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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 DISPOSAL
IN RELATION TO
A PROPOSED DISPOSAL OF
THE GROUP'S 50% INDIRECT INTERESTS
IN A PROPERTY DEVELOPMENT IN THE PRC
AND
RESUMPTION OF TRADING**

THE SP AGREEMENT

On 22 January 2018 (after trading hours), Master Gold (a wholly-owned subsidiary of the Company) as vendor, the Company as Master Gold's guarantor and A Glory as purchaser entered into the SP Agreement for the sale and purchase of the Sale Shares (representing 50% of the issued shares of Wealth Plus) and the Shareholder Loan (Master Gold) (representing 50% of the Shareholder Loans owing by Wealth Plus).

The Disposal under the SP Agreement is agreed by the Group on the basis that the Haijin Bank Loans as at the close of business of the Completion Date will remain outstanding. The amount of the Consideration (for the Sale Shares and the Shareholder Loan (Master Gold)) to the Group shall be equal to 50% of the WP Net Value, which will take into account, among other things, the amount of the Haijin Bank Loans as at the close of business of the Completion Date. Based on the outstanding principal amount of the Haijin Bank Loans as at 31 December 2017 (before interests), the Consideration is expected to be approximately HK\$1,308 million. On Completion, the amount of the Consideration will be ascertained based on the amount of the Haijin Bank Loans (inclusive of the unpaid interests then accrued) as at the close of business of the Completion Date accordingly.

The Consideration shall be settled in cash in accordance with the SP Agreement. A deposit in the sum of HK\$130.8 million has been received on the date of the SP Agreement. The remaining balance of the Consideration shall be settled by A Glory on Completion as described below in this announcement.

Wealth Plus is a joint venture company held as to 50% by each of Master Gold and A Glory. Wealth Plus's sole wholly-owned subsidiary, Haijin, is the owner of the Property known as "Bauhinia Square" (紫荊廣場) in Yangpu District, Shanghai, the PRC. Bauhinia Square is an eleven-floored shopping mall with over 500 parking spaces.

Under the SP Agreement, the Completion Date is agreed to be 20 April 2018. After the Completion has taken place, the Group will cease to have any interests in WP Group.

LISTING RULES IMPLICATIONS

As some of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) exceeds 75%, the Disposal constitutes a very substantial disposal for the Company and is subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Completion of the Disposal is subject to the approval of the Shareholders at the General Meeting to be convened by the Company. Tamar Investments has undertaken to vote all of its 5,063,395,220 Shares (or approximately 74.12% of the issued share capital of the Company as at the date of this announcement) in favour of the resolutions to approve the Disposal under the SP Agreement at the General Meeting.

A circular containing, among other things, further information of the Disposal, a valuation report on the Property, other information as required under the Listing Rules and the notice convening the General Meeting will be despatched to the Shareholders on or before 28 February 2018 in order to allow the Company sufficient time to prepare the necessary information for inclusion in the circular.

Completion of the Disposal is subject to the satisfaction or (where applicable) waiver of the Conditions and the SP Agreement not being terminated by any party thereto in accordance with its terms as described below in this announcement. The Disposal therefore may or may not take place. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company was halted with effect from 9:00 a.m. on 23 January 2018 pending the publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 25 January 2018.

THE SP AGREEMENT

On 22 January 2018 (after trading hours), Master Gold (a wholly-owned subsidiary of the Company) as vendor, the Company as Master Gold's guarantor and A Glory as purchaser entered into the SP Agreement for the sale and purchase of the Sale Shares and the Shareholder Loan (Master Gold) on the following principal terms.

1. Date

22 January 2018

2. Parties

2.1 The parties to the SP Agreement are Master Gold as vendor, A Glory as purchaser and the Company as Master Gold's guarantor (to guarantee the due and punctual performance of the obligations of Master Gold under the SP Agreement).

- 2.2 Master Gold is a wholly-owned subsidiary of the Company. Its principal business activity is investment holding. Its sole principal asset is 50% shareholding interests in Wealth Plus.
- 2.3 A Glory is a company principally engaged in investment holding and its principal asset is the 50% shareholding interests in Wealth Plus.
- 2.4 Other than the fact that A Glory is a 50% shareholder of Wealth Plus, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, A Glory and its ultimate beneficial owner(s) are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

3. Assets subject to the Disposal

The assets to be disposed of by Master Gold comprise the Sale Shares (representing 50% of the issued shares of Wealth Plus) and the Shareholder Loan (Master Gold) (representing 50% of the Shareholder Loans owing by Wealth Plus at Completion). As at the date of this announcement, the amount of outstanding loans due from Wealth Plus to Master Gold is HK\$676,140,000, representing 50% of the total amount of the existing loans owed by Wealth Plus to both of its shareholders, namely, A Glory and Master Gold.

4. Consideration

- 4.1 The Disposal under the SP Agreement is agreed by the Group on the basis that the Haijin Bank Loans as at the close of business of the Completion Date will remaining outstanding. The Consideration (for the Sale Shares and the Shareholder Loan (Master Gold)) shall be equal to 50% of the WP Net Value.

- 4.2 The amount of the WP Net Value shall be equal to HK\$3,452,894,251 (or RMB2,939 million, representing the agreed value of the Property between Master Gold and A Glory, at the Agreed Rate) less the amount of the Haijin Bank Loans as at the close of business of the Completion Date. Based on the principal amount of the Haijin Bank Loans as at 31 December 2017 (before interests) of approximately HK\$837.7 million (or approximately RMB713 million, at the Agreed Rate), the amount of the Consideration to be received by Master Gold is expected to be approximately HK\$1,308 million. On Completion, the amount of the Consideration will be ascertained based on the amount of the Haijin Bank Loans (inclusive of the unpaid interests then accrued) as at the close of business of the Completion Date accordingly.
- 4.3 The Consideration was arrived at after arm's length commercial negotiations between Master Gold and A Glory. The Group agreed to the Consideration after taking into account the market value of the Property of approximately RMB2,480 million as at 31 December 2017 valued by an independent property valuer engaged by the Group and the amount of the Haijin Bank Loans as at the close of business of the Completion Date (which will remain outstanding immediately after Completion).
- 4.4 The Consideration shall be settled in cash. A deposit in the sum of HK\$130.8 million has been paid by A Glory to Master Gold on the date of the SP Agreement. The remaining balance of the Consideration will be settled at Completion in accordance with the SP Agreement provided that at Completion, A Glory shall pay, out of the remaining balance of the Consideration, a sum of approximately HK\$85.7 million ("Escrow Sum") to an escrow agent jointly appointed by A Glory and Master Gold. The Escrow Sum will be held by the escrow agent pending the assessment and payment of the amount of the relevant taxation payable by Master Gold from the Disposal in accordance with the relevant laws and regulations in the PRC. Any remaining balance of the Escrow Sum, if any, after full settlement of the relevant taxation payable by Master Gold from the Disposal will be returned to Master Gold or, in case the relevant taxation payable by Master Gold from the Disposal exceeds the Escrow Sum, the shortfall shall be made up by Master Gold in accordance with the SP Agreement.

5. Conditions and Termination

- 5.1 Completion of the Disposal is subject to and conditional upon satisfaction or (where applicable) waiver of the following conditions precedent on or before the Completion Date:
- (a) approval of the Disposal by the Shareholders at the General Meeting in accordance with the Listing Rules; and
 - (b) the warranties given by Master Gold under the SP Agreement remaining true, accurate and not misleading in all material respects.

At any time before satisfaction, A Glory may waive the Condition in (b) above.

- 5.2 Tamar Investments, the controlling Shareholder, is holding 5,063,395,220 Shares or approximately 74.12% of the issued share capital of the Company, as at the date of this announcement. Tamar Investments has undertaken to vote all of its Shares in favour of the resolutions to approve the transactions under the SP Agreement at the General Meeting.
- 5.3 Furthermore, either party may terminate the SP Agreement if there occurs, before Completion:– (i) an act of God (which shall include fire, flood, storm, earthquake, accident, epidemic, plague, war, rebellion, insurrection, riot and invasion); (ii) an act or omission of any government or government authority; or (iii) any rule or regulations or orders of any government or government authority, which (after taking into account the resources, including funds, insurance and other claims and indemnities available to the WP Group) may result in the material adverse effect to the WP Group as a whole. For this purpose, “material adverse effect” means diminution of the combined value of the WP Group by at least 25%, or the combined revenue of the WP Group is likely to drop by at least 25%.
- 5.4 If any of the Conditions is not satisfied or (where applicable) waived on or before the Completion Date or if the SP Agreement is terminated in accordance with its terms, the Disposal will not proceed and the deposit received by Master Gold will be returned to A Glory. In such cases, all rights and obligations of the parties under the SP Agreement shall terminate but without prejudice to the accrued rights and obligations of the parties before that termination.

6. Completion

- 6.1 Completion Date is agreed to be 20 April 2018.
- 6.2 After Completion has taken place in accordance with the SP Agreement, the Group will cease to have any interests in WP Group. The Company will also be released from its guarantee and related security given to secure the Haijin Bank Loan after the Completion.

B. INFORMATION ON WP GROUP AND THE PROPERTY

1. Wealth Plus's sole material asset is the investment interests held in its wholly-owned subsidiary Haijin. Haijin is the owner of the Property known as "Bauhinia Square" (紫荊廣場) in Yangpu District of Shanghai in the PRC.
2. Bauhinia Square is located above Jiangpo Road Metro Station along route M8 of Shanghai Metro (上海地鐵). It is an eleven-floored shopping mall with over 500 parking spaces erected on two parcels of adjoining land having a total site area of approximately 18,101 sq. m..
3. Wealth Plus is currently accounted for as a joint venture in the financial statements of the Group. A summary of the unaudited financial information of WP Group for the 2 years ended 30 June 2017 is set out below:

	For the year ended 30 June	
	2017	2016
	<i>HK\$ million</i>	<i>HK\$ million</i>
Net profit/(loss) before taxation and extraordinary items	346.1	(295.0)
Net profit/(loss) after taxation and extraordinary items	246.0	(223.6)

4. The unaudited net asset value of WP Group as at 30 June 2017 amounted to HK\$357.4 million.

C. REASONS FOR, AND BENEFITS OF, THE DISPOSAL

1. The Company, through its subsidiaries, is principally engaged in the design, manufacturing, marketing and trading of fine jewellery and diamonds, property investment and development, mining operation and other investment.
2. Having considered the revitalizing property market condition and the total amount receivable by Master Gold, the Directors consider that the Disposal is a good opportunity for the Group to realize its investment. The proceeds from the Disposal will enable the Group to reduce its borrowings and to improve the working capital position of the Group for future opportunities that may arise.
3. Given that the terms of the SP Agreement were negotiated on an arm's length basis with reference to market value of the Property, the Directors are of the view that the terms of the SP Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.
4. The Group expects to record a gain from the Disposal (before tax and expenses) of approximately HK\$439 million. It is estimated by the Company based on the expected amount of the Consideration, the Group's share of the unaudited net asset value of WP Group and the Shareholder Loan (Master Gold), and after adjustments for the derecognition of the financial guarantee liabilities and the release of the cumulative exchange fluctuation reserve attributable to the WP Group as at 30 June 2017 upon the Disposal. However, the actual amount of net gain from the Disposal can only be determined at Completion.
5. The Company intends to use part of the net sale proceeds from the Disposal to repay the Group's outstanding borrowings and for use as the general working capital of the Group.

6. As disclosed in the Group's 2017 annual report, the Group's revenue on trading of fine jewellery and diamond polishing business recorded a decrease of approximately HK\$60.1 million to approximately HK\$483.1 million for 2017 as a result of the downsizing of the diamond polishing business. In view of the rising labor costs as well as the continued softness of the diamond market, as of May 2017, the Group has suspended the diamond polishing operations. The Group has been focusing on the designing, manufacturing, trading and distribution of fine jewellery which will continue to be part of the Group's principal business. For the financial year ended 30 June 2017, the segment revenue of the Group from the design, manufacturing, trading and distribution of fine jewellery and diamond were approximately HK\$483.1 million, divided as to approximately 78% to the fine jewellery and the remaining 22% to diamond. For the same year, the gross profit margin of the design, manufacturing, trading and distribution of fine jewellery was approximately 20% whereas the gross profit margin of diamond polishing business was 1.5%. The Group has fully-integrated production plants in China with around 682 staff as at 30 June 2017, most of them are engaged in the design, manufacturing, trading and distribution of fine jewellery.

7. The Group has been engaged in property investment and development for years. In the property investment, the Group has sold the Continental Place, a self-developed property located at No. 236-242 Des Voeux Road Central, Hong Kong, with total consideration of approximately HK\$1,133.5 million (including the 3 pre-sold floors of HK\$133.5 million classified as revenue) and recognised segment profit of approximately HK\$40.1 million during the financial year of 2017. Following realization of this investment, on 17 July 2017, the Group has contracted to acquire a piece of land located at No. 232 Wan Chai Road, Hong Kong, with a site area of approximately 5,798 sq. ft. The total consideration was approximately HK\$1,180 million and the transaction was completed in October 2017. The Group will be redeveloping the land into a premium grade office and retail composite building of approximately 25-storey tall with a gross floor area of approximately 86,970 sq. ft. and to hold it for long term leasing investment purpose. The Group has experience and financial capability to engage in property investment and development business and will continue to develop this segment.

8. The Group has been continuously evaluating the current business strategies of the Group and intended to explore any new markets and opportunities. The trading and distribution of fine jewellery will remain to be the Group's core business and the Group will maintain its status as one of the leading jewellery companies in Hong Kong. The Group has no intention for scaling down and disposal of the design, manufacturing, trading and distribution of fine jewellery and the property investment and development business of the Group. The Group's management has been actively looking to diversify the revenue sources of the Group and will continue to seek other business or investment opportunities for a more attractive return on equity for its shareholders and create shareholders' value through prudent investments in properties and business or projects with promising potentials. As at the date of this announcement, no suitable investment targets meeting the Group's requirements has been identified/decided upon yet.

D. LISTING RULES IMPLICATIONS

1. As some of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) exceeds 75%, the Disposal constitutes a very substantial disposal for the Company and is subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.
2. A circular containing, among other things, further information of the Disposal and other information as required under the Listing Rules and the notice convening the General Meeting will be despatched to the Shareholders on or before 28 February 2018 in order to allow the Company sufficient time to prepare the necessary information for inclusion in the circular.
3. To the best of the knowledge, information and belief of the Directors having made all enquiries, A Glory and its associates do not have any interests in any shares of the Company.

E. GENERAL

Completion of the Disposal is subject to the satisfaction or (where applicable) waiver of the Conditions and the SP Agreement not being terminated by any party thereto in accordance with its terms as described above. The Disposal therefore may or may not take place. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

F. RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company was halted with effect from 9:00 a.m. on 23 January 2018 pending the publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 25 January 2018.

G. DEFINITIONS

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

“A Glory”	A Glory Communications Limited, a company incorporated in the British Virgin Islands with limited liability and a 50% shareholder of Wealth Plus
“Agreed Rate”	the RMB:HK\$ conversion rate at RMB85.117=HK\$100 as agreed between Master Gold and A Glory for the purpose of the SP Agreement
“associate”	as defined in the Listing Rules

“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 Disposal in accordance with the SP Agreement
“Completion Date”	20 April 2018, being the date on which Completion is to take place in accordance with the SP Agreement
“Conditions”	the conditions precedent to Completion as set out in this announcement
“connected person”	as defined in the Listing Rules
“Consideration”	the consideration for the Sale Shares and the Shareholder Loan (Master Gold) under the SP Agreement
“Directors”	the directors of the Company
“Disposal”	the proposed sale of the Sale Shares and the Shareholder Loan (Master Gold) by Master Gold to A Glory pursuant to the SP Agreement
“General Meeting”	the general meeting of the Company to be convened to consider and, if thought fit, approve the Disposal and the transactions contemplated under the SP Agreement
“Group”	the Company and its subsidiaries

“Haijin”	上海海錦房地產有限公司 (Shanghai Haijin Real Estate Co., Ltd.), a wholly foreign-owned enterprise established in the PRC and a direct wholly-owned subsidiary of Wealth Plus
“Haijin Bank Loans”	all financial indebtedness (including all outstanding principal amount and unpaid interest accrued) owing by Haijin to its lending bank as at the close of business of the Completion Date
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Gold”	Master Gold Development Limited, a company incorporated in the British Virgin Islands with limited liability and a 50% shareholder of Wealth Plus
“the PRC”	The People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administration of the People’s Republic of China and Taiwan
“Property”	the property development known as “Bauhinia Square” (紫荊廣場), brief particulars of which are set out in this announcement
“RMB”	Renminbi, the lawful currency of the PRC

“Sale Shares”	50% of the entire issued shares in Wealth Plus. Master Gold is the sole legal and beneficial owner of the Sale Shares
“Shareholder Loan (Master Gold)”	all of the shareholder loans owing by Wealth Plus to Master Gold as at Completion, representing 50% of the Shareholder Loans. Master Gold is the sole legal and beneficial owner of all rights, title and interests in or of the Shareholder Loan (Master Gold)
“Shareholder Loans”	all of the shareholder loans owing by Wealth Plus to A Glory and Master Gold as at Completion
“Shareholders”	holder of the Shares
“Shares”	ordinary shares of the Company
“sq. m.”	square metre
“SP Agreement”	the conditional sale and purchase agreement dated 22 January 2018 entered into amongst Master Gold (as vendor), the Company (as Master Gold’s guarantor) and A Glory (as purchaser) in relation to the Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tamar Investments”	Tamar Investments Group Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by Dr. Chan Sing Chuk, Charles, Ms. Cheng Siu Yin, Shirley and Mr. Chan Wai Lap, Victor, all of them are Executive Directors of the Company
“Wealth Plus”	Wealth Plus Developments Limited, a company incorporated in the British Virgin Islands with limited liability and a 50%-owned joint venture of the Group

“WP Group”

Wealth Plus and Haijin

“WP Net Value”

an amount being equal to HK\$3,452,894,251 less the amount of the Haijin Bank Loans as at the close of business of the Completion Date

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

Hong Kong, 24 January 2018

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 the executive directors, Mr. Yam Tat Wing is the non-executive director, 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 the independent non-executive directors.