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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 ACQUISITION –
ACQUISITION OF 85% SHAREHOLDING IN
THE ACQUIRED COMPANIES**

The Board is pleased to announce that, pursuant to the SP Agreement dated 6 May 2019 entered into by the Buyer (a wholly-owned subsidiary of the Company) and the Sellers, the Buyer conditionally agreed to purchase eighty-five percent (85%) of the issued and outstanding stock and/or membership of the Acquired Companies from the Sellers. The maximum amount of the Consideration, consisting of the cash consideration payable by the Buyer to the Sellers for the Acquisition, being US\$5,100,000 (approximately HK\$40,035,000), and the Bank Guarantee, amounts to US\$11,100,000 (approximately HK\$87,135,000).

Closing of the Acquisition is conditional on, among other things, the approval of the Shareholders being obtained at the General Meeting to be convened.

The Acquired Companies were incorporated in New Jersey, USA. They are principally engaged in the manufacturing and trading of gold and platinum wedding bands in the USA. Immediately after Closing, the issued and outstanding stock and/or membership of the Acquired Companies will be owned as to 85% and 15% by the Buyer and Seller I respectively.

Since the highest of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition falls between 25% and 100%, the Acquisition constitutes a major acquisition for the Company and is subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. A circular containing, among other things, further information of the transactions contemplated under the SP Agreement and other information as required under the Listing Rules and the notice convening the General Meeting to approve them is expected to be despatched on or before 17 June 2019 in order to allow the Company sufficient time to prepare the necessary information, including in particular the financial information of the Acquired Companies, for inclusion in the circular.

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

INTRODUCTION

The Board is pleased to announce that, pursuant to the SP Agreement dated 6 May 2019 entered into by the Buyer (a wholly-owned subsidiary of the Company) and the Sellers, the Buyer conditionally agreed to purchase eighty-five percent (85%) of the issued and outstanding stock and/or membership of the Acquired Companies from the Sellers. The principal terms of the SP Agreement are set out below.

SP AGREEMENT

1. Date

6 May 2019

2. Parties

Buyer: CJ Holdings USA Inc., a New York corporation and a wholly-owned subsidiary of the Company

Sellers: Seller I and Seller II, who are two individuals, and Seller II Related Trusts. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, the Sellers and their ultimate beneficial owners (if any) are third parties independent of the Company and connected persons of the Company.

3. Assets to be acquired

The Buyer conditionally agreed to purchase from the relevant Sellers the Acquired Stock comprising eighty-five percent (85%) of the issued and outstanding stock and/or membership of the Acquired Companies as follows:

	Approximate percentage of the issued and outstanding stock and/or membership			
	Before Closing		After Closing	
	Novell Enterprises Inc.	NP Enterprises, LLC	Novell Enterprises Inc.	NP Enterprises, LLC
Seller I	33.33%	50%	15%	15%
Seller II	33.33%	50%	Nil	Nil
Related Trusts of Seller II	33.33%	Nil	Nil	Nil
Buyer	Nil	Nil	85%	85%

4. Consideration

The maximum amount of the Consideration, consisting of the cash consideration payable by the Buyer to the Sellers for the Acquisition and the Bank Guarantee, amounts to US\$11,100,000 (approximately HK\$87,135,000).

The cash consideration for the Acquired Stock is US\$5,100,000 (approximately HK\$40,035,000), of which US\$4,400,000 (approximately HK\$34,540,000) is for acquiring 85% of the issued and outstanding stock and/or membership of Novell Enterprises Inc. and US\$700,000 (approximately HK\$5,495,000) is for acquiring 85% of the issued and outstanding stock and/or membership of NP Enterprises, LLC.

Pursuant to the terms of the SP Agreement,

- (a) a deposit of US\$510,000 (approximately HK\$4,003,500) shall be paid on the date of the SP Agreement; and
- (b) the remaining balance of the cash consideration of US\$4,590,000 (approximately HK\$36,031,500) shall be paid on Closing.

The Consideration was arrived after arm's length negotiations between the Sellers and the Buyer with reference to, among other things, the Acquired Companies' combined net worth, their earnings and performance and business prospects and market position as well as other factors set out in the section headed "Reasons for and benefit of the acquisition" below.

The Consideration is based on the accounts of the Acquired Companies made up to 31 December 2018. Under the SP Agreement, the Sellers are not liable for any financial risks (or rewards) to the Acquired Companies after 31 December 2018, unless the Sellers expressly otherwise agree in the SP Agreement. There will be no distributions to the Sellers by the Acquired Companies after 31 December 2018 based on the accountants' reports of the Acquired Companies through 31 December 2018.

5. Conditions to Closing

Closing of the Acquisition is subject to and conditional upon satisfaction or (where applicable) waiver of the Conditions including, among other things:

- (a) the representations and warranties of the parties to the SP Agreement being true and correct in all material respects;
- (b) the performance of the obligations of the parties as set out in the SP Agreement;
- (c) all authorizations, consents or approvals, or notices to or filings with any governmental authority or other person that are required to consummate the contemplated transactions under the SP Agreement (including the approval by the Shareholders of the transactions contemplated under the SP Agreement) having been obtained or made, and no such authorization, consent or approval will have been revoked; and
- (d) the personal guarantees given by Seller I and Seller II in respect of an existing bank facility of the Acquired Companies being terminated.

Each party hereto shall use commercially reasonable efforts to take such actions as are necessary to expeditiously satisfy the Conditions. The SP Agreement may be terminated either by the Buyer or any Seller by providing written notice to the other at any time after 31 August 2019.

6. Closing

Closing of the Acquisition will take place on the Closing Date, that is, on or before 31 August 2019, or on such other date as the parties to the SP Agreement may mutually agree upon in writing.

Following Closing, the Buyer and Seller I will each own 85% and 15% of the issued and outstanding stock and/or membership of the Acquired Companies, which will become 85%-owned subsidiaries of the Company. Their assets, liabilities and results will be consolidated into the consolidated financial statements of the Group. Seller I shall continue his employment with Novell Enterprises Inc., in accordance with his employment agreement with Novell Enterprises Inc., and Seller II shall continue to serve as a consultant to Novell Enterprises, Inc., in accordance with his consulting agreement with Novell Enterprises Inc.

7. Guarantee for bank facilities of the Acquired Companies

Upon Closing, the Company may, if required, provide 100% guarantee for the bank facilities of the Acquired Companies of up to US\$6,000,000 (approximately HK\$47,100,000).

INFORMATION ON THE ACQUIRED COMPANIES

A summary of the unaudited consolidated financial information of the Acquired Companies for the two years ended 31 December 2018 is set out below:

	For the years ended	
	31 December	
	2017	2018
	<i>Approximate</i>	<i>Approximate</i>
	<i>Amount</i>	<i>Amount</i>
Net profit before taxation and extraordinary items	US\$501,000 (HK\$3,933,000)	US\$119,000 (HK\$934,000)
Net profit after taxation and extraordinary items	US\$499,000 (HK\$3,917,000)	US\$117,000 (HK\$918,000)

The unaudited net asset value of the Acquired Companies as at 31 December 2018 amounted to approximately US\$4,700,000 (approximately HK\$36,895,000).

REASONS FOR, AND BENEFITS OF, THE ACQUISITION

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

The Acquired Companies were incorporated in New Jersey, USA. They are principally engaged in the manufacturing and trading of gold and platinum wedding bands in the USA. The Acquired Companies do not own any real property.

The Acquired Companies have strong brand names with over thirty years of experience. They pioneered in cutting edge technology and established a strong distribution to a wide array of jewellery retailers across the USA. The manufacturing facility of the Acquired Companies has been profiled by Manufacturing Jewelers and Suppliers of America as one of the most innovative jewellery manufacturers in America.

The Acquired Companies have built a solid reputation for having the largest collection of designed and crafted wedding rings in the industry. The brands appeal to a wide range of consumers with high level of customization. Together with a solid base of core customers, years of successful history, the Acquired Companies are positioned to combine the strengths of the Group's position in jewellery industry and leverage the Group's network and resources to further expand in the USA. The Acquisition is also an important strategy in the Group's ongoing expansion plan. Furthermore, the Acquisition is a good opportunity for the Group to further expand the market share and strengthen its position in USA market.

The terms of the SP Agreement were negotiated on an arm's length basis. The Directors (including the independent non-executive Directors) have confirmed that the terms of the SP Agreement are fair and reasonable, and that they are on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole.

It is expected that the Consideration payable by the Group under the SP Agreement will be funded by internal resources, and/or bank borrowings of the Group.

No Director has any material interest in the transactions under the SP Agreement. Accordingly, no Director is required to abstain from voting on the Board resolution approving the Acquisition and the transactions under the SP Agreement.

LISTING RULES IMPLICATIONS AND GENERAL

Since the highest of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition falls between 25% and 100%, the Acquisition constitutes a major acquisition for the Company and is subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

A circular containing, among other things, further information of the Acquisition under the SP Agreement and other information as required under the Listing Rules and the notice convening the General Meeting to approve them is expected to be despatched on or before 17 June 2019 in order to allow the Company sufficient time to prepare the necessary information, including in particular the financial information of the Acquired Companies, for inclusion in the circular.

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

DEFINITIONS

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

“Acquired Companies”	(a) Novell Enterprises Inc., incorporated in accordance with the laws of the State of New Jersey, and currently owned by the Sellers; and (b) NP Enterprises, LLC (d/b/a Lieberfarb), incorporated in accordance with the laws of the State of New Jersey, and currently owned by Seller I and Seller II
“Acquired Stock”	85% of the issued and outstanding stock and/or membership of the Acquired Companies
“Acquisition”	the proposed acquisition of the Acquired Stock by the Buyer from the relevant Sellers pursuant to the terms and conditions of the SP Agreement
“Bank Guarantee”	the guarantee that may be provided by the Company to the bank(s) in respect of the bank facilities of the Acquired Companies of up to US\$6,000,000 (approximately HK\$47,100,000)
“Board”	the board of Directors
“Buyer”	CJ Holdings USA Inc., a New York corporation and a wholly-owned subsidiary of the Company
“Closing”	closing of the Acquisition in accordance with the terms and conditions of the SP Agreement
“Closing Date”	on or before 31 August 2019, or on such other date as the parties to the SP Agreement may mutually agree upon in writing

“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
“Conditions”	the conditions precedent to Closing as set out in the SP Agreement
“connected person”	has the same meaning ascribed to it in the Listing Rules
“Consideration”	the aggregate of the cash consideration payable by the Buyer to the Sellers for the Acquisition, being US\$5,100,000 (approximately HK\$40,035,000), and the Bank Guarantee
“Directors”	the directors of the Company
“General Meeting”	a general meeting of the Company to be convened to consider and, if thought fit, approve the Acquisition and the transactions under the SP Agreement
“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
“Seller I”	a citizen in the USA, who is a third party independent of the Company and connected persons of the Company
“Seller II”	a citizen in the USA, who is a third party independent of the Company and connected persons of the Company
“Seller II Related Trust”	two trusts established for the benefits of the family members of Seller II, who are third parties independent of the Company and connected persons of the Company

“Sellers”	collectively, Seller I, Seller II and Seller II Related Trusts
“Share”	issued ordinary share of the Company
“Shareholder”	shareholder of the Company
“SP Agreement”	the stock purchase agreement dated 6 May 2019 entered between the Sellers and the Buyer in relation to the Acquisition and the related transactions
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USA”	the United States of America
“US\$”	United States Dollar, the lawful currency of the United States of America

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

Hong Kong, 8 May 2019

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.