billion (2008: HK\$1.498 billion). Profit attributable to equity holders of the Company was HK\$136 million (2008: HK\$83 million) and earnings per share was HK44.5 cents (2008: HK29.8 cents).

The financial year of 2008-2009 has been a challenging year. Starting with the outbreak of the financial tsunami in the United States, the effects slowly trickled down to other countries worldwide. Overall, this year has been a period of adjustment and caution for the industry. Earlier in the year the impact from the weakening macro-environment has resulted in weaker consumer purchasing patterns leading onto a softening of sales. As a result, both the American and European markets reflected a decrease in sales of 2009.

As a group, we continue to diversify our business activities and investments. In the financial year of 2009, we have re-positioned our real estate portfolio through the sale of Continental Diamond Plaza. The transaction was completed on 16 October 2009. The disposal of the Continental Diamond Plaza generated positive income and adequate cash to the Group. Subsequently the Board has proposed to distribute a special dividend of HK\$0.30 per ordinary share. The dividend was based on careful consideration of not affecting the daily operational expenses, Company's liquidity and cash flow.

## **BUSINESS OUTLOOK**

In the near future, we foresee there will be quite sometime before the luxury goods consumption on a worldwide level begins to pick up. The Group will continue to implement prudent measures to tighten our credit control, currency exposure, and risk management. We remain cautious yet optimistic towards the future outlook of the industry. Going forward, our Group maintains vigilant in identifying sound investments and other business opportunities.

## **LIQUIDITY, FINANCIAL RESOURCES AND GEARING**

As of 30 June 2009, the Group had a moderate gearing ratio of 0.39 (2008: 0.28), 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 bank balances. Total cash and bank balances were HK\$45,759,000 (2008: HK\$128,868,000) which were mainly denominated in Hong Kong Dollar, US Dollar and British Pound, while bank loans were HK\$682,896,000 (2008: HK\$463,279,000) which were mainly denominated in Hong Kong Dollar and Renminbi and other borrowings in respect of promissory note were HK\$42,000,000 (2008: Nil) which were denominated in Hong Kong Dollar. The movement in bank loans represent mainly the acquisition of a property under development. These bank loans are secured by first legal charges over the Group's investment property classified as held for sale, certain leasehold land and buildings, property under development, assignment of rental income of an investment property classified as held for sale and corporate guarantees executed by the Company.

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 2009, the Group's investment property classified as held for sale, certain leasehold land and buildings and property under development with an aggregate net book/carrying value of HK\$1,255,275,000 (2008: HK\$776,972,000) were pledged to certain banks to secure general banking facilities granted to the Group.

## **CAPITAL STRUCTURE**

All the Group's borrowings are denominated in local Hong Kong Dollar and Renminbi. Interest is determined on the basis of Hong Kong Inter-bank Offering Rate or Prime Rate and Renminbi fixed rate. There was no change to the Group's capital structure during the year ended 30 June 2009. In the light of the current financial position of the Company 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 1,200 employees with the majority in the PRC. The Group remunerates its employees largely based on the industrial practice. There is no share option scheme being adopted by the Company.

## **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 and Hong Kong Dollar respectively. The risk of foreign exchange fluctuations is minimal under the peg. During the year, 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 exposure and will take appropriate action when necessary. As of 30 June 2009, the Group has entered into certain foreign exchange forward contract.

## **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 the four independent non-executive directors and one non-executive director of the Company.

## **CORPORATE GOVERNANCE**

The Company has complied with all the code provisions set out in Appendix 14 Code on Corporate Governance Practices (the "Code") of the Listing Rules throughout the accounting year ended 30 June 2009, 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 Siu Yin, Shirley is the Managing Director of the Company. She is responsible for day-to-day management and the marketing activities of the Group. Ms. Cheng is the wife of Dr. Chan Sing Chuk, Charles.

Although the Company does not have a post of 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 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 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 and re-election in view of the small number of total directors of the Company, the Directors will consider to adopt the Code Provision should the number of Directors increase substantially.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules.

The Company has made specific enquiry with all Directors and all of them confirmed that, for the financial year ended 30 June 2009, they have complied with the required standard set out in the Model Code.

### **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This annual results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited website at [www.hkex.com.hk](http://www.hkex.com.hk) under "Latest Listed Companies Information" and at the website [www.equitynet.com.hk/hk513](http://www.equitynet.com.hk/hk513). The annual report for the year ended 30 June 2009 will be dispatched to the shareholders and will be available on the above websites in due course.

## ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my sincere gratitude to the Group's management and staff member 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  
**Chan Sing Chuk, Charles**  
*Chairman*

Hong Kong, 20 October 2009

*As at the date of this announcement, Dr. Chan Sing Chuk, Charles BBS, JP, Ms. Cheng Siu Yin, Shirley, Ms. Chan Wai Kei, Vicki and Mr. Chan Wai Lap, Victor are executive Directors, Mr. Chu Wai Kok is a non-executive Director, Mr. Wong Kai Cheong, Mr. Yu Shiu Tin, Paul BBS, MBE, JP, Mr. Chan Ping Kuen, Derek and Mr. Sze, Irons are independent non-executive Directors.*

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