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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)

**VERY SUBSTANTIAL ACQUISITION
AND
RESUMPTION OF TRADING**

VERY SUBSTANTIAL ACQUISITION

The Board is pleased to announce that on 17 July 2017 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company), the Seller, the Seller's Guarantors and the Target Subsidiary entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Seller has conditionally agreed to sell, the Sale Share (being the entire issued share capital of the Target Company) and the Sale Loan at an aggregate consideration of HK\$1,180 million, subject to the Adjustment.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition for the Company and is subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. A circular containing, among other things, further information of the Acquisition, a valuation report on the Land, other information as required under the Listing Rules and the notice convening the EGM are expected to be despatched to the Shareholders on or before 23 August 2017 in order to allow the Company sufficient time to prepare the necessary information for inclusion in the circular.

Tamar Investments Group Limited, the controlling Shareholder which holds approximately 74.12% of all the issued Shares, has undertaken to the Seller to cast all votes in relation to the Shares held by it to approve the Agreement and the Acquisition at the EGM.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was halted with effect from 9:00 a.m. on 18 July 2017 pending the publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 19 July 2017.

GENERAL

Completion of the Acquisition is subject to the satisfaction or (where applicable) waiver of the Conditions and therefore may or may not take place. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

INTRODUCTION

The Board is pleased to announce that on 17 July 2017 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company), the Seller, the Seller's Guarantors and the Target Subsidiary entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Seller has conditionally agreed to sell, the Sale Share (being the entire issued share capital of the Target Company) and the Sale Loan at an aggregate consideration of HK\$1,180 million, subject to the Adjustment.

THE AGREEMENT

A summary of the principal terms of the Agreement is as follows:

1. Date

17 July 2017

2. Parties

Purchaser: Globe Deal Investments Limited, a wholly-owned subsidiary of the Company

Seller: Hillcharm Limited, a company incorporated in the British Virgin Islands with limited liability. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, the principal business activity of the Seller is investment holding and it and its ultimate beneficial owners are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

Seller's Guarantors: (a) CSI Properties Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange and (b) Wisdom King Investments Limited, a company incorporated in the British Virgin Islands with limited liability. The Seller's Guarantors guaranteed the performance of the Seller's obligations under the Agreement.

Target Subsidiary: Pacific Gate Investment Limited, the registered owner of the Land

3. Assets to be acquired

Pursuant to the Agreement, the assets to be acquired by the Purchaser comprise the Sale Share (being the entire issued share capital of the Target Company beneficially owned by the Seller) and the Sale Loan (being all the inter-company loan owing by the Target Company to the Seller at Completion).

The Target Company is the holding company of the Target Subsidiary which principal asset is the Land. The Land is located on Wan Chai Road, Hong Kong with a site area of approximately 5,798 sq. m. It is the current intention of the Group to redevelop the Land into a commercial building with a gross floor area of approximately 86,970 sq. m.

4. Consideration and adjustment

The Consideration under the Agreement is HK\$1,180 million (subject to the Adjustment) which shall be satisfied in cash by the Purchaser to the Seller in the following manner:

- (a) an initial deposit of HK\$50 million has been paid by the Purchaser to the Seller's solicitors as stakeholders on signing of the Agreement;
- (b) a further deposit of HK\$68 million shall be paid by the Purchaser to the Seller's solicitors as stakeholders on 18 August 2017 or the date when the parties execute the formal agreement for sale and purchase, whichever is earlier; and
- (c) the balance of the Consideration (subject to the Adjustment) shall be paid by the Purchaser on Completion.

The Consideration shall be adjusted with reference to the net current asset/deficit value of the Target Group as at the Completion Date but the value of the Land and the Sale Loan and the sum relating to the possible stamp duty refund shall not be adjusting items.

The Consideration (together with the Adjustment, if any) was arrived at after arm's length negotiation between the Seller and the Purchaser with reference to the market value of the Land of about HK\$1,250 million appraised by an independent valuer engaged by the Group and the net current asset/deficit value of the Target Group. The valuation has adopted the direct comparison approach and valued the Land by reference to sales evidence as available on the market. The full valuation report made in compliance with the Listing Rules will be included in the circular of the Company to be despatched as mentioned below.

5. Conditions precedent

Completion of the Acquisition is subject to and conditional upon satisfaction or (where applicable) waiver of the following conditions precedent on or before the Completion Date:

- (a) the Target Subsidiary being able to show and give a good title to the Land in accordance with the Conveyancing and Property Ordinance (Cap.219 of the Laws of Hong Kong);
- (b) the Purchaser having undertaken a due diligence review of the Target Group and the Land and from which the Purchaser has not identified any material defect;
- (c) the warranties given by the Seller in the Agreement remaining true, accurate and not misleading in all material respects before or the date on which Completion should take place; and
- (d) the Shareholders having approved the transactions contemplated under the Agreement in accordance with the Listing Rules.

At any time before satisfaction, the Purchaser may waive all or any of the Conditions (other than the Condition set out in paragraph (d) above).

If any of the Conditions is not satisfied or (where applicable) waived on or before the Completion Date, the Seller may by notice to the Purchaser elect to postpone the Completion Date or terminate the Agreement in which case all rights and obligations of the parties under the Agreement shall terminate and the Purchaser shall be entitled to a refund of the deposits paid but no party shall have any claim against the others.

6. Completion

Completion shall take place on 25 October 2017 or such other date as the Seller and the Purchaser may agree in writing. Vacant possession of the Land will be delivered on Completion.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the assets, liabilities and results of the Target Group will be consolidated into the consolidated financial statements of the Group.

INFORMATION ON THE TARGET GROUP

The Target Company was incorporated in the British Virgin Islands with limited liability and its principal asset is its investment in the Target Subsidiary. The Target Subsidiary was incorporated in Hong Kong with limited liability and is the registered owner of the Land. A summary of the unaudited consolidated financial information of the Target Group for the two years ended 31 December 2016 is set out below:

	For the years ended	
	31 December	
	2016	2015
	<i>Approximately</i>	<i>Approximately</i>
	<i>HK\$</i>	<i>HK\$</i>
Net profit before taxation and extraordinary items	52,484,006	45,863,744
Net profit after taxation and extraordinary items	43,711,024	37,799,826

The unaudited net asset value of the Target Group as at 31 December 2016 amounted to approximately HK\$105,186,574.

REASONS FOR, AND BENEFITS OF, THE ACQUISITION

The Group is principally engaged in the businesses of (i) design, manufacturing, marketing and trading of fine jewellery and diamonds; (ii) property investment; (iii) mining operation; and (iv) investment.

Since the disposal of the Group's interest in Continental Place last year, the Group has been actively looking for suitable investment opportunities in order to enhance the return on equity of the Shareholders. Having considered the location of the Land, which is in one of the prime locations in Hong Kong, and its development potential and market value, the Directors consider that the Acquisition represents a good investment opportunity for the Group. Given that the terms of the Agreement were negotiated on an arm's length basis with reference to market value of the Land and the Acquisition is in line with the principal businesses of the Group, the Directors are of the view that the terms of the Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

It is expected that the Consideration will be funded by internal resources, and bank and other borrowings of the Group.

None of the Directors have any material interest in the Agreement and the Acquisition and therefore, none of them have abstained or were required to abstain from voting on the Board meeting approving the Agreement.

LISTING RULES IMPLICATIONS

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Tamar Investments Group Limited, the controlling Shareholder which holds approximately 74.12% of all the issued Shares, has undertaken to the Seller to cast all votes in relation to the Shares held by it to approve the Agreement and the Acquisition at the EGM.

GENERAL

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RESUMPTION OF TRADING

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DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Acquisition”	the proposed acquisition of the Sale Share and the Sale Loan by the Purchaser from the Seller pursuant to the terms and conditions of the Agreement
“Adjustment”	adjustment to be made to the Consideration in accordance with the terms of the Agreement
“Agreement”	the conditional and legally binding preliminary agreement for sale and purchase dated 17 July 2017 entered into among the Seller, the Purchaser, the Seller’s Guarantors and the Target Subsidiary in relation to the Acquisition
“Board”	the board of Directors
“Company”	Continental Holdings Limited (Stock Code: 513), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement
“Completion Date”	25 October 2017 or such other date as the Seller and the Purchaser may agree in writing, on which Completion is to take place in accordance with the terms and conditions of the Agreement
“Conditions”	the conditions precedent to Completion as set out in the subsection headed “The Agreement – 5. Conditions precedent” in this announcement

“Consideration”	the aggregate consideration payable by the Purchaser to the Seller for the Sale Share and the Sale Loan under the Agreement
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the Acquisition
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Land”	a piece of land located at No.232 Wan Chai Road, Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Purchaser”	Globe Deal Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Sale Loan”	all the inter-company loan owing by the Target Company to the Seller at Completion
“Sale Share”	1 share in the Target Company, representing the entire issued share capital of the Target Company
“Seller”	Hillcharm Limited, a company incorporated in the British Virgin Islands with limited liability, being the seller under the Agreement

“Seller’s Guarantors”	(a) CSI Properties Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange and (b) Wisdom King Investments Limited, a company incorporated in the British Virgin Islands with limited liability
“Share”	issued ordinary share of the Company
“Shareholder”	shareholder of the Company
“sq. m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Ontrack Ventures Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Seller
“Target Group”	the Target Company and the Target Subsidiary
“Target Subsidiary”	Pacific Gate Investment Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Target Company

By order of the Board
Continental Holdings Limited
Chan Wai Lap, Victor
Chairman

Hong Kong, 18 July 2017

As at the date of this announcement, Mr. Chan Wai Lap, Victor, Dr. Chan Sing Chuk, Charles, BBS, JP, Ms. Cheng Siu Yin, Shirley, Ms. Chan Wai Kei, Vicki and Mr. Wong Edward Gwong-hing are executive Directors, Mr. Yam Tat Wing is a non-executive Director and Mr. Yu Shiu Tin, Paul, BBS, MBE, JP, Mr. Chan Ping Kuen, Derek, Mr. Sze Irons, BBS, JP and Mr. Cheung Chi Fai, Frank are independent non-executive Directors.