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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)

**MAJOR AND CONNECTED TRANSACTIONS
PROPOSALS TO
(1) DISPOSE OF 25% INDIRECT INTERESTS IN
A REDEVELOPMENT PROPERTY AT WAN CHAI ROAD;
(2) ACQUIRE 90% INDIRECT INTERESTS IN
A REDEVELOPMENT PROPERTY AT
CHEUNG WAH STREET;
(3) FORM JOINT VENTURES FOR
THE REDEVELOPMENT PROPERTIES AT
WAN CHAI ROAD AND CHEUNG WAH STREET; AND
(4) REPAY THE COMPANY SHAREHOLDER LOAN**

A. TRANSACTIONS UNDER THE AGREEMENT

On 29 October 2018 (after trading hours), the Group entered into the Agreement in respect of the Transactions involving the following:

1. Disposal (Ontrack) and Acquisition (Equal Glory)

- (a) *Disposal (Ontrack)* – Under this transaction, the Group will sell its 25% interests in PropCo (Ontrack) to the Purchaser (Ontrack), which is indirectly owned by Dr. Chan, Ms. Cheng Siu Yin, Shirley and Mr. Chan Wai Lap, Victor (all of whom are executive Directors) and hence a connected person of the Company. At present, PropCo (Ontrack) is a wholly-owned subsidiary in the Group. After the Disposal (Ontrack), PropCo (Ontrack) will become a 75%-owned subsidiary in the Group.

PropCo Group (Ontrack) is holding the Property (Ontrack), a piece of land located at No.232 Wan Chai Road. It is proposed to be developed into a 26-storey office and retail composite building.

The Consideration (Disposal) for 25% interests in PropCo (Ontrack) will be equal to the amount of the Initial Consideration (Disposal) and subject to Consideration (Disposal) Adjustment as at Completion of the Disposal (Ontrack). The amount of the Initial Consideration (Disposal) is calculated based on an agreed value of the Property (Ontrack) arrived at by the parties minus the Bank Borrowings (Ontrack) as at Completion of the Disposal (Ontrack). The agreed value of the Property (Ontrack) of HK\$1,219,200,000 represents a discount of approximately 4% to the market value of the Property (Ontrack) appraised by an independent professional valuer engaged by the Group at approximately HK\$1,270,000,000 as at 30 September 2018.

Based on the outstanding principal amount of the Bank Borrowings (Ontrack) (before interests) of HK\$472,000,000 as at 30 September 2018, the Initial Consideration (Disposal) is estimated to be approximately HK\$186,800,000. On Completion of the Disposal (Ontrack), the actual amount of the Initial Consideration (Disposal) will be finalized to reflect the actual amount of the Bank Borrowings (Ontrack) (inclusive of all unpaid interests then accrued), which will remain as outstanding liabilities of PropCo Group (Ontrack) after Completion of the Disposal (Ontrack). At Completion of the Disposal (Ontrack), the Initial Consideration (Disposal) (after taking into account the Consideration (Disposal) Adjustment (if any)) will be set off against the repayment of the Company Shareholder Loan in a principal amount of HK\$350,000,000 currently owed by the Company to Tamar Investments.

Completion of the Disposal (Ontrack) is subject to the satisfaction or waiver of the Conditions, including the approval of the Disposal (Ontrack) and the repayment of the Company Shareholder Loan by the Independent Shareholders under Chapter 14A of the Listing Rules.

- (b) *Acquisition (Equal Glory)* – Under this transaction, the Group will acquire, through the Purchaser (Equal Glory), 90% interests in PropCo (Equal Glory) from the Vendor (Equal Glory), which is owned by Dr. Chan and hence a connected person of the Company.

PropCo (Equal Glory) is indirectly holding the Property (Equal Glory) at Nos. 7, 7A, 9 and 9A of Cheung Wah Street. The two 5-storey existing buildings erected on the Property (Equal Glory) will be demolished. It is proposed to be developed into a 25-storey residential development over 2-storey of retail podium.

At present, PropCo (Equal Glory) is owned as to 90% by the Vendor (Equal Glory) and 10% by Plenty Business. After the Acquisition (Equal Glory), PropCo (Equal Glory) will become a 90%-owned subsidiary in the Group.

The Consideration (Acquisition) will be equal to the amount of the Initial Consideration (Acquisition) and subject to Consideration (Acquisition) Adjustment as at Completion of the Acquisition (Equal Glory). The amount of the Initial Consideration (Acquisition) is based on an agreed value of the Property (Equal Glory) arrived at by the parties minus the Bank Borrowings (Equal Glory) as at Completion of the Acquisition (Equal Glory). The agreed value of the Property (Equal Glory) of HK\$295,680,000 represents a discount of approximately 4% to the market value of the Property (Equal Glory) as appraised by an independent professional valuer engaged by the Group at approximately HK\$308,000,000 as at 30 September 2018.

Based on the outstanding principal amount of the Bank Borrowings (Equal Glory) (before interests) of HK\$118,000,000 as at 30 September 2018, the Initial Consideration (Acquisition) is estimated to be approximately HK\$159,912,000. On Completion of the Acquisition (Equal Glory), the actual amount of the Initial Consideration (Acquisition) will be finalized to reflect the actual amount of the Bank Borrowings (Equal Glory) (inclusive of all unpaid interests then accrued), which will remain as outstanding liabilities of PropCo Group (Equal Glory) after Completion of the Acquisition (Equal Glory). The Group will settle all of the Consideration (Acquisition) to the Vendor (Equal Glory) in cash.

Completion of the Acquisition (Equal Glory) is subject to the satisfaction or waiver of the relevant Conditions, including the approval of the Acquisition (Equal Glory) by the Independent Shareholders under Chapter 14A of the Listing Rules.

2. JV (Ontrack) Formation and JV (Equal Glory) Formation

The Group will continue to undertake the development projects at Property (Ontrack) and Property (Equal Glory) in the form of joint ventures after their completion. Accordingly, the Group will form the following joint ventures subject to and upon their respective completion.

- (a) *JV (Ontrack)* – This joint venture between the Vendor (Ontrack) and the Purchaser (Ontrack) (as the 25% shareholder of PropCo (Ontrack)) will be formed as a single purpose joint venture to undertake the Development Project (Ontrack) in Property (Ontrack) in Wan Chai.

The development costs to complete the Development Project (Ontrack) is intended to be funded as to approximately 80% by bank borrowings, with the remainder by shareholders' loans advanced to PropCo Group (Ontrack) by the shareholders of PropCo (Ontrack) on a *pro rata* basis. Following the completion of Disposal (Ontrack), the total capital commitments (whether by way of further loans provided to the PropCo Group (Ontrack) or guarantees provided for the bank borrowings of PropCo Group (Ontrack) for the development costs) on the part of the Vendor (Ontrack) and the Purchaser (Ontrack) to finance the development costs to complete the Development Project (Ontrack) are estimated to be approximately HK\$375,000,000 and HK\$125,000,000 respectively.

- (b) *JV (Equal Glory)* – This joint venture between the Purchaser (Equal Glory) and Plenty Business (as the 10% shareholder of PropCo (Equal Glory)) will be formed as a single purpose joint venture to undertake the Development Project (Equal Glory) in the Property (Equal Glory) in Cheung Sha Wan.

The development costs to complete the Development Project (Equal Glory) is also intended to be funded as to approximately 80% by bank borrowings, with the remainder by shareholders' loans advanced to PropCo Group (Equal Glory) by the shareholders of PropCo (Equal Glory) on a *pro rata* basis. Following the completion of the Acquisition (Equal Glory), the total capital commitments (whether by way of further loans provided to the PropCo Group (Equal Glory) or guarantees provided for the bank borrowings of PropCo Group (Equal Glory) for the development costs) on the part of the Purchaser (Equal Glory) and Plenty Business to finance the development costs to complete the Development Project (Equal Glory) are estimated to be approximately HK\$180,000,000 and HK\$20,000,000 respectively.

3. Repayment of Company Shareholder Loan and Set-Off

Under the Agreement, the Company conditionally agreed to fully repay, at Completion of the Disposal (Ontrack), the Company Shareholder Loan to Tamar Investments, subject to the set-off arrangement mentioned below. The repayment is subject to the satisfaction or waiver of the Conditions, including the approval of the Disposal (Ontrack) and the repayment of the Company Shareholder Loan by the Independent Shareholders under Chapter 14A of the Listing Rules.

At Completion of the Disposal (Ontrack), the Initial Consideration (Disposal) (after taking into account the Consideration (Disposal) Adjustment (if any)) receivable by the Group will be set off against the repayment of the Company Shareholder Loan by the Company on a "dollar for dollar" basis. The Company will repay the net balance of the Company Shareholder Loan after the set-off, upon which its obligations and liabilities to Tamar Investments in respect of the Company Shareholder Loan will be taken as fully discharged.

The outstanding principal amount of the Company Shareholder Loan owed by the Company currently stands at HK\$350,000,000. It is unsecured and bears interests at 1.5% per annum. For illustration purpose, assuming the Initial Consideration (Disposal) is held at approximately HK\$186,800,000 and taking the Company Shareholder Loan only at its outstanding principal amount of HK\$350,000,000, the net balance of the Company Shareholder Loan after the set-off is estimated at approximately HK\$163,200,000 (before adjustment).

B. LISTING RULES IMPLICATIONS

The Disposal (Ontrack), the Acquisition (Equal Glory), the JV (Ontrack) Formation and the JV (Equal Glory) Formation constitute major transactions for the Company under Chapter 14 of the Listing Rules, and they are subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. In addition, the Disposal (Ontrack), the Acquisition (Equal Glory) and the JV (Ontrack) Formation constitute non-exempt connected transactions for the Company under Chapter 14A of the Listing Rules. Given that the Disposal (Ontrack) and the Acquisition (Equal Glory) are inter-conditional on each other; and the JV (Equal Glory) Formation, the JV (Ontrack) Formation and the repayment of the Company Shareholder Loan are subject to and conditional upon the Completion of the Disposal (Ontrack) and the Acquisition (Equal Glory), the Transactions comprising all of these transactions would be subject to the approval of the Independent Shareholders in accordance with Chapter 14A of the Listing Rules.

The Company will convene the General Meeting, at which ordinary resolutions to approve the Transactions will be proposed for consideration and passing by the Independent Shareholders.

Mr. Yu Shiu Tin Paul, *BBS, MBE, JP*, Mr. Chan Ping Kuen, Derek, Mr. Sze Irons, *BBS, JP* and Mr. Cheung Chi Fai, Frank, being independent non-executive Directors, have been appointed to establish the Independent Board Committee to advise the Independent Shareholders in respect of the Transactions. An Independent Financial Adviser will be appointed to advise the Independent Board Committee as to whether the terms of the Transactions are fair and reasonable and whether they are in the interests of the Company and the Shareholders as a whole and the Independent Board Committee will advise the Independent Shareholders as to how to vote on the resolutions approving the Transactions at the General Meeting.

The Circular containing, among other things, further information of the Transactions, the requisite valuation reports, the letters of advice from the Independent Board Committee and the Independent Financial Adviser and other information as required under the Listing Rules will be despatched to the Shareholders together with a notice convening the General Meeting as soon as practicable in accordance with the Listing Rules. The Company expects to dispatch the Circular together with the notice of the General Meeting on or before 29 November 2018 in order to prepare and finalise the financial information to be included in the Circular and to allow more time for the Independent Board Committee and the Independent Financial Adviser to review and evaluate the Transactions and to prepare and finalise the letters of advice from the Independent Board Committee and the Independent Financial Adviser for inclusion in the Circular.

The relevant Transactions are subject to the satisfaction or (where applicable) waiver of the Conditions in accordance with the terms of the Agreement as described in this announcement. There is no assurance they will be completed or consummated eventually. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

INTRODUCTION

On 29 October 2018 (after trading hours), the Agreement in respect of the Transactions was entered into between the Vendor (Equal Glory), the Purchaser (Equal Glory) (a wholly-owned subsidiary of the Company), the Vendor (Ontrack) (a wholly-owned subsidiary of the Company), the Purchaser (Ontrack), Tamar Investments (as the guarantor for the due performance of the obligations of the Vendor (Equal Glory) and the Purchaser (Ontrack) under the Agreement) and the Company (as the guarantor for the due performance of the obligations of the Purchaser (Equal Glory) and the Vendor (Ontrack) under the Agreement). The Transactions under the Agreement involve the Disposal (Ontrack), the Acquisition (Equal Glory), the JV (Ontrack) Formation, the JV (Equal Gory) Formation and the repayment of the Company Shareholder Loan. The material particulars of these Transactions are set out below.

A. TRANSACTIONS UNDER THE AGREEMENT

1. Disposal (Ontrack)

1.1 Immediate parties to the Disposal (Ontrack)

- (a) Vendor (Ontrack) – Globe Deal Investments Limited, as the vendor. It is a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company.
- (b) Purchaser (Ontrack) – Luminous Fortune Limited, as the purchaser. It is a company incorporated in the British Virgin Islands with limited liability. Its principal business activity is investment holding. It is owned indirectly by Dr. Chan, Ms. Cheng Siu Yin, Shirley and Mr. Chan Wai Lap, Victor, all of whom are executive Directors. Therefore, it is a connected person of the Company.
- (c) Guarantor of Vendor (Ontrack) – The Company, as the guarantor for the due performance of the obligations of the Vendor (Ontrack) under the Agreement.
- (d) Guarantor of Purchaser (Ontrack) – Tamar Investments, as the guarantor for the due performance of the obligations of the Purchaser (Ontrack) under the Agreement. Tamar Investments is a controlling shareholder and a connected person of the Company.

1.2 Assets

Pursuant to the Agreement, the Vendor (Ontrack) shall sell and assign to the Purchaser (Ontrack):

- (a) the Sale Shares (Ontrack), representing 25% of the entire issued share capital of the PropCo (Ontrack) and
- (b) the Sale Loan (Ontrack), representing 25% of all the loan and indebtedness owed by the PropCo Group (Ontrack) to the Vendor (Ontrack) or its associates at Completion of the Disposal (Ontrack).

As at 30 September 2018, the outstanding principal amount of all the loan and indebtedness owed by PropCo Group (Ontrack) to the Vendor (Ontrack) and its associates was approximately HK\$301,483,000. After Completion of the Disposal (Ontrack), the Vendor (Ontrack) and the Purchaser (Ontrack) will have interests in those outstanding loan and indebtedness owing by PropCo Group (Ontrack) in proportion to their shareholdings in PropCo (Ontrack).

The PropCo Group (Ontrack)'s principal asset is the Property (Ontrack). The Property (Ontrack) is a piece of land located at No. 232 Wan Chai Road, Hong Kong.

1.3 Consideration (Disposal)

The Consideration (Disposal) for the Sale Shares (Ontrack) and the Sale Loan (Ontrack) will be equal to the amount the Initial Consideration (Disposal) and subject to the Consideration (Disposal) Adjustment as at Completion of the Disposal (Ontrack).

The Initial Consideration (Disposal) is an amount equal to 25% of a sum, the amount of which is equal to HK\$1,219,200,000 minus the Bank Borrowings (Ontrack) as at Completion of the Disposal (Ontrack). The sum of HK\$1,219,200,000 represents the value of the Property (Ontrack) as agreed by the immediate parties to the Disposal (Ontrack). It is equivalent to 96% of the market value of the Property (Ontrack) appraised by an independent professional valuer engaged by the Group at approximately HK\$1,270,000,000 as at 30 September 2018. A full valuation report on the Property (Ontrack) in compliance with the Listing Rules will be included in the Circular.

In arriving at the amount of the Initial Consideration (Disposal), the Bank Borrowings (Ontrack) as at Completion of the Disposal (Ontrack) will be deducted from such amount as they will remain as outstanding liabilities of PropCo Group (Ontrack) after Completion of the Disposal (Ontrack). Based on the outstanding principal amount of the Bank Borrowings (Ontrack) (before interests) of HK\$472,000,000 as at 30 September 2018, the Initial Consideration (Disposal) is estimated to be approximately HK\$186,800,000. On Completion of the Disposal (Ontrack), the final amount of the Initial Consideration (Disposal) will be ascertained based on the actual amount of the Bank Borrowings (Ontrack) (inclusive of all unpaid interests then accrued) as at the close of business of the Completion Date accordingly.

The amount of the Consideration (Disposal) will be further adjusted by reference to the Consideration (Disposal) Adjustment to account for 25% of the net current asset or deficit value of PropCo Group (Ontrack) as at Completion of the Disposal (Ontrack). The values of the Property (Ontrack), the Bank Borrowings (Ontrack) and its outstanding loan and indebtedness owed by PropCo Group (Ontrack) to the Vendor (Ontrack) or its associates will be excluded for the purpose of calculating the net current asset or deficit value of PropCo Group (Ontrack) at Completion of the Disposal (Ontrack). Completion accounts of the PropCo Group (Ontrack) will be prepared for this purpose. Such completion accounts will be audited following the Completion of the Disposal (Ontrack) to verify the adjustment amount, with any difference in amount to be made up/refunded in cash by the relevant parties in accordance with the Agreement. The amount of adjustment will not be substantial since the PropCo Group (Ontrack) has no other material current assets and liabilities.

At Completion of the Disposal (Ontrack), the Initial Consideration (Disposal), (after taking into account the Consideration (Disposal) Adjustment (if any)), receivable by the Group will be set off against the repayment of the Company Shareholder Loan as described in section C below. The finalized amount of adjustment based on the audited completion accounts of PropCo Group (Ontrack) will be payable in cash by the Vendor (Ontrack) (if it is a negative figure) or the Purchaser (Ontrack) (if it is a positive figure) following Completion of the Disposal (Ontrack) in accordance with the Agreement. Any adjustment amount received in cash by the Group is used as working capital of the Group.

1.4 Conditions precedent

Completion of both of the Disposal (Ontrack) and the Acquisition (Equal Glory) (see section 2 below) is subject to satisfaction or (where applicable) waiver of the following Conditions:

- (a) the Purchaser (Equal Glory) having been satisfied with a due diligence review of the affairs of PropCo Group (Equal Glory), including the title to the Property (Equal Glory) and that PropCo Group (Equal Glory) does not have any undisclosed material indebtedness or liabilities to any parties;
- (b) Plenty Business having executed and delivered a waiver waiving and renouncing its rights (including any rights of pre-emption) in relation to any restrictions or conditions of the Transactions;
- (c) the Circular in respect of the Transactions having been issued and despatched by the Company on or before 29 November 2018 or such other date as agreed by the Company;
- (d) the Independent Shareholders having duly passed the resolutions to approve the Transactions;
- (e) no indication from the Stock Exchange having been received by any party to the effect that the listing of the Shares will or may be withdrawn or objected to for any reason attributable to the Transactions;
- (f) no material adverse change having occurred in relation to PropCo Group (Ontrack) or PropCo Group (Equal Glory) which is likely to have a material adverse effect on the financial position, business, assets and property (including its title interests and rights to and in the Property (Ontrack) or Property (Equal Glory)) or results of operations of PropCo Group (Ontrack) or PropCo Group (Equal Glory);
- (g) the representations and warranties given by the Vendor (Ontrack) and the Vendor (Equal Glory) being true and accurate, and not misleading, in any material respects;

- (h) the relevant bank creditors under the Bank Borrowings (Ontrack) and the Bank Borrowings (Equal Glory) having given all requisite consents and approvals for the consummation of the Transactions and, where relevant, such consents and approvals becoming unconditional; and
- (i) the full valuation reports in respect of the Property (Ontrack) and Property (Equal Glory) having been prepared in accordance with the Listing Rules, showing that their market values are not less than HK\$1,270,000,000 and HK\$308,000,000, respectively.

The Purchaser (Equal Glory) may waive any of the Conditions (a), (f) and (g) in so far as the Conditions relate to the Acquisition (Equal Glory); and the Purchaser (Ontrack) may waive any of the Conditions (f) and (g) in so far as the Conditions relate to the Disposal (Ontrack). The Condition (c) shall not be waived but the Company may at its sole discretion extend the deadline for fulfilment of the Condition (c) to such later date as it shall solely determine. Despite the foregoing provisions, no waiver shall be given (and if given, shall not be effective) in respect of any Condition if such waiver would result in or likely to result in any party of the Agreement or the PropCo Group (Equal Glory) or the PropCo Group (Ontrack) breaching any regulatory requirements to which any party of the Agreement or the PropCo Group (Equal Glory) or the PropCo Group (Ontrack), as the case may be, is subject.

If any of the Conditions is not satisfied or (where applicable) waived on or before the Long Stop Date (i.e. 31 March 2019), the Agreement shall be terminated automatically in which case all rights and obligations of the parties under the Agreement shall terminate and no party shall have any claim against the others.

1.5 Completion of the Disposal (Ontrack)

Completion of the Disposal (Ontrack) shall take place on the fifth (5th) business day after the date on which the last in time of the Conditions are fulfilled or waived (if applicable), or such other date as may be agreed to between the parties in writing for such purposes.

Under the Agreement, Completion of the Disposal (Ontrack) will not take place unless Completion of the Acquisition (Equal Glory) also takes place contemporaneously with it.

After Completion of the Disposal (Ontrack), the PropCo (Ontrack) will become a 75%-owned subsidiary in the Group. The assets, liabilities and results of the PropCo Group (Ontrack) will remain to be consolidated into the consolidated financial statements of the Group.

1.6 *Gain on Disposal (Ontrack)*

It is expected that the Group will recognise a gain of approximately HK\$5,396,000 on the disposal of 25% of equity interest in ProCo (Ontrack), which is calculated as the difference between the consideration received and 25% of the net assets value of PropCo Group (Ontrack) (adjusted against of the Sale Loan (Ontrack)). Since the disposal of 25% equity interest in PropCo (Ontrack) is an equity transaction, the said amount will be recognised in the equity of the Group. The actual amount of the gain arising from the Disposal (Ontrack) to be recognised by the Group can only be determined at Completion and will be subject to final audit by the Company's auditor.

1.7 *JV (Ontrack) Formation*

The Group will continue to undertake the development project at the Property (Ontrack) after Completion of the Disposal (Ontrack). Accordingly, subject to and upon Completion of the Disposal (Ontrack), the Vendor (Ontrack) and the Purchaser (Ontrack) as shareholders of the PropCo (Ontrack) will enter into the JV (Ontrack) Agreement to establish PropCo (Ontrack) as a corporate joint venture to undertake the Development Project (Ontrack).

(a) Parties and date

The JV (Ontrack) Agreement between, among other parties, the Vendor (Ontrack), the Purchaser (Ontrack) and the PropCo (Ontrack) will be entered into on Completion of the Disposal (Ontrack).

(b) *Purpose*

PropCo Group (Ontrack)'s sole principal purpose is to undertake and implement the Development Project (Ontrack) at the Property (Ontrack).

(c) *Financing*

The JV (Ontrack) Agreement will provide for, among other things, the respective capital contribution commitments of the shareholders of the PropCo (Ontrack) to finance the development costs to complete the Development Project (Ontrack). The development costs to complete the Development Project (Ontrack) are intended to be funded as to approximately 80% by bank borrowings, with the remainder by further shareholders' loans advanced to PropCo Group (Ontrack) by the shareholders of PropCo (Ontrack) on a *pro rata* basis.

The PropCo Group (Ontrack) has secured a loan facility from a bank to finance 80% of the expected construction costs and professional fees (subject to a maximum of HK\$400,000,000) as primary development costs of the Development Project (Ontrack). This facility has not yet been utilized. After Completion of the Disposal (Ontrack), the Vendor (Ontrack) and the Purchaser (Ontrack) are expected to provide their guarantees as security to the financing bank severally on a *pro rata* basis in accordance with the JV (Ontrack) Agreement. The Company will comply with the relevant requirements of the Listing Rules in due course.

After Completion of the Disposal (Ontrack), the total capital commitments of the shareholders of PropCo (Ontrack) to finance the development costs to complete the Development Project (Ontrack) are estimated to be approximately HK\$500,000,000. This amount has taken into account the shareholders' loans from the shareholders of the PropCo Group (Ontrack) and their several guarantees to secure the bank borrowings of PropCo Group (Ontrack) for the development costs.

Accordingly, the total capital commitments on the part of the Vendor (Ontrack) and the Purchaser (Ontrack) to complete the Development Project (Ontrack) are estimated at approximately HK\$375,000,000 and HK\$125,000,000 respectively.

(d) Profit and loss

The profit and loss of the PropCo (Ontrack) will be shared amongst the Vendor (Ontrack) and the Purchaser (Ontrack), as shareholders of the PropCo (Ontrack), in proportion to their respective shareholdings in PropCo (Ontrack).

(e) Board of directors

The Purchaser (Ontrack) has right to appoint and remove 1 director to the board of directors of PropCo (Ontrack). The Vendor (Ontrack) will be entitled to appoint and remove any number of directors to the board of directors of PropCo (Ontrack), which entitles and effectively confers rights on the Group to appoint and remove a majority of the members of the board of directors of the PropCo (Ontrack) after Completion of the Disposal (Ontrack).

2. Acquisition (Equal Glory)

2.1 Immediate parties to the Acquisition (Equal Glory)

- (a) Vendor (Equal Glory) – Fairy Tale International Limited, as the vendor. It is a company incorporated in the British Virgin Islands with limited liability. Its principal business activity is investment holding. It is wholly owned by Dr. Chan, an executive Director, and is a connected person of the Company.

- (b) Purchaser (Equal Glory) – Radiant Achieve Limited, as the purchaser. It is a company incorporated in the British Virgin Islands with limited liability. It is a wholly owned subsidiary of the Company.
- (c) Guarantor of Vendor (Equal Glory) – Tamar Investments, as the guarantor for the due performance of the obligations of the Vendor (Equal Glory) under the Agreement. Tamar Investments is a controlling shareholder and a connected person of the Company.
- (d) Guarantor of Purchaser (Equal Glory) – The Company, as the guarantor for the due performance of the obligations of the Purchaser (Equal Glory) under the Agreement.

2.2 Assets

Pursuant to the Agreement, the Vendor (Equal Glory) shall sell and assign to the Purchaser (Equal Glory):

- (a) the Sale Shares (Equal Glory), representing 90% of the entire issued share capital of the PropCo (Equal Glory) and
- (b) the Sale Loan (Equal Glory), representing 90% of all the loan and indebtedness owed by the PropCo Group (Equal Glory) to the shareholders of PropCo (Equal Glory) or their respective associates at Completion of the Acquisition (Equal Glory).

As at 30 September 2018, the outstanding principal amounts of the loans and indebtedness owed by PropCo Group (Equal Glory) to the Vendor (Equal Glory) (or its associates) and Plenty Business (or its associates) were approximately HK\$192,416,000 and HK\$34,272,000, respectively. Such loans are unsecured, interest-free and have no fixed term of repayment. After Completion of the Acquisition (Equal Glory), the Purchaser (Equal Glory) and Plenty Business will have interests in those outstanding loan and indebtedness owing by PropCo Group (Equal Glory) in proportion to their shareholdings in PropCo (Equal Glory).

PropCo (Equal Glory) is the holding company in PropCo Group (Equal Glory). Its only principal assets are direct and indirect interests in the Property (Equal Glory) located at Nos. 7, 7A, 9 and 9A of Cheung Wah Street, Cheung Sha Wan, Hong Kong.

2.3 Consideration (Acquisition)

The Consideration (Acquisition) for the Sale Shares (Equal Glory) and the Sale Loan (Equal Glory) will be equal to the amount of the Initial Consideration (Acquisition) and subject to Consideration (Acquisition) Adjustment.

The Initial Consideration (Acquisition) is an amount equal to 90% of a sum, the amount of which is equal to HK\$295,680,000 minus the Bank Borrowings (Equal Glory) as at Completion of the Acquisition (Equal Glory). The sum of HK\$295,680,000 represents the value of the Property (Equal Glory) as agreed by the immediate parties to the Acquisition (Equal Glory). It is equivalent to 96% of the market value of the Property (Equal Glory) appraised by an independent professional valuer engaged by the Group at approximately HK\$308,000,000 as at 30 September 2018. A full valuation report on the Property (Equal Glory) in compliance with the Listing Rules will be included in the Circular.

In arriving at the amount of the Initial Consideration (Acquisition), the Bank Borrowings (Equal Glory) as at Completion of the Acquisition (Equal Glory) will be deducted from such amount as they will remain as outstanding liabilities of PropCo Group (Equal Glory) after Completion of the Acquisition (Equal Glory). Based on the outstanding principal amount of the Bank Borrowings (Equal Glory) (before interests) of HK\$118,000,000 as at 30 September 2018, the Initial Consideration (Acquisition) is expected to be approximately HK\$159,912,000. On Completion of the Acquisition (Equal Glory), the final amount of the Initial Consideration (Acquisition) will be ascertained based on the actual amount of the Bank Borrowings (Equal Glory) (inclusive of all unpaid interests then accrued) as at the close of business of the Completion Date accordingly.

The amount of the Consideration (Acquisition) will be adjusted by reference to the Consideration (Acquisition) Adjustment to account for 90% of the net current asset or deficit value of PropCo Group (Equal Glory) as at Completion of the Acquisition (Equal Glory). The values of the Property (Equal Glory), the Bank Borrowings (Equal Glory) and the outstanding loan and indebtedness owed by PropCo Group (Equal Glory) to the shareholders of PropCo (Equal Glory) or their associates will be excluded for the purpose of calculating the net current asset or deficit value of PropCo Group (Equal Glory) at Completion of the Acquisition (Equal Glory). Completion accounts of PropCo Group (Equal Glory) will be prepared for this purpose. Such completion accounts will be audited following the Completion of the Acquisition (Equal Glory) to verify the adjustment amount, with any difference in amount to be made up/refunded in cash by the relevant parties in accordance with the Agreement. The amount of adjustment will not be substantial since PropCo Group (Equal Glory) has no other material current assets and liabilities.

At Completion of the Acquisition (Equal Glory), a sum representing the Initial Consideration (Acquisition) after taking into account the Consideration (Acquisition) Adjustment (if any) will be settled in cash by the Group. The finalized amount of adjustment based on the audited completion accounts of PropCo Group (Equal Glory) will be payable in cash by the Vendor (Equal Glory) (if it is a negative figure) or the Purchaser (Equal Glory) (if it is a positive figure) following Completion of the Acquisition (Equal Glory) in accordance with the Agreement.

2.4 Conditions precedent

The Acquisition (Equal Glory) is subject to satisfaction or (where applicable) waiver of the Conditions in paragraph 1.4 above.

2.5 Completion of the Acquisition (Equal Glory)

Completion of the Acquisition (Equal Glory) shall take place on the fifth (5th) business day after the date on which the last in time of the Conditions are fulfilled or waived (if applicable), or such other date as may be agreed to between the parties in writing for such purposes.

Under the Agreement, Completion of the Acquisition (Equal Glory) will not take place unless Completion of the Disposal (Ontrack) also takes place contemporaneously with it.

After Completion of the Acquisition (Equal Glory), PropCo (Equal Glory) will become a 90%-owned subsidiary of the Company. The assets, liabilities and results of PropCo Group (Equal Glory) will be consolidated into the consolidated financial statements of the Group.

2.6 JV (Equal Glory) Formation

The Group will continue to undertake the redevelopment project at the Property (Equal Glory). Accordingly, subject to and upon Completion of the Acquisition (Equal Glory), the Purchaser (Equal Glory) and Plenty Business as shareholders of PropCo (Equal Glory) will enter into the JV (Equal Glory) Agreement to establish PropCo (Equal Glory) as a corporate joint venture to undertake the Development Project (Equal Glory).

Parties and date

The JV (Equal Glory) Agreement between, among other parties, Plenty Business, the Purchaser (Equal Glory) and PropCo (Equal Glory) will be entered into on Completion of the Acquisition (Equal Glory).

At present, Plenty Business is a shareholder holding the remaining 10% shareholdings of PropCo (Equal Glory). The ultimate beneficial owner of Plenty Business, being a company listed on the Main Board of the Stock Exchange, also through its indirectly wholly-owned subsidiary formed a joint venture with an indirectly wholly-owned subsidiary of the Company to invest in a company which is mainly engaged in the operation of retail and trading of a branded fashion jewellery.

Save as disclosed above, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, Plenty Business and its ultimate beneficial owners are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

Purpose

PropCo Group (Equal Glory)'s sole principal purpose is to undertake and implement the Development Project (Equal Glory) at the Property (Equal Glory).

Financing

The JV (Equal Glory) Agreement will provide for, among other things, the respective capital contribution commitments of the shareholders of PropCo (Equal Glory) to finance the development costs to complete the Development Project (Equal Glory). After Completion of the Acquisition (Equal Glory), the development costs to complete the Development Project (Equal Glory) is intended to be funded as to approximately 80% by bank borrowings with the remainder by further shareholders' loans advanced to PropCo Group (Equal Glory) by the shareholders of PropCo (Equal Glory) on a *pro rata* basis.

PropCo Group (Equal Glory) is also negotiating with a bank to secure a loan facility to finance 80% of the expected construction costs and professional fees as primary development costs of the Development Project (Equal Glory). The Company is expecting to secure this facility before the Completion Date. The Purchaser (Equal Glory) and Plenty Business will be required to provide security to the financing bank severally on a *pro rata* basis in accordance with the JV (Equal Glory) Agreement. The Company will comply with the relevant requirements of the Listing Rules in due course.

The total capital commitments of the shareholders of PropCo (Equal Glory) to finance the development costs to complete the Development Project (Equal Glory) are estimated to be approximately HK\$200,000,000. This amount has taken into account the shareholders' loans from the shareholders of PropCo Group (Equal Glory) and their several guarantees to secure the bank borrowings of PropCo Group (Equal Glory) for the development costs. Accordingly, the total capital commitments on the part of the Purchaser (Equal Glory) and Plenty Business to complete the Development Project (Equal Glory) are estimated to be approximately HK\$180,000,000 and HK\$20,000,000 respectively.

Profit and loss

The profit and loss of PropCo (Equal Glory) will be shared amongst the Purchaser (Equal Glory) and Plenty Business, as shareholders of PropCo (Equal Glory), in proportion to their respective shareholdings in PropCo (Equal Glory).

Board of directors

Plenty Business has right to appoint and remove up to 1 director to the board of directors of PropCo (Equal Glory). The Purchaser (Equal Glory) will be entitled to appoint and remove any number of directors to the board of directors of PropCo (Equal Glory), which entitles and effectively confers rights on the Group to appoint and remove a majority of the members of the board of directors of PropCo (Equal Glory) after Completion of the Acquisition (Equal Glory).

B. INFORMATION ON THE ASSETS SUBJECT TO THE DISPOSAL (ONTRACK) AND ACQUISITION (EQUAL GLORY)

PropCo Group (Ontrack)

1. PropCo (Ontrack) was incorporated in the British Virgin Islands with limited liability. Through its wholly-owned subsidiary, PropCo (Ontrack) is holding the property interests in the Property (Ontrack). The Group completed the acquisition of the Property (Ontrack) through its acquisition of the PropCo Group (Ontrack) at a consideration of approximately HK\$1,180,000,000 on 25 October 2017.
2. A summary of the consolidated financial information of the PropCo Group (Ontrack) is set out below:

	For the year ended 30 June 2018 (unaudited) <i>Approximately</i> <i>HK\$000</i>	For six months ended 30 June 2017 (audited) <i>Approximately</i> <i>HK\$000</i>	For the year ended 31 December 2016 (audited) <i>Approximately</i> <i>HK\$000</i>
Net profit before taxation and extraordinary items	65,449	310,241	52,484
Net profit after taxation and extraordinary items	65,449	259,009	43,711

3. The unaudited net asset value of the PropCo Group (Ontrack) as at 30 September 2018 amounted to approximately HK\$427,090,000. As at 30 September 2018, the outstanding principal amount of the Bank Borrowings (Ontrack) (before interests) stood at approximately HK\$472,000,000. The Bank Borrowings (Ontrack) are currently guaranteed by the Group. After Completion of the Disposal (Ontrack), the Vendor (Ontrack) and the Purchaser (Ontrack) are expected to provide their guarantees as security to the financing bank severally on a *pro rata* basis in accordance with the JV (Ontrack) Agreement.

PropCo Group (Equal Glory)

4. PropCo (Equal Glory) was incorporated in the British Virgin Islands with limited liability. Through its wholly-owned subsidiaries, PropCo (Equal Glory) is holding the property interests in the Property (Equal Glory). PropCo Group (Equal Glory) acquired the Property (Equal Glory) at a total cost of approximately HK\$295,000,000 (before transaction costs and expenses).
5. A summary of the unaudited consolidated financial information of PropCo Group (Equal Glory) for the period from 14 May 2018 (date of incorporation of PropCo (Equal Glory)) to 30 September 2018 is set out below:

**For the period
ended
30 September
2018**
*Approximately
HK\$'000*

Net loss before taxation and extraordinary items	(80)
Net loss after taxation and extraordinary items	(80)

6. The unaudited net liabilities value of PropCo Group (Equal Glory) as at 30 September 2018 amounted to approximately HK\$80,000. As at 30 September 2018, the outstanding principal amount of the Bank Borrowings (Equal Glory) (before interests) stood at approximately HK\$118,000,000. They are currently guaranteed solely by Dr. Chan. After Completion of the Acquisition (Equal Glory), the bank borrowings of PropCo Group (Equal Glory) are expected to be guaranteed by the Purchaser (Equal Glory) and Plenty Business severally on a *pro rata* basis in accordance with the JV (Equal Glory) Agreement.

C. REPAYMENT OF THE COMPANY SHAREHOLDER LOAN AND SET-OFF

1. Under the Agreement, the Company conditionally agreed to fully repay, at Completion, the Company Shareholder Loan to Tamar Investments, subject to set-off arrangement mentioned below. At present, the outstanding principal amount of the Company Shareholder Loan is HK\$350,000,000, which is unsecured and bears interests at 1.5% per annum. The Company Shareholder Loan will be due for repayment on 24 September 2020.
2. The repayment of the Company Shareholder Loan is subject to and conditional on the satisfaction or (where applicable) waiver of the Conditions in paragraph 1.4 above, including the approval of both of the Disposal (Ontrack) and the Acquisition (Equal Glory).
3. Pursuant to the Agreement, the Initial Consideration (Disposal) (after taking into account the Consideration (Disposal) Adjustment (if any)) receivable by the Group will be set off against the repayment of the Company Shareholder Loan by the Company on a “dollar-for-dollar” basis with effect from Completion. The Company will repay the net balance of the Company Shareholder Loan after the set-off, upon which its obligations and liabilities to Tamar Investments in respect of the Company Shareholder Loan will be taken as fully discharged.
4. For illustration purpose, assuming the Initial Consideration (Disposal) is held at approximately HK\$186,800,000 and taking the Company Shareholder Loan only at its outstanding principal amount of HK\$350,000,000, the net balance of the Company Shareholder Loan after the set-off is estimated at approximately HK\$163,200,000, before adjustment and finalization of the amounts involved in the set-off. After taking the Consideration (Acquisition) at approximately HK\$159,912,000 (before adjustment) payable by the Group, the aggregate cash outflow of the Group is estimated at approximately HK\$323,112,000.
5. The Group intends to use its existing cash resources to fund the cash outflow from the Transactions.

D. REASONS FOR, AND BENEFITS OF, THE TRANSACTIONS

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. 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. The Group acquired the PropCo Group (Ontrack) holding the Property (Ontrack) at approximately HK\$1,180 million in October 2017. The Group completed its disposal of a 50% owned joint venture which holds the “Bauhinia Square”, an eleven-floored shopping mall located in Yangpu District of Shanghai, for HK\$1,305.8 million in April 2018. The Group also completed its acquisition of 12 floors of Glassview Commercial Building in Yuen Long at HK\$129 million on 22 October 2018. The Group has experience and financial capability to engage in property investment and development business and will continue to develop this segment.

3. 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. The Group's decision to invest in the Property (Equal Glory) and the Property (Ontrack) is made in furtherance of its principal activities. The Group intends to redevelop the Property (Equal Glory) into a premium grade residential tower to diversify the property investments of the Group. In making decisions to invest in the Property (Equal Glory), the Group took into account the following main factors:
- (a) Location and surrounding – It is situated on the north-western side of Cheung Wah Street its junction with Cheung Sha Wan Road in Cheung Sha Wan of Kowloon Peninsula. The immediate locality is a residential and industrial area where developments in the vicinity comprise a mixture of medium/high-rise private residential buildings, public housing blocks, high-rise industrial buildings, aged tenement blocks and educational institutions. Accessibility to the property is good as various modes of public transportation facilities such as franchised buses, taxis and public light buses are conveniently available in this locality. The MTR Cheung Sha Wan is within 5-10 minutes' walking distance.
 - (b) Development – The Property (Equal Glory) is situated within an area zoned as “Residential (Group A) 8” under the approved Cheung Sha Wan Outline Zoning Plan. According to the Notes of this plan, the zone is intended primarily for high-density residential developments. The two 5-storey existing buildings erected on the Property (Equal Glory) will be demolished. The development to be erected on the Property (Equal Glory) is expected to be a 25-storey residential development over 2-storey of retail podium.
 - (C) Investment opportunity – This investment offers an opportunity to the Group to invest in one of the fastest growing residential areas in Hong Kong. The Property (Equal Glory) is within districts undergoing active redevelopments. The management of the Group is optimistic about the potential return from this investment opportunity.

4. Property (Ontrack)'s site area is approximately 539 sq. m.. The Group intends to redevelop the Property (Ontrack) into a premium grade office and retail composite tower of approximately 26 storeys tall with a gross floor area of approximately 8,066 sq. m.. It is the intention of the Group to hold it for long term leasing investment purpose. It has the following features:
- (a) Location and Surrounding – It is situated at No. 232 Wan Chai Road, Wan Chai, Hong Kong. The immediate locality is a commercial area where developments in the vicinity comprise a mixture of medium/high-rise commercial buildings and hotel. Accessibility to the property is good as various modes of public transportation facilities such as franchised buses, taxis and public light buses are conveniently available in this locality. The MTR Wan Chai station is within 8-10 minutes' walking distance.
 - (b) Development – The Property (Ontrack) is situated within an area zoned as “Other Specified Uses” under the Draft Wan Chai Outline Zoning Plan. The Property (Ontrack) will be developed into a block of 26-storey office and retail composite building. The total planned gross floor area of the Property (Ontrack) is expected to be about 8,066 sq.m. The proposed development expected to be completed in 2021. The Property (Ontrack) is currently undergoing installation of foundation works.
 - (c) Investment opportunity – This investment offers an opportunity to the Group to invest in one of the fastest growing office and retail areas in Hong Kong. The Property (Ontrack) is within districts undergoing active redevelopments. The management of the Group is optimistic about the potential return from this investment opportunity.

5. The establishment of JV (Equal Glory) and JV (Ontrack) to undertake the Development Project (Equal Glory) and Development Project (Ontrack) with the respective joint venture partners enables the Group to diversify the investment and capital commitment risks for long term investment and construction projects. Through such joint venture structures, the Group will be able to make a better and more efficient use of the Group's own capital resources for other investments that the Group may identify in the future.
6. The Group considers the repayment of the Company Shareholder Loan (which will fall due in September 2020) in full saves the financing costs and interests expenses, and affords additional flexibility to the management of the Company to better manage the resources of the Group for its business. The Group is expecting to save financing costs and interests expenses totaling at approximately HK\$10,428,000 which would be preserved within the Group for its use.
7. As set out in the circular of the Company dated 2 March 2018, the Group stated that it intends to allocate, out of the net proceeds of the Disposal (as defined therein), for the purposes stated in the circular other than for repayment of the outstanding loans owed by the Group to its controlling shareholder, Tamar Investments, or its associates. If the repayment of the Company Shareholder Loan becomes unconditional, the Company will apply such net proceeds of the Disposal for such purpose. The repayment will immediately reduce the Group's gearing and save unnecessary interest expenses of the Group to the benefits of the Group. The Board considers that the Independent Shareholders' sanction of this change of use of proceeds will be in the interests of the Company having regard to, among other things, the financial position and cash resources of the Group.
8. The terms of the Agreement were negotiated on an arm's length basis. The Directors (other than the independent non-executive Directors whose views will be set out in the letter from the Independent Board Committee in the Circular) 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.

E. LISTING RULES IMPLICATIONS

1. The highest of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal (Ontrack), the Acquisition (Equal Glory), the JV (Ontrack) Formation and the JV (Equal Glory) Formation fall between 25% and 100%. Accordingly, they constitute a major transaction for the Company under Chapter 14 of the Listing Rules, and they are subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.
2. In addition, the Purchaser (Ontrack) is indirectly owned by Dr. Chan, Ms. Cheng Siu Yin, Shirley and Mr. Chan Wai Lap, Victor, all of whom are executive Directors. The Vendor (Equal Glory) is also wholly owned by Dr. Chan. The Purchaser (Ontrack) and the Vendor (Equal Glory) are therefore connected persons of the Company. Accordingly, the Disposal (Ontrack), the Acquisition (Equal Glory) and the JV (Ontrack) Formation constitute non-exempt connected transactions for the Company under Chapter 14A of the Listing Rules.
3. Given that the Disposal (Ontrack) and the Acquisition (Equal Glory) are inter-conditional on each other; and the JV (Equal Glory) Formation, the JV (Ontrack) Formation and the repayment of the Company Shareholder Loan are subject to and conditional upon the Completion of the Disposal (Ontrack) and the Acquisition (Equal Glory), the Transactions comprising all of these transactions would be subject to the approval of the Independent Shareholders in accordance with Chapter 14A of the Listing Rules.
4. The Company will convene the General Meeting, at which ordinary resolutions to approve the Transactions will be proposed for consideration and passing by the Independent Shareholders.

5. 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. None of them have any interests in the Transactions. They have been appointed to establish the Independent Board Committee to advise the Independent Shareholders in respect of the Transactions. An Independent Financial Adviser will be appointed to advise the Independent Board Committee as to whether the terms of the Transactions are fair and reasonable and whether they are in the interests of the Company and the Shareholders as a whole and the Independent Board Committee will advise the Independent Shareholders as to how to vote on the resolution(s) approving the Transactions at the General Meeting.
6. The Circular containing, among other things, further information on the Transactions, the requisite valuation reports, the letters of advice from the Independent Board Committee and the Independent Financial Adviser and other information as required under the Listing Rules will be despatched to the Shareholders together with a notice convening the General Meeting, as soon as practicable in accordance with the Listing Rules. The Company expects to dispatch the Circular together with the notice of the General Meeting on or before 29 November 2018 in order to prepare and finalise the financial information to be included in the Circular and to allow more time for the Independent Board Committee and the Independent Financial Adviser to review and evaluate the Transactions and to prepare and finalise the letters of advice from the Independent Board Committee and the Independent Financial Adviser for inclusion in the Circular.
7. In compliance with the Listing Rules, Tamar Investments, holding a total of 5,063,395,220 Shares (or approximately 74.12% of the issued share capital of the Company as at the date of this announcement), and its associates are required to abstain from voting on any of the resolutions to approve the Transactions at the General Meeting. Under the Listing Rules, Plenty Business and its associates holding any Shares will be required to abstain from voting on any of the resolutions to approve the Transactions at the General Meeting. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, Plenty Business and its associates are not holding any Shares at the date of this announcement.

8. **The relevant Transactions are subject to the satisfaction or (where applicable) waiver of the Conditions in accordance with the terms of the Agreement as described in this announcement. There is no assurance they will be completed eventually. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

F. DEFINITIONS

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

“Acquisition (Equal Glory)”	the proposed acquisition of the Sale Shares (Equal Glory) and the Sale Loan (Equal Glory) from the Vendor (Equal Glory) by the Purchaser (Equal Glory) pursuant to the terms and conditions of the Agreement
“Agreement”	the sale and purchase agreement dated 29 October 2018 in respect of the Transactions, which was made between the Vendor (Equal Glory), the Purchaser (Equal Glory) (a wholly-owned subsidiary of the Company), the Vendor (Ontrack) (a wholly-owned subsidiary of the Company), the Purchaser (Ontrack), Tamar Investments (as the guarantor for the due performance of the obligations of the Vendor (Equal Glory) and Purchaser (Ontrack) under the Agreement) and the Company (as the guarantor for the due performance of the obligations of the Purchaser (Equal Glory) and Vendor (Ontrack) under the Agreement)
“associate”	as defined in Chapter 14A of the Listing Rules
“Bank Borrowings (Equal Glory)”	the outstanding financial borrowings and indebtedness (including all outstanding principal amount and unpaid interests accrued) owing by the PropCo Group (Equal Glory) to the bank creditor which has granted financial facilities and accommodation for the acquisition of PropCo Group (Equal Glory) and/or the implementation of Development Project (Equal Glory)

“Bank Borrowings (Ontrack)”	the outstanding financial borrowings and indebtedness (including all outstanding principal amount and unpaid interests accrued) owing by the PropCo Group (Ontrack) to the bank creditor which has granted financial facilities and accommodation for the acquisition of PropCo Group (Ontrack) and/or the implementation of Development Project (Ontrack)
“Board”	the board of Directors
“Circular”	the circular of the Company in respect of the Transactions to be despatched in accordance with the Listing Rules
“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
“Company Shareholder Loan”	the outstanding indebtedness (as principal, interest or otherwise) owing by the Company pursuant to a loan agreement dated 25 September 2017 between the Company as borrower and Tamar Investments as lender in relation to loan facilities in the amount of HK\$350,000,000 granted to the Company. The loans facilities are unsecured, interest-bearing at 1.5% per annum, and repayable on 24 September 2020
“Completion”	the completion of the Disposal (Ontrack) or the Acquisition (Equal Glory), as the case may be, in accordance with the relevant terms and conditions of the Agreement

“Completion Date”	the day on which the Completion of the Disposal (Ontrack) or the Acquisition (Equal Glory) is to take place in accordance with the terms and conditions of the Agreement, being the fifth (5th) business day after the date on which the last in time of the Conditions are fulfilled or waived (if applicable), or such other date as may be agreed to between the parties in writing for such purposes
“Conditions”	the conditions precedent to Completion as set out in the Agreement and listed in this announcement
“connected person”	as defined in Chapter 14A of the Listing Rules
“Consideration (Acquisition)”	the aggregate consideration payable by the Purchaser (Equal Glory) to the Vendor (Equal Glory) for the Sale Shares (Equal Glory) and the Sale Loan (Equal Glory) under the Agreement
“Consideration (Acquisition) Adjustment”	the adjustment to be made to the Consideration (Acquisition) by reference to 90% of the net current asset or deficit value of PropCo Group (Equal Glory) as at Completion of the Acquisition (Equal Glory) in accordance with the terms of the Agreement
“Consideration (Disposal)”	the aggregate consideration payable by the Purchaser (Ontrack) to the Vendor (Ontrack) for the Sale Shares (Ontrack) and the Sale Loan (Ontrack) under the Agreement
“Consideration (Disposal) Adjustment”	the adjustment to be made to the Consideration (Disposal) by reference to 25% of the net current asset or deficit value of PropCo Group (Ontrack) as at Completion of the Disposal (Ontrack) in accordance with the terms of the Agreement

“Development Project (Equal Glory)”	the redevelopment of the Property (Equal Glory) and related activities under the JV (Equal Glory) Agreement
“Development Project (Ontrack)”	the redevelopment of the Property (Ontrack) and related activities under the JV (Ontrack) Agreement
“Directors”	the directors of the Company
“Disposal (Ontrack)”	the proposed disposal of the Sale Shares (Ontrack) and the Sale Loan (Ontrack) by the Vendor (Ontrack) to the Purchaser (Ontrack) pursuant to the terms and conditions of the Agreement
“Dr. Chan”	Dr. Chan Sing Chuk, Charles, an executive Director
“General Meeting”	the general meeting of the Company to be convened to consider and, if thought fit, approve the Transactions
“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
“Independent Board Committee”	an independent board committee established to advise the Independent Shareholders in respect of the Transactions in accordance with the Listing Rules
“Independent Financial Adviser”	an independent financial adviser to be engaged to advise the Independent Board Committee and the Independent Shareholders in respect of the Transactions in accordance with the Listing Rules

“Independent Shareholders”	the Shareholders who are not required to abstain from voting on the Transactions under the Listing Rules and the applicable law
“Initial Consideration (Acquisition)”	an amount equal to 90% of a sum the amount of which is equal to HK\$295,680,000 (representing the value of the Property (Equal Glory) as agreed by the immediate parties to the Acquisition (Equal Glory)) minus the Bank Borrowings (Equal Glory) at Completion of the Acquisition (Equal Glory)
“Initial Consideration (Disposal)”	an amount equal to 25% of a sum the amount of which is equal to HK\$1,219,200,000 (representing the value of the Property (Ontrack) as agreed by the immediate parties to the Disposal (Ontrack)) minus the Bank Borrowings (Ontrack) at Completion of the Disposal (Ontrack)
“JV (Equal Glory)”	the joint venture to be formed between the Purchaser (Equal Glory) and Plenty Business on Completion of the Acquisition (Equal Glory) for the single purpose of undertaking and implementing the Development Project (Equal Glory) pursuant to the JV (Equal Glory) Agreement
“JV (Equal Glory) Agreement”	the shareholders agreement to be entered into on Completion of the Acquisition (Equal Glory) between the Purchaser (Equal Glory), the Company as the guarantor of the Purchaser (Equal Glory), Plenty Business, Plenty Business’s ultimate beneficial owner (listed on the Stock Exchange as the guarantor of Plenty Business) and the PropCo (Equal Glory) in respect of the PropCo (Equal Glory) and the Development Project (Equal Glory)
“JV (Equal Glory) Formation”	the formation of the JV (Equal Glory)

“JV (Ontrack)”	the joint venture to be formed between the Vendor (Ontrack) and the Purchaser (Ontrack) on Completion of the Disposal (Ontrack) for the single purpose of undertaking and implementing the Development Project (Ontrack) pursuant to the JV (Ontrack) Agreement
“JV (Ontrack) Agreement”	the shareholders agreement to be entered into on Completion of the Disposal (Ontrack) between the Vendor (Ontrack), the Company as the guarantor of the Vendor (Ontrack), the Purchaser (Ontrack), Tamar Investments as the guarantor of the Purchaser (Ontrack) and the PropCo (Ontrack) in respect of the PropCo (Ontrack) and the Development Project (Ontrack)
“JV (Ontrack) Formation”	the formation of the JV (Ontrack)
“Long Stop Date”	31 March 2019 or such later day as the parties to the Agreement may agree in writing
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Plenty Business”	Plenty Business Limited, a company incorporated in the British Virgin Islands with limited liability, being the 10%-shareholder of PropCo (Equal Glory). It is a party to the JV (Equal Glory) Agreement and an investment holding company
“PropCo (Equal Glory)”	Equal Glory Limited, a company incorporated in the British Virgin Islands with limited liability and owned as to 90% by the Vendor (Equal Glory) and 10% by Plenty Business as at the date of this announcement. It is a party to the JV (Equal Glory) Agreement and an investment holding company

“PropCo Group (Equal Glory)”	the PropCo (Equal Glory) and its subsidiaries
“PropCo Group (Ontrack)”	the PropCo (Ontrack) and its subsidiary
“PropCo (Ontrack)”	Ontrack Ventures Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Vendor (Ontrack) as at the date of this announcement. It is a party to the JV (Ontrack) Agreement and an investment holding company
“Property (Equal Glory)”	the land and properties located at Nos. 7, 7A, 9 and 9A of Cheung Wah Street, Cheung Sha Wan, which is currently held by PropCo Group (Equal Glory)
“Property (Ontrack)”	the interests in the land and properties located at No. 232 Wan Chai Road, Hong Kong, which is currently held by PropCo Group (Ontrack)
“Purchaser (Equal Glory)”	Radiant Achieve Limited, a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability. It is an investment holding company and a party to each of the Agreement and the JV (Equal Glory) Agreement
“Purchaser (Ontrack)”	Luminous Fortune Limited, a company incorporated in the British Virgin Islands with limited liability and indirectly owned by Dr. Chan, Ms. Cheng Siu Yin, Shirley and Mr. Chan Wai Lap, Victor, all of whom are executive Directors. It is an investment holding company and a party to each of the Agreement and the JV (Ontrack) Agreement

“Sale Loan (Equal Glory)”	90% of the outstanding loan and indebtedness owed by the PropCo Group (Equal Glory) to the shareholders of PropCo (Equal Glory) (being the Vendor (Equal Glory) and Plenty Business) or their associates, if any, at Completion of the Acquisition (Equal Glory)
“Sale Loan (Ontrack)”	25% of the outstanding loan and indebtedness owed by the PropCo Group (Ontrack) to the Vendor (Ontrack) or its associates, if any, at Completion of the Disposal (Ontrack)
“Sale Shares (Equal Glory)”	such issued and fully paid ordinary shares in the PropCo (Equal Glory) as shall represent 90% of the entire issued share capital of the PropCo (Equal Glory) at Completion of the Acquisition (Equal Glory)
“Sale Shares (Ontrack)”	such issued and fully paid ordinary shares in the PropCo (Ontrack) as shall represent 25% of the entire issued share capital of the PropCo (Ontrack) at Completion of the Disposal (Ontrack)
“Share”	an issued ordinary share of the Company
“Shareholder”	shareholder of the Company
“sq. m.”	square metre
“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, Ms. Cheng Siu Yin, Shirley and Mr. Chan Wai Lap, Victor, all of them are executive Directors. It is an investment holding company and a party to each of the Agreement and the JV (Ontrack) Agreement

“Transactions”	collectively the transactions under the Agreement, including the Disposal (Ontrack), the Acquisition (Equal Glory), the JV (Ontrack) Formation, the JV (Equal Glory) Formation and the repayment of the Company Shareholder Loan in accordance with the Agreement
“Vendor (Equal Glory)”	Fairy Tale International Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Dr. Chan. It is a party to the Agreement and an investment holding company
“Vendor (Ontrack)”	Globe Deal Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company. It is an investment holding company and a party to each of the Agreement and the JV (Ontrack) Agreement

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

Hong Kong, 29 October 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 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.