
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Continental Holdings Limited**, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



CONTINENTAL
HOLDINGS LIMITED
恒和珠寶集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00513)

MAJOR TRANSACTIONS
IN RELATION TO THE PROVISIONS OF FINANCIAL ASSISTANCE
TO A JOINT VENTURE COMPANY
AND
THE PROVISION OF GUARANTEE TO A BANK

A letter from the Board is set out on pages 6 to 17 of this circular.

30 November 2015

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	6
Appendix I – Financial information of the Group	I-1
Appendix II – General information	II-1

DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions have the following meanings:

“A Glory”	A Glory Communications Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by the EL Shareholder and his family member
“Approved Loans”	the shareholder’s loans provided by Master Gold to the JV Company on 17 September 2008, 31 October 2008, 20 November 2008, 23 December 2008 and 10 August 2009 under the Loan Arrangements
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Bank”	Hang Seng Bank (China) Limited, Shanghai Branch
“Board”	the board of Directors
“Company”	Continental Holdings Limited, a company incorporated in Hong Kong with limited liability and the securities of which are listed on the Stock Exchange
“Completion Guarantee”	the agreement dated 8 November 2012 entered by the JV Subsidiary, the Bank and the Company in relation to RMB 470.0 million credit facility where the Company undertakes to procure the JV Subsidiary to complete the Project on or before the specified date
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Dr. Chan”	Dr. Chan Sing Chuk, Charles, BBS, JP, Chairman and an executive Director of the Company
“Early Light”	Early Light Industrial Company Limited, a company with limited liability

DEFINITIONS

“EL Shareholder”	an individual and the major shareholder of Early Light
“Existing Facility”	the term loan facility in an aggregate amount of RMB470.0 million (equivalent to approximately HK\$582.8 million based on the then prevailing exchange rate) granted by the Bank to the JV Subsidiary pursuant to the Existing Facility Agreement
“Existing Facility Agreement”	the facility agreement dated 8 November 2012 entered into by the JV Subsidiary, the Bank, the Company, Early Light and A Glory in relation to the provision of a term loan facility to the JV Subsidiary
“Financial Assistance”	the provisions of the Subsequent Loans under the Loan Arrangements
“Group”	the Company and its subsidiaries
“Guarantee”	the guarantee given by the Company in favour of the Bank under the Existing Facility Agreement, details of which were disclosed in the announcement and circular of the Company dated 8 November 2012 and 29 November 2012 respectively
“Guaranteed Moneys”	all present and future moneys, debts and liabilities due, owing or incurred by the JV Subsidiary to the Bank under and in connection with the New Facility
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“JV Company”	Wealth Plus Developments Limited, a company incorporated in the British Virgin Islands with limited liability and owned as to 50% by Master Gold and 50% by A Glory

DEFINITIONS

“JV Subsidiary”	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 wholly-owned subsidiary of the JV Company
“Latest Practicable Date”	27 November 2015, being the latest practicable date for ascertaining certain information prior to printing of this circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Loan Facility”	the Existing Facility and the New Facility
“Loan Arrangements”	the loan arrangements between Master Gold, as the lender, and the JV Company, as the borrower, for providing shareholder’s loan to the JV Company, details of which are set out in the section headed “The Loan Arrangements with the JV Company” in the letter from the Board in this circular
“Master Gold”	Master Gold Development Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“New Facility”	additional term loan facility in an aggregate amount of RMB200.0 million (equivalent to approximately HK\$252.0 million based on the then prevailing exchange rate) granted by the Bank to the JV Subsidiary pursuant to the Supplemental Facility Agreement
“New Guarantee”	the guarantee provided by the Company under the New Guarantee Agreement
“New Guarantee Agreement”	the agreement dated 30 October 2014 pursuant to which the Company agreed to guarantee up to 50% of the Guaranteed Moneys

DEFINITIONS

“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, Macau Special Administration of the People’s Republic of China and Taiwan
“Previous Loans”	the loan(s), if any, provided by Master Gold to the JV Company under the relevant Loan Arrangements which have/has not yet been approved by the Shareholders prior to the relevant dates of the Subsequent Loans or the New Guarantee (as the case maybe)
“Project”	the property development project on the two parcels of land with total area of approximately 18,101 sq. m. and total gross floor area of approximately 97,307 sq. m. in Yangpu District of Shanghai (上海楊浦區) in the PRC owned by the JV subsidiary. The land parcels is being developed into an eleven-floored shopping mall – Bauhinia Square with over 500 parking spaces
“Repayment Guarantee”	the agreement dated 8 November 2012 entered by the JV Subsidiary, the Bank and the Company in relation to RMB 470.0 million credit facility where the Company agreed to guarantee the JV Subsidiary to comply with the obligation specified in the Existing Facility Agreement
“RMB”	Renminbi, the lawful currency of the PRC from time to time
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	the holder(s) of the Shares from time to time
“Shareholders’ Agreement”	the shareholders’ agreement dated 26 November 2004 entered into among Master Gold, A Glory and the JV Company in relation to the establishment of the JV Company
“Shareholder’s Loan(s)”	the Approved Loans and the Subsequent Loans

DEFINITIONS

“Share(s)”	the ordinary share(s) in the share capital of the Company
“sq. m.”	square meter(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsequent Loans”	the shareholder’s loans provided or agreed to be provided by Master Gold to the JV Company on 19 September 2007, 20 November 2009, 10 May 2010, 26 November 2010, 11 November 2011, 27 April 2012, 28 August 2014, 8 July 2015 and 13 November 2015 under the Loan Arrangements
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Supplemental Facility Agreement”	the supplemental agreement to the Existing Facility Agreement dated 30 October 2014 entered into among the JV Subsidiary, the Bank, the Company, Early Light and A Glory in relation to the provision of the New Facility to the JV Subsidiary
“Tamar Investments”	Tamar Investments Group Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by Dr. Chan and Ms. Cheng Siu Yin, Shirley, an executive Director of the Company
“%”	per cent.

For the purpose of this circular, unless other specified, conversions of RMB into HK\$ are based on the exchange rate of RMB1.00 = HK\$1.22. The exchange rate is for illustrative purpose only and no representation is made that any amounts in RMB or HK\$ could have been or could be converted at the above rate or at any other exchange rates.

** The English translations or transliterations of Chinese names are for identification purpose only*

LETTER FROM THE BOARD



CONTINENTAL HOLDINGS LIMITED 恒和珠寶集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00513)

Executive Directors:

Dr. Chan Sing Chuk, Charles, *BBS, JP*
Ms. Cheng Siu Yin, Shirley
Ms. Chan Wai Kei, Vicki
Mr. Chan Wai Lap, Victor
Mr. Wong Edward Gwon-hing
Mr. Yam Tat Wing

Registered office:

Flats M and N, 1st Floor
Kaiser Estate, Phase III
11 Hok Yuen Street
Hung Hom, Kowloon
Hong Kong

Independent non-executive Directors:

Mr. Yu Shiu Tin, Paul, *BBS, MBE, JP*
Mr. Chan Ping Kuen, Derek
Mr. Sze Irons, *BBS, JP*
Mr. Cheung Chi Fai, Frank

30 November 2015

To the Shareholders and the holders of share options

Dear Sirs,

**MAJOR TRANSACTIONS
IN RELATION TO THE PROVISIONS OF FINANCIAL ASSISTANCE
TO A JOINT VENTURE COMPANY
AND
THE PROVISION OF GUARANTEE TO A BANK**

INTRODUCTION

The Board announced on 13 November 2015 that shareholders' loans have been provided by each shareholder of the JV Company, i.e. Master Gold, a wholly-owned subsidiary of the Company, and A Glory, on an equal basis during the period from September 2007 to November 2015. The Board also announced on 30 October 2014 that the Company, as one of the guarantors, entered into the Supplemental Facility Agreement on 30 October 2014 in favour of the Bank in relation to the provision of the New Facility in a principal amount of RMB200.0 million (equivalent to approximately HK\$252.0 million based on the then prevailing exchange rate) by the Bank to the JV Subsidiary pursuant to the Supplemental Facility Agreement.

LETTER FROM THE BOARD

The main purpose of this circular is to provide you with, among other things, further information on the Financial Assistance and the New Guarantee.

THE LOAN ARRANGEMENTS WITH THE JV COMPANY

Background

The JV Company was established by the Company and A Glory in November 2004 pursuant to the Shareholders' Agreement. Each of the Company, through Master Gold, and A Glory was, and still is, interested in 50% of the equity interest of the JV Company. The JV Company, through the JV Subsidiary, is principally engaged in development of the Project. Pursuant to the Shareholders' Agreement, the parties to the Shareholders' Agreement agreed to provide initial funding of the JV Company of RMB245.0 million (equivalent to approximately HK\$231.2 million based on the then prevailing exchange rate) (the "**Initial Funding**") which shall be contributed by way of shareholders' loans from both shareholders on an equal basis. It further provided that such shareholders' loans to the JV Company shall be interest-free, unsecured and without fixed term of repayment unless otherwise agreed by the parties thereto.

The entering into of the Shareholders' Agreement and the formation of the JV Company constituted a major transaction for the Company. Details of the formation of the JV Company including the details of the Initial Funding made by the Company of RMB122.5 million (equivalent to approximately HK\$115.6 million based on the then prevailing exchange rate) were disclosed in the announcement and circular issued by the Company dated 29 November 2004 and 9 December 2004 respectively. The entering into of the Shareholders' Agreement and the formation of the JV Company were approved by the Shareholders on 30 December 2004.

Subsequent Funding

Subsequent to the Initial Funding, shareholders' loans have been provided by each shareholder of the JV Company on an equal basis from time to time since September 2007 (the "**Subsequent Funding**"). Under the Shareholders' Agreement, the amounts of shareholders' loans from Master Gold and A Glory to the JV Company were made in proportion to their respective shareholdings held in the JV Company and the loans made available by each of them to the JV Company were on the same terms. The shareholders' loans were provided to the JV Company on a dollar-for-dollar basis and were interest-free, unsecured and without fixed term of repayment.

LETTER FROM THE BOARD

The amount and the relevant date of drawdown or loan agreement of the Subsequent Funding under the Loan Arrangements are set out in the table below.

Date	Amount <i>(HK\$ in million)</i>
19 September 2007	36.0
17 September 2008	50.0
31 October 2008	10.0
20 November 2008	10.0
23 December 2008	6.0
10 August 2009	25.0
20 November 2009	4.5
10 May 2010	58.5
26 November 2010	87.5
11 November 2011	40.0
27 April 2012	80.0
28 August 2014	78.0
8 July 2015	50.0
13 November 2015	61.5
Total	597.0

Shareholder's loans as set out in the table above were determined based on the development status and the capital expenditure requirement of the Project. As at the Latest Practicable Date, the outstanding balance of shareholder's loan provided by Master Gold to the JV Company was approximately HK\$640.8 million. The difference between the outstanding balance and the total amount as shown in the table above was mainly attributable to the amount of the Initial Funding of HK\$115.6 million, the Shareholder's Loan of HK\$1.0 million (which has not yet been provided by Master Gold as at the Latest Practicable Date) and the net repayment of the Shareholder's Loans of HK\$70.8 million from time to time.

LETTER FROM THE BOARD

THE NEW GUARANTEE TO A BANK

On 30 October 2014, the Company, as guarantor, entered into the New Guarantee Agreement to guarantee up to 50% of the Guaranteed Moneys of the JV Subsidiary in relation to the New Facility under the Supplemental Facility Agreement.

Details of the New Guarantee Agreement are set out below:

The New Guarantee to the Bank

Date:	30 October 2014
Borrower:	the JV Subsidiary
Lender:	the Bank
Guarantor:	the Company
Guarantee:	The Company provided a guarantee in favour of the Bank of RMB100.0 million (equivalent to approximately HK\$126.0 million based on the then prevailing exchange rate), representing up to 50% of the Guaranteed Moneys under the Supplemental Facility Agreement, to secure the repayment obligation of the JV Subsidiary in relation to the New Facility under the Supplemental Facility Agreement.
Validity:	The New Guarantee Agreement shall remain in force until the Guaranteed Moneys has been fully settled.
Consideration:	The Company will not receive any fee or commission for the provision of the New Guarantee under the New Guarantee Agreement.

LETTER FROM THE BOARD

- Loan Facility:** A New Facility in a principal amount of RMB200.0 million (equivalent to approximately HK\$252.0 million based on the then prevailing exchange rate) was granted by the Bank to the JV Subsidiary under the Supplemental Facility Agreement and the aggregate sum of the Loan Facility (as supplemented by the Supplemental Facility Agreement) is RMB670.0 million (equivalent to approximately HK\$844.2 million based on the then prevailing exchange rate), which comprises the amount of the Existing Facility of RMB470.0 million (equivalent to approximately HK\$592.2 million based on the then prevailing exchange rate) and the New Facility of RMB200.0 million (equivalent to approximately HK\$252.0 million based on the then prevailing exchange rate) at an interest rate of 1.2 times of the benchmark lending rate for three to five years (including five years) of the People's Bank of China.
- Maturity:** The date falling five years after the first utilisation of the Loan Facility.
- Purpose of the New Facility:** The New Facility will be utilised for the payment of construction and interior decoration costs, associated professional and consulting fees (including architect's and surveyor's fees), marketing expenses, other reasonably related and overhead expenses and taxes in respect of the development and completion of the Project.
- Security of the New Facility:** Apart from the New Guarantee, the Repayment Guarantee and the Completion Guarantee, the security for the New Facility provided by the JV Subsidiary to the Bank includes, among other things, (i) the legal charge over the land use rights and other fixed assets of the Project; and (ii) the pledge of sales and rental proceeds and other income generated from the Project by the JV Subsidiary.
- Other key terms under the Supplemental Facility Agreement:**
- (i) To secure the repayment obligation of the JV Subsidiary, Early Light also separately entered into a guarantee agreement in favour of the Bank in the same terms as the New Guarantee.

LETTER FROM THE BOARD

- (ii) Each of the Company, Early Light and A Glory will provide a written guarantee in respect of the obligations for timely completion of the Project and the provision of sufficient funds to cover all cost overruns in respect of the construction of the Project.

THE PROJECT

The JV Subsidiary currently holds two parcels of land, which are being developed into an eleven-floored shopping mall with over 500 car parking spaces. The superstructure and the interior decoration of the property – “Bauhinia Square” are completed. The land parcels have a total area of approximately 18,101 sq.m.. The total gross floor area of the Project is approximately 97,307 sq.m., of which approximately 73,333 sq.m. is for commercial use according to the Pre-sale Certificate (預售許可證) issued by the relevant government authority. The net leasable area for commercial use is approximately 44,831 sq.m., of which approximately 38,332 sq.m. has been leased to tenants as at the Latest Practicable Date. As at the Latest Practicable Date, the JV Subsidiary has secured approximately 80 shopping mall tenancy agreements with average monthly rent ranging between RMB60 per sq.m. and RMB670 per sq.m. The other details of the Project are set out in the table below.

Address:	No. 1628, Kongjiang Road, Shanghai, the PRC (中國上海控江路1628號)
Status:	The superstructure and the interior decoration of the property are completed. The completion permit (建設工程項目竣工驗收備案表) (the “ Completion Permit ”) is pending to be issued by relevant government authority. Selective tenants have started moving in since August 2015 and targeted soft opening by the end of 2015.
Construction cost:	As at 30 September 2015, the construction cost incurred was approximately RMB1,721.0 million (equivalent to approximately HK\$2,100.0 million). The estimated future construction cost to complete was approximately RMB14.0 million (equivalent to approximately HK\$17.1 million).
Tenancy occupancy rate for area for commercial use:	Approximately 86% as at the Latest Practicable Date

LETTER FROM THE BOARD

Major tenancy terms: The rental are calculated on fixed basis, commission basis or a combination of both and determined with reference to, among other things, the size of allocated space and the strength of the brand of the tenants. Terms of the tenancy agreement range from two to fifteen years.

The property was completed in 2015, which was approximately 1 year later than the expected completion date. Set out below are the major causes of delay recognised by the Directors.

- (i) In the early stage of the construction, the JV Subsidiary encountered oppositions from the residents in the nearby precinct in relation to the relocation of the residents. Construction of the Project was suspended until the issues raised by the residents were fully resolved.
- (ii) The Project is located above Jiangpu Road Metro Station (江浦路地鐵站) along route M8 of Shanghai Metro (the “**Shanghai Metro**”(上海地鐵)), which is subject to more stringent technical requirements and construction standards. Several rounds of meetings and negotiations were held between the JV Subsidiary and the contractor and the officials from Shanghai Metro from time to time to fulfill their requirements. In addition, several variations were made to the entrance of the shopping mall of the Project in order to offer direct access to the shopping mall, which resulted in further technical complication to the Project.
- (iii) In the later stage of the construction, there was a delay in the approval process on electricity supply to the Project as there was a change in the government officer in-charge of electricity supply to the Project. Furthermore, variations of the shopping complex of the Project were made to cater for changing retail requirements and consumer needs. For example, the food and beverage area of the shopping mall increased by approximately 2 times. As a result, the application for additional electricity supply due to the variations had caused further delay in the approval process.

Given the above, the overall construction cost of the Project has increased. All of above events and issues have been resolved, either in writing or on a verbal basis, with the relevant parties as at the Latest Practicable Date.

The construction of the Project was completed and the JV Subsidiary is in the process of applying for the Completion Permit. Subject to the settlement of the amount due to contractors, the Directors expect the Completion Permit and relevant certificates will be obtained on or before mid 2016.

LETTER FROM THE BOARD

As at 30 September 2015, the construction cost incurred was approximately RMB1,721.0 million (equivalent to approximately HK\$2,100.0 million), of which approximately RMB1,505.0 million (equivalent to approximately HK\$1,836.1 million) was paid (including the payment by way of utilisation of the New Facility of RMB200.0 million (equivalent to approximately HK\$244.0 million) granted by the Bank on 30 October 2014) and the remaining balance of approximately RMB216.0 million (equivalent to approximately HK\$263.5 million) was not yet paid. Taking into account the estimated future construction cost to complete of approximately RMB14.0 million (equivalent to approximately HK\$17.1 million), the total construction cost remained payable was approximately RMB230.0 million (equivalent to approximately HK\$280.6 million). It is expected that the RMB230.0 million construction cost payable (equivalent to approximately HK\$280.6 million) will be settled by shareholders' loans of approximately RMB100.0 million (equivalent to approximately HK\$122.0 million) and the remaining balance of approximately RMB130.0 million (equivalent to approximately HK\$158.6 million) will be funded by additional loan facility from bank, shareholders' loans and/or other external financings.

Pursuant to the Shareholders' Agreement, Master Gold shall contribute approximately RMB50.0 million (equivalent to approximately HK\$61.0 million) for the unsettled construction costs.

INFORMATION ON THE PARTIES TO THE FINANCIAL ASSISTANCE AND THE NEW FACILITY AGREEMENT

The JV Subsidiary is principally engaged in the development of the Project. It is wholly-owned by the JV Company, which is held as to 50% by Master Gold, a wholly-owned subsidiary of the Company, and 50% by A Glory, a company wholly-owned by the EL Shareholder and his family member.

The JV Company is an investment holding company and, through the JV Subsidiary, is principally engaged in the development of the Project.

Master Gold is a wholly-owned subsidiary of the Company. It is principally engaged in investment holding and its principal asset is the 50% equity interest in the JV Company.

The Company, through its subsidiaries, is principally engaged in designing, manufacturing, marketing and trading of fine jewellery and diamonds, property investment and development, mining and other industries.

Early Light is principally engaged in toys manufacturing.

LETTER FROM THE BOARD

The Bank is Hang Seng Bank (China) Limited, Shanghai Branch, which is principally engaged in retail and corporate banking in Shanghai, the PRC.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, save as disclosed in this circular, the JV Company, the JV Subsidiary, Early Light, A Glory, the Bank and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

REASONS FOR THE PROVISIONS OF THE FINANCIAL ASSISTANCE AND THE NEW GUARANTEE

The Financial Assistance

The JV Company, through the JV Subsidiary, is principally engaged in the development of the Project. The proceeds from the Shareholder's Loans to the JV Company have been used primarily as working capital for the development of the Project. The Group has financed the loans under the Loan Arrangements by banking facilities, loans from a controlling shareholder and a related company and its internal resources.

The Directors expect that the Company will be required to provide additional funding to the JV Company to finance the future construction cost as disclosed in the section headed "The Project" above.

The Directors expect the Shareholder's Loans and the obligation of the JV Company under the Loan Facility will be fully repaid and settled from the long-term rental income of the Project after its completion. The Directors also expect the JV Company will be able to self-finance after the commencement of operation of the shopping mall of the Project. Nevertheless, the Company does not rule out any possibility that the shareholders of the JV Company may need to provide additional funding to the JV Company as and when necessary.

Having considered in particular that: (i) the loans under the Loan Arrangements bore the same proportion to the aggregate amount advanced by both shareholders of the JV Company in which Master Gold has 50% equity interest; (ii) the loans from both shareholders of the JV Company were on the same terms; and (iii) the fact that the loans under the Loan Arrangements were used for the completion of the Project, the Directors were of the view that the terms of the Loan Arrangements were on normal commercial terms and fair and reasonable, and that the entering into of the Loan Arrangements and the Financial Assistance were in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

The Guarantee

The Existing Facility of RMB470.0 million (equivalent to approximately HK\$592.2 million based on the then prevailing exchange rate) provided by the Bank had been used in the construction of the Project. Taking into consideration the additional construction costs required for the development and completion of the Project and the payment for the interior decoration, associated professional and consulting fees (including architect's and surveyor's fees), marketing expenses as well as other reasonably related and overhead expenses and taxes at that time, new funds were required to be sourced through obtaining the New Facility from the Bank. The New Guarantee was provided as a security to enable the JV Subsidiary to obtain the New Facility under the Supplemental Facility Agreement from the Bank.

After considering that (i) each of the Company and A Glory indirectly holds 50% equity interest in the JV Subsidiary; (ii) Early Light has provided the same guarantee as the Company in favour of the Bank under the Supplemental Facility Agreement and the New Guarantee were on a several basis; (iii) the reasons for the New Guarantee as mentioned above; and (iv) the terms of the Supplemental Facility Agreement and the New Guarantee were negotiated on an arm's length basis, the Directors were of the view that the terms of the Supplemental Facility Agreement and the New Guarantee were on normal commercial terms and fair and reasonable, and that the entering into of the Supplemental Facility Agreement and the provision of the New Guarantee were in the interests of the Company and the Shareholders as a whole.

The Directors were of the view that the terms for the provision of the New Guarantee entered into between the Bank and the Company in relation to the New Facility under the Supplemental Facility Agreement were not variation to the terms of the guarantee given by the Company to the Bank for the Existing Facility.

FINANCIAL EFFECTS OF THE PROVISIONS OF THE FINANCIAL ASSISTANCE AND THE NEW GUARANTEE ON THE COMPANY

The Financial Assistance, on one hand, will result in the increase in the "interests in joint ventures", and on the other hand, the decrease in "cash and cash equivalents" and/or the increase in "bank loans" or "loan from a controlling shareholder" in the Group's consolidated statement of financial position. Given the above, the provision of the Financial Assistance was not expected to have any material effect on the net asset value of the Group. Furthermore, since the Shareholder's Loans are interest-free, the provision of the Financial Assistance was not expected to have any material effect on the earnings of the Group.

The Directors are of the view that the provision of the New Guarantee will not have any material effects on the earnings, assets and liabilities of the Group, unless the Company is required to settle the obligations under the New Guarantee.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

The Approved Loans (i.e. the shareholder's loans provided by Master Gold to the JV Company on 17 September 2008 of HK\$50.0 million, 31 October 2008 of HK\$10.0 million, 20 November 2008 of HK\$10.0 million, 23 December 2008 of HK\$6.0 million and 10 August 2009 of HK\$25.0 million) and the Guarantee were approved and ratified by way of written shareholder's resolution given by Tamar Investments, which held more than 50% of the voting rights in the Company, on 2 November 2012.

Upon the recent clarification with the Stock Exchange on the basis of aggregation of the provisions of the Shareholder's Loans, the Guarantee and the New Guarantee, the Company was informed that all Shareholder's Loans, the Guarantee and the New Guarantee should have been aggregated for the purpose of determining the size of the aforesaid transactions.

On such basis, the shareholder's loans provided or agreed to be provided by Master Gold to the JV Company on 19 September 2007 of HK\$36.0 million, 20 November 2009 of HK\$4.5 million, 10 May 2010 of HK\$58.5 million and 26 November 2010 of HK\$87.5 million constituted financial assistances of and discloseable transactions for the Company under Chapter 14 of the Listing Rules. Therefore, the provisions of these shareholder's loans were subject to the notification and announcement but exempt from circular and shareholders' approval requirements under the Listing Rules.

On the same basis, the shareholder's loans provided or agreed to be provided by Master Gold to the JV Company on 11 November 2011 of HK\$40.0 million, 27 April 2012 of HK\$80.0 million, 28 August 2014 of HK\$78.0 million, 8 July 2015 of HK\$50.0 million and 13 November 2015 of HK\$61.5 million, together with the New Guarantee, constituted financial assistances of and major transactions for the Company under Chapter 14 of the Listing Rules. Therefore, the provisions of these shareholder's loans and the New Guarantee were subject to the notification, announcement, circular and shareholders' approval requirements under the Listing Rules.

Commencing from 11 November 2011 (the date of the shareholder's loan agreed to be provided by Master Gold to the JV Company of HK\$40.0 million) and up to 13 November 2015 (the date of obtaining the written shareholder's approval certificate from Tamar Investments, the controlling Shareholder, as discussed below), the shareholder's loans provided or agreed to be provided by Master Gold to the JV Company on 11 November 2011 of HK\$40.0 million, 27 April 2012 of HK\$80.0 million, 28 August 2014 of HK\$78.0 million and 8 July 2015 of HK\$50.0 million and the New Guarantee had not been approved from the Shareholders.

LETTER FROM THE BOARD

To the best of the Directors' knowledge, information and belief having made all enquiries, no Shareholders or any of their respective associates have any material interest in the Financial Assistance and the New Guarantee. As such, no Shareholders would be required to abstain from voting under the Listing Rules if the Company were to convene a general meeting for the approval of the Financial Assistance and the New Guarantee.

Tamar Investments, the controlling Shareholder, holds 5,063,395,220 Shares, representing approximately 74.12% of the issued share capital of the Company, as at the Latest Practicable Date. Pursuant to Rule 14.44 of the Listing Rules, Tamar Investments has issued a written shareholder's approval certificate on 13 November 2015 to approve and ratify the Financial Assistance (the shareholder's loans provided or agreed to be provided by Master Gold to the JV Company on 11 November 2011 of HK\$40.0 million, 27 April 2012 of HK\$80.0 million, 28 August 2014 of HK\$78.0 million, 8 July 2015 of HK\$50.0 million and 13 November 2015 of HK\$61.5 million) and the New Guarantee and accordingly, no extraordinary general meeting will be convened by the Company to approve the aforesaid Financial Assistance and the New Guarantee.

RECOMMENDATION AND FURTHER INFORMATION

On the basis of the information set out in this circular, the Directors consider that the provisions of the Financial Assistance and the New Guarantee are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Your attention is also drawn to the appendices to this circular.

Yours faithfully,
for and on behalf of
CONTINENTAL HOLDINGS LIMITED
Chan Sing Chuk, Charles
Chairman

1. FINANCIAL SUMMARY

The following is a summary of the audited consolidated statement of profit or loss of the Group for each of the three years ended 30 June 2013, 2014 and 2015, and the audited consolidated statement of financial position of the Group as at 30 June 2013, 2014 and 2015 as extracted from the Company's annual reports for the years ended 30 June 2013, 2014 and 2015 respectively.

	For the year ended 30 June		
	2015	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
RESULTS			
Revenue	<u>730,900</u>	<u>868,103</u>	<u>949,215</u>
Profit before income tax	65,158	51,971	87,660
Income tax credit/(expense)	<u>76,179</u>	<u>(1,232)</u>	<u>(1,303)</u>
Profit before non-controlling interests	141,337	50,739	86,357
Non-controlling interests	<u>234</u>	<u>(159)</u>	<u>(510)</u>
Net profit attributable to equity holders of the Company	<u>141,571</u>	<u>50,580</u>	<u>85,847</u>
Earnings per Share			
– Basic (<i>HK cents</i>)	2.23	0.99	1.68
– Diluted (<i>HK cents</i>)	<u>2.07</u>	<u>0.75</u>	<u>1.30</u>
		As at 30 June	
	2015	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS			
Total assets	3,097,489	2,866,683	2,758,770
Total liabilities	<u>(1,099,418)</u>	<u>(1,020,457)</u>	<u>(973,362)</u>
Non-controlling interests	<u>1,998,071</u> 6,130	<u>1,846,226</u> 5,896	<u>1,785,408</u> 6,055
Shareholders' fund	<u>2,004,201</u>	<u>1,852,122</u>	<u>1,791,463</u>

2. LATEST PUBLISHED FINANCIAL STATEMENTS

The Company's audited consolidated financial statements together with the relevant notes for the year ended 30 June 2015 have been set out in the Company's annual report for the year ended 30 June 2015, which is available on the website of the Stock Exchange and the Company's website at <http://www.continental.com.hk>.

3. WORKING CAPITAL

Taking into account the banking facilities and the internal financial resources available to the Group, the Directors, after due and careful consideration, are of the opinion that the Group will have sufficient working capital for its present requirements, including the shareholder's loan amounting to HK\$61.5 million agreed to be provided on 13 November 2015 to the JV Company, that is for at least the next 12 months from the date of publication of this circular.

4. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 September 2015, for the purpose of this indebtedness statement prior to the printing of this circular, the Group had total outstanding borrowings of approximately HK\$778,497,000, comprising secured interest-bearing bank loans of approximately HK\$452,600,000, unsecured interest-bearing bank loan of approximately HK\$59,697,000, unsecured interest-bearing and interest-free loans from a controlling shareholder of approximately HK\$142,000,000 and HK\$4,879,000 respectively, unsecured interest-free amount due to ultimate holding company of approximately HK\$2,564,000, unsecured interest-bearing and interest-free amounts due to related companies of approximately HK\$30,000,000 and HK\$85,416,000 respectively and finance lease obligation of approximately HK\$1,341,000. The aforesaid interest-bearing bank loans were secured by the Group's properties under development, investment property, certain of its leasehold land and buildings, land use right and corporate guarantees executed by the Company. As at the close of business on 30 September 2015, the Company has provided guarantees amounting to HK\$1,101,350,000 with respect to bank loans to its subsidiaries and a wholly-owned subsidiary of a joint venture of the Group. Under the guarantees, the Company would be liable to pay the banks if the banks are unable to recover the loans. As at the Latest Practicable Date, no provision for the Company's obligation under the guarantee contract has been made as the Directors considered that it was not probable that the repayment of the loans would be in default.

Save as aforesaid and apart from intra-group liabilities, the Group did not, at the close of the business on 30 September 2015, have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, charges or debentures, mortgages, loans or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptance (other than normal trade bills and payables), acceptance credits, or any guarantees or other material contingent liabilities.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the applicable rates of exchange prevailing at the close of business on 30 September 2015.

5. FINANCIAL AND TRADING PROSPECTS

While the U.S. continues to be recovering, economies in the Europe and emerging markets is foreseen to be uncertain, especially with the slowdown in the Chinese economy which potentially will raise concerns and spillover effects into the global economy. In view of such uncertainties and challenges, it is expected the Group's business will remain challenging for the rest of the year. To mitigate those challenges, the Group will continue to deploy more resources in sales and marketing and will strategically explore new opportunities in new markets. The Group will remain focus in delivering exceptional quality products and services in order to further cement a stronger relationship with the Group's customers. For the Group's investment in property, the projects are progressing well and expect to generate positive revenue to the Group in the long term once they are completed. In mining, the management anticipates the second stage of exploration will bring positive results to support further production. In addition, the Group will actively identify and pursue new businesses and investment opportunities which could bring potential and long-term value to the Group and its shareholders.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS

- (a) As at the Latest Practicable Date, the interests and the short positions (within the meaning of the SFO) of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO to be entered in the register referred to therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Name of Directors	Number of ordinary shares of the Company			Total	Percentage of the Company's issued share capital
	Personal interest	Corporate interest	Underlying interest		
Chan Sing Chuk, Charles	–	5,063,395,220 <i>(Note i)</i>	–	5,063,395,220	74.12%
Cheng Siu Yin, Shirley	–	5,063,395,220 <i>(Note i)</i>	–	5,063,395,220	74.12%
Chan Ping Kuen, Derek	200,000	–	–	200,000	0.003%
Chan Wai Lap, Victor	2,700,000	–	20,000,000 <i>(Note ii)</i>	22,700,000	0.33%
Chan Wai Kei, Vicki	–	–	20,000,000 <i>(Note ii)</i>	20,000,000	0.29%
Yam Tat Wing	2,400,000	–	10,000,000 <i>(Note ii)</i>	12,400,000	0.18%
Wong Edward Gwon-hing	–	–	20,000,000 <i>(Note ii)</i>	20,000,000	0.29%

Note:

- (i) Such interests are held by Tamar Investments, which is a company wholly owned by Dr. Chan and Ms. Cheng Siu Yin, Shirley.
- (ii) These interests represented the interests in underlying shares of the Company in respect of share options granted to the Directors.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO to be entered in the register referred to therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

- (b) Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have since 30 June 2015 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to or by the Company or any of their respective subsidiaries, or are proposed to be acquired or disposed of by or leased to or by the Company or any of their respective subsidiaries.
- (c) Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors were materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group since 30 June 2015, being the date to which the latest published audited financial statements of the Company were made up, and which was significant in relation to the business of the Group.
- (d) As at the Latest Practicable Date, except for Dr. Chan, who has held interest and directorship in companies engaged in the same business of gold mining activities in Sichuan Province of the PRC, none of the Directors or their respective associates were interested in any business apart from the business of the Group, which competed or was likely to compete, either directly or indirectly, with that of the Group.
- (e) As at Latest Practicable Date, Dr. Chan has a service contract with the Company for an indefinite period. Mr. Yam Tat Wing and Mr. Wong Edward Gwon-hing have entered into letters of appointment with the Company dated 1 March 2014 respectively in relation to their appointment as executive Directors of the Company, for a term of three years. Mr. Chan Wai Lap, Victor and Ms. Chan Wai Kei, Vicki have entered into service agreements with the Company respectively commencing from 1 July 2014 in relation to their appointments as executive Directors of the Company, for a term of three years. All the above appointments may be terminated by at least six month's written notice served by either party.

Save as disclosed above, no Director has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

3. SUBSTANTIAL SHAREHOLDERS

As far as was known to the Directors, as at the Latest Practicable Date, there is no any person, other than a Director, had an interest or short position in the Shares or underlying Shares which fell to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly, interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. MATERIAL CONTRACTS

The following material contracts, not being contracts entered into in the ordinary course of business of the Group, had been entered into by any member of the Group within two years immediately preceding the date of this circular:

- (a) On 20 December 2013, Famous Key Holdings Limited (“**Famous Key**”), a company wholly-owned by Dr. Chan Sing Chuk, Charles (“**Dr. Chan**”) as lender has issued a “Letter of Extension of the Indulgence Period” to the Company, pursuant to which, Famous Key agreed to further extend the repayment of a loan in the principal amount of HK\$58,170,000 from 30 September 2014 to 31 March 2017.
- (b) On 23 June 2014, the Company as borrower has entered into a supplemental agreement with Dr. Chan as lender in relation to a loan facility in the amount of HK\$90,000,000. The loan is unsecured, interest-bearing at 1.5% per annum, whereby the maturity date shall be further extended from 30 June 2015 to 30 September 2017.
- (c) On 23 June 2014, Henan Multi Resources Mining Company Limited, a wholly-owned subsidiary of the Company, as borrower has entered into a supplemental loan agreement with 廣州市恒拓投資諮詢有限公司, a related company to the Group, in relation to a loan in the amount of RMB27,250,000 (equivalent to approximately to HK\$34,313,000) whereby the repayment date of the loan shall be further extended from 31 May 2015 to 31 May 2017.

- (d) On 28 July 2014, Continental Jewellery (Mfg.) Limited, a wholly-owned subsidiary of the Company, has entered into a sale and purchase agreement for the disposal of a property at Unit P, 2/F, Kaiser Estate Phase 3, 11 Hok Yuen Street, Hunghom, Kowloon at a consideration of approximately HK\$28,888,000.
- (e) On 28 August 2014, 8 July 2015 and 13 November 2015, Master Gold, as the lender entered into facility agreements with the JV Company, as the borrower, for providing facilities up to HK\$78,000,000, HK\$50,000,000 and HK\$61,500,000 respectively. The facilities will be used as working capital for the development of the Project.
- (f) On 6 October 2014 and 20 October 2014, the Company as borrower has entered into loan agreements with Dr. Chan as lender in relation to loan facilities in the amount of HK\$50,000,000 and HK\$8,000,000 respectively. The loans are unsecured, interest-bearing at 1.5% per annum, and repayable on 5 October 2017 and 31 October 2017 respectively.
- (g) On 5 December 2014, 10 December 2014 and 8 January 2015, three formal sale and purchase agreements have been signed for the sale of three floors of the property under development located at no. 236-242 Des Voeux Road Central, Sheung Wan, “Continental Place”, with total consideration of HK\$133,500,000.
- (h) On 3 August 2015 and 2 October 2015, Propway Limited, a company beneficially owned by Ms. Cheng Siu Yin, Shirley, an executive director of the Company, as the lender and the Company, as the borrower entered into facility agreements, for providing facilities in the amount of HK\$30,000,000 and HK\$60,000,000 respectively to the Company. The facilities are unsecured, with interest-bearing at 2.1% and 2.4% per annum and repayable on 30 July 2016 and 30 September 2016 respectively.

5. LITIGATION

As at the Latest Practicable Date, as far as was known to the Directors, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Company since 30 June 2015, being the date of the latest published audited financial statements of the Company.

7. GENERAL

- (a) The secretary of the Company is Mr. Hui Chun Lam. Mr. Hui is a member of CPA Australia, an associate member of the Hong Kong Institute of Certified Public Accountants and member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (b) The share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) The English text of this circular shall prevail over the Chinese text.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekday (public holidays excepted) at the registered office of the Company at Flats M and N, 1st Floor, Kaiser Estate, Phase III, 11 Hok Yuen Street, Hunghom, Kowloon, Hong Kong, up to and including 14 December 2015:

- (a) the articles of association of the Company;
- (b) the annual reports of the Company for the three years ended 30 June 2013, 2014 and 2015;
- (c) copies of service contract with Dr. Chan, letters of appointment with Mr. Yam Tat Wing and Mr. Wong Edward Gwon-hing respectively and service agreements with Mr. Chan Wai Lap, Victor and Ms. Chan Wai Kei, Vicki respectively referred to in note (e) to the paragraph headed "Disclosure of interests of Directors" in this Appendix; and
- (d) a copy of each of the material contracts referred to in the paragraph headed "material contracts" in this Appendix.