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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 TRANSACTION
IN RELATION TO
THE PROVISION OF GUARANTEE TO A BANK**

A letter from the Board is set out on pages 4 to 14 of this circular.

3 October 2016

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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
“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
“Director(s)”	the director(s) of the Company
“Dr. Chan”	Dr. Chan Sing Chuk, Charles, <i>BBS, JP</i> , Chairman and an Executive Director of the Company
“Early Light”	Early Light Industrial Company Limited, a company with limited liability
“EL Shareholder”	an individual and the major shareholder of Early Light
“Facility”	the term loan facility in an aggregate amount of RMB773.3 million (equivalent to approximately HK\$897.0 million) granted by the Bank to the JV Subsidiary pursuant to the Facility Agreement
“Facility Agreement”	the facility agreement dated 9 September 2016 entered into by the JV Subsidiary, the Bank, the Company, Early Light, A Glory and the JV Company in relation to the provision of the Facility to the JV Subsidiary
“Group”	the Company and its subsidiaries

DEFINITIONS

“Guarantee”	the guarantee provided by the Company under the Facility Agreement
“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 PRC
“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
“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
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Latest Practicable Date”	28 September 2016, being the latest practicable date for ascertaining certain information in this circular prior to printing thereof
“March 2016 Facility”	the term loan facility in an aggregate amount of RMB110.0 million (equivalent to approximately HK\$127.6 million) granted by the Bank to the JV Subsidiary pursuant to the March 2016 Facility Agreement
“March 2016 Facility Agreement”	the facility agreement dated 11 March 2016 entered into by the JV Subsidiary, the Bank, the Company, Early Light and A Glory in relation to the provision of the March 2016 Facility to the JV Subsidiary
“March 2016 Guarantee”	the guarantee provided by the Company under the March 2016 Facility Agreement
“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

DEFINITIONS

“May 2016 Financial Assistance”	the provision of the shareholder’s loan by Master Gold to the JV Company pursuant to the May 2016 Loan Agreement
“May 2016 Loan Agreement”	the loan facility agreement dated 13 May 2016 between Master Gold as the lender and the JV Company as the borrower in respect of a loan facility in an amount of up to HK\$37.0 million
“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
“Project”	the property development project as described in the paragraph headed “The Project” in the letter from the Board in this circular
“RMB”	Renminbi, the lawful currency of the PRC from time to time
“Shareholder(s)”	the holder(s) of the Shares from time to time
“Share(s)”	the ordinary share(s) in the share capital of the Company
“sq. m.”	square meters
“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 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\$1.16. 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

3 October 2016

To the Shareholders

Dear Sirs,

MAJOR TRANSACTION IN RELATION TO THE PROVISION OF GUARANTEE TO A BANK

INTRODUCTION

Reference is made to the announcements of the Company dated 9 September 2016, 11 March 2016 and 13 May 2016 in relation to the provisions of the Guarantee, the March 2016 Guarantee and the May 2016 Financial Assistance respectively. The Company announced on 9 September 2016 that it, as one of the guarantors and subordinated creditors, entered into the Facility Agreement in favour of the Bank in relation to the provision of the Facility in a principal amount of RMB773.3 million (equivalent to approximately HK\$897.0 million) by the Bank to the

LETTER FROM THE BOARD

JV Subsidiary. The Facility is a term loan facility with maturity in three years. On 11 March 2016, the Company announced it, as one of the guarantors and covenants, entered into the March 2016 Facility Agreement in favour of the Bank in relation to the provision of the Facility in a principal amount of RMB110.0 million (equivalent to approximately HK\$127.6 million) by the Bank to the JV Subsidiary. In addition, the Company announced on 13 May 2016 that Master Gold, a wholly-owned subsidiary of the Company, entered into the May 2016 Loan Agreement with the JV Company for providing a loan of up to HK\$37.0 million to the JV Company.

The main purpose of this circular is to provide you with, among other things, further information on the Guarantee, the March 2016 Guarantee and the May 2016 Financial Assistance.

PROVISION OF THE GUARANTEE TO A BANK

On 9 September 2016, the Company, as one of the guarantors and subordinated creditors, entered into the Facility Agreement in favour of the Bank in relation to the provision of the Facility in a principal amount of RMB773.3 million (equivalent to approximately HK\$897.0 million) by the Bank to the JV Subsidiary.

The Facility Agreement

Date 9 September 2016

Parties

- (i) the JV Subsidiary, as the borrower;
- (ii) the Company, as a guarantor and a subordinated creditor;
- (iii) Early Light, as a guarantor and a subordinated creditor;
- (iv) A Glory, as a subordinated creditor;
- (v) the JV Company, as a subordinated creditor; and
- (vi) the Bank, as the lender.

Purpose

The Facility will be utilised for refinancing of all the existing term loans (amounting to RMB780 million (equivalent to approximately HK\$904.8 million), which includes the March 2016 Facility amounting to RMB110 million (equivalent to approximately HK\$127.6 million)), which have been used for the construction and related expenses in respect of the development and completion of the Project, granted by the Bank to the JV Subsidiary. Upon the Facility being utilised, all the existing term loans (including the March 2016 Facility amounting to RMB110 million (equivalent to approximately HK\$127.6 million)) will be settled.

LETTER FROM THE BOARD

Facility type

A term loan facility provided by the Bank to the JV Subsidiary.

Amount

RMB773.3 million (equivalent to approximately HK\$897.0 million).

Maturity date

The date falling three years after the first utilisation of the Facility.

Interest rate

1.05 times of the benchmark lending rate for one to five years (including five years) of the People's Bank of China.

Repayment

The JV Subsidiary shall repay the aggregate outstanding amount drawn down from the Facility by instalments, commencing from the date falling six months and up to three years after the first drawdown of the Facility. The JV Subsidiary may early repay the borrowed amount subject to certain conditions as set out in the Facility Agreement.

Security

The security for the Facility includes, among other things, (i) the first legal charge over the Project and other fixed assets of the Project; (ii) the repayment guarantee for financial obligations of the JV Subsidiary under the Facility Agreement by each of the Company and Early Light (on a several basis) of RMB386.65 million (equivalent to approximately HK\$448.5 million) to the Bank; (iii) the pledge of sales and rental proceeds and other income generated from the Project by the JV Subsidiary; and (iv) subordination and assignment of all existing and future shareholders' loans and connected parties' loans to and from the JV Subsidiary, including but not limited to loans to and from Early Light, the Company and A Glory.

Other key terms

(i) Conditions precedent for drawdown of the Facility

The drawdown of the Facility is subject to, among other things;

- (a) the procurement and delivery of relevant legal opinions (if applicable) satisfactory to the Bank;

LETTER FROM THE BOARD

- (b) the provision of a valuation report from an independent professional surveyor firm stating that the net realisable value (“**NRV**”) and the gross development value of the Project at completion being not less than RMB1.92 billion (equivalent to approximately HK\$2.23 billion) and RMB2.56 billion (equivalent to approximately HK\$2.97 billion) respectively;
- (c) the provision of a valid loan card of the JV Subsidiary issued by the People’s Bank of China with the enquiry results satisfactory to the Bank (if applicable); and
- (d) the submission of the master title deed(s) or other documents identifying completion of the Project acceptable to the Bank.

(ii) Loan-to-value covenant

If the ratio of the sum of (i) outstanding principal balance of the Facility; and (ii) available limit under the Facility to the deposit balance in escrow account plus the NRV (on completion basis) of the Project mortgaged to the Bank as determined by an independent appraiser acceptable to the Bank (“**Loan-to-value Ratio**”) exceeds 45%, the Bank is entitled to reduce the available limit under the Facility so as to bring the Loan-to-value Ratio to 45% or below.

(iii) Mandatory repayment

The JV Subsidiary may be required to repay all outstanding amount under the Facility in the event that, among other things, the loan-to-value covenant could not be met within one month upon the Bank’s notice.

(iv) Other covenants

The major shareholder of Early Light and the Company shall maintain not less than 50% equity interest in and management control over the JV Subsidiary.

The Company shall remain listed on the Stock Exchange and any suspension in the trading of the Shares shall not be more than 21 consecutive business days.

PROVISION OF THE MARCH 2016 GUARANTEE TO A BANK

On 11 March 2016, the Company, as one of the guarantors and covenants, entered into the March 2016 Facility Agreement in favour of the Bank in relation to the provision of the March 2016 Facility in a principal amount of RMB110.0 million (equivalent to approximately HK\$127.6 million) by the Bank to the JV Subsidiary.

LETTER FROM THE BOARD

The March 2016 Facility Agreement

Date 11 March 2016

Parties

- (i) the JV Subsidiary, as the borrower;
- (ii) the Company, as a guarantor and a covenantor;
- (iii) Early Light, as a guarantor and a covenantor;
- (iv) A Glory, as a covenantor; and
- (v) the Bank, as the lender.

Purpose

The March 2016 Facility was utilised for the payment of refurbishment and other related expenses in respect of the Project.

Facility type

A term loan facility provided by the Bank to the JV Subsidiary.

Amount

RMB110.0 million (equivalent to approximately HK\$127.6 million).

Maturity date

The date falling five years after the first utilisation of the March 2016 Facility.

Interest rate

1.05 times of the benchmark lending rate for one to five years (including five years) of the People's Bank of China.

Repayment

The JV Subsidiary shall repay the aggregate outstanding amount drawn down from the March 2016 Facility by installments, commencing from the date falling 6 months and up to five years after the first drawdown of the March 2016 Facility. The JV Subsidiary may early repay the borrowed amount subject to certain conditions as set out in the March 2016 Facility Agreement.

LETTER FROM THE BOARD

Security

The security for the March 2016 Facility includes, among other things, (i) the legal charge over the Project and other fixed assets of the Project; (ii) the repayment guarantee for financial obligations of the JV Subsidiary under the March 2016 Facility Agreement given by each of the Company and Early Light (on a several basis) of RMB55.0 million (equivalent to approximately HK\$63.8 million) in favour of the Bank; and (iii) the pledge of sales and rental proceeds and other income generated from the Project by the JV Subsidiary.

In addition, each of the Company, Early Light and A Glory will provide a written guarantee in favour of the Bank in respect of the obligations for timely completion for all the renovation and refurbishment works of the Project and the provision of sufficient funds to cover all the costs in respect of renovation and refurbishment of the Project.

Other key terms

(i) Conditions precedent for drawdown of the March 2016 Facility

The drawdown of the March 2016 Facility is subject to, among other things,

- (a) the registered capital of the JV Subsidiary being not less than 50% of the total investment amount as set out in the certificate of approval of the JV Subsidiary;
- (b) the provision of a certificate of the conditions of the Project from an architect, a quantity surveyor or a supervision company; and
- (c) the provision of a valuation report from an independent professional surveyor firm stating that the NRV and the gross development value of the Project at completion being not less than RMB1.92 billion (equivalent to approximately HK\$2.23 billion) and RMB2.56 billion (equivalent to approximately HK\$2.97 billion) respectively.

(ii) Loan-to-value covenant

If the ratio of the sum of (i) the outstanding amount borrowed; and (ii) the unutilised amount of the March 2016 Facility, divided by the net realisable value of the Project on completion basis (“**Loan-to-value Ratio**”) exceeds 50%, the Bank may reduce the available limit under the March 2016 Facility or request early repayment of the borrowed amount so as to bring the Loan-to-value Ratio to 50% or below.

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(iii) Other covenants

The JV Subsidiary undertakes that the renovation and refurbishment of the Project shall be completed on or before 30 June 2016.

The major shareholder of Early Light (together with his family member) and the Company shall maintain (a) not less than 50% equity interest in; and (b) management control over, the JV Subsidiary.

The JV Subsidiary undertakes that the Company shall remain listed on the Stock Exchange and any suspension in the trading of the Shares shall not be more than seven consecutive business days.

PROVISION OF THE MAY 2016 FINANCIAL ASSISTANCE TO THE JV COMPANY

On 13 May 2016, Master Gold as the lender entered into the May 2016 Loan Agreement with the JV Company as the borrower, for providing a loan of up to HK\$37.0 million to the JV Company. The term provided in the May 2016 Loan Agreement during which the JV Company may draw any portion of the loan from Master Gold will expire on 12 May 2017, subject to extension as may be agreed by the parties. The amounts drawn and outstanding under the May 2016 Loan Agreement will be interest-free, unsecured and without fixed term of repayment.

Master Gold and A Glory, each having 50% equity interest in the JV Company, will make available to the JV Company shareholders' loans in an aggregate sum of HK\$74.0 million. Under the shareholders' agreement dated 26 November 2004 entered into among Master Gold, A Glory and the JV Company, the amounts of shareholders' loans from Master Gold and A Glory to the JV Company will be 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 will be on the same terms, as set out in the May 2016 Loan Agreement mentioned above.

THE PROJECT

The JV Subsidiary currently holds two parcels of land with total area of approximately 18,101 sq.m., which has been developed into an eleven-floored shopping mall with over 500 car parking spaces. The property – “Bauhinia Square”, located in Yangpu District of Shanghai (上海楊浦區) in the PRC, has a total gross floor area of approximately 97,265 sq.m., of which approximately 73,333 sq.m. is for commercial use. The net leasable area for retail use is approximately 39,468 sq.m., of which approximately 37,663 sq.m. has been leased to tenants, (i.e. over 95% of its retail space is currently occupied and leased out) as at the Latest Practicable Date. As at the Latest Practicable Date, the JV Subsidiary has secured approximately 92 shopping mall tenants. The shopping mall has held the grand opening in February 2016.

LETTER FROM THE BOARD

INFORMATION ON THE PARTIES TO THE FACILITY AGREEMENT, THE MARCH 2016 FACILITY AGREEMENT AND THE MAY 2016 LOAN 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.

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 the design, 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.

A Glory is a company wholly owned by the EL Shareholder and his family member, which is principally engaged in investment holding and its principal asset is the 50% equity interest in the JV Company.

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

Save as mentioned above and the provisions for the financial assistances by the shareholders of the JV Company to the JV Company and the provisions of the guarantees by the shareholders of the JV Company to the Bank as disclosed by the Company from time to time, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Early Light, A Glory, the Bank and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

LETTER FROM THE BOARD

REASONS FOR THE PROVISIONS OF THE GUARANTEE, THE MARCH 2016 GUARANTEE AND THE MAY 2016 FINANCIAL ASSISTANCE

The March 2016 Guarantee and the Guarantee

In order to finance the refurbishment and other related expenses of the Project, the JV Subsidiary, the Company, Early Light, A Glory and the Bank entered into the March 2016 Facility Agreement, pursuant to which the Bank provides the March 2016 Facility to the JV Subsidiary. As a result of the provision of the March 2016 Facility by the Bank, each of the Company and A Glory, as the indirect shareholders of the JV Subsidiary, and Early Light (the major shareholder of which is the EL Shareholder, being a shareholder of A Glory) was requested to provide guarantees for the due and punctual performance of all obligations of the JV Subsidiary under the March 2016 Facility Agreement.

Each of the Company, through its wholly-owned subsidiary, and A Glory holds 50% equity interest in the JV Company. In order to refinance all the existing term loans, which have been used for construction and related expenses in respect of the development and completion of the Project, granted by the Bank, the JV Subsidiary, the Company, Early Light, A Glory, the JV Company and the Bank entered into the Facility Agreement, pursuant to which the Bank provides the Facility to the JV Subsidiary. As a result of the provision of the Facility by the Bank, each of the Company and A Glory, and Early Light was requested to provide guarantees for the due and punctual performance of all obligations of the JV Subsidiary under the Facility Agreement.

After considering that (i) each of the Company and A Glory indirectly holds 50% equity interest in the JV Subsidiary; (ii) the Guarantee and the March 2016 Guarantee provided by the Company are on a several basis under the Facility Agreement and the March 2016 Facility Agreement respectively; (iii) Early Light and/or A Glory has provided the same guarantee to the Bank under the Facility Agreement and the March 2016 Facility Agreement; (iv) the reasons for the provision of the March 2016 Guarantee and the Guarantee as mentioned above; and (v) the terms of the Facility Agreement and the Guarantee and the March 2016 Facility Agreement and the March 2016 Guarantee were negotiated on an arm's length basis, the Directors are of the view that the terms of the Facility Agreement and the Guarantee and the March 2016 Facility Agreement and the March 2016 Guarantee were on normal commercial terms and fair and reasonable and the entering into of the Facility Agreement and the March 2016 Facility Agreement and the provisions of the Guarantee and the March 2016 Guarantee are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

The May 2016 Financial Assistance

The proceeds from the shareholder's loan under the May 2016 Loan Agreement to the JV Company will be used primarily for the payment of construction cost and repayment of bank loans in respect of the Project.

The Directors consider in particular that the HK\$37.0 million loan under the May 2016 Loan Agreement bears the same proportion to the aggregate HK\$74.0 million to be advanced by both shareholders of the JV Company in which Master Gold has 50% equity interest and the loans from both shareholders of the JV Company are on the same terms. Accordingly, the Directors, including the independent non-executive Directors, consider the terms of the May 2016 Loan Agreement are on the normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE PROVISIONS OF THE GUARANTEE, THE MARCH 2016 GUARANTEE AND THE MAY 2016 FINANCIAL ASSISTANCE

The Directors are of the view that the provisions of the Guarantee and the March 2016 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 Guarantee and the March 2016 Guarantee.

The May 2016 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 May 2016 Financial Assistance is not expected to have any material effect on the net asset value of the Group. Furthermore, since the shareholder's loan is interest-free, the provision of the May 2016 Financial Assistance is not expected to have any material effect on the earnings of the Group.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the provision of the Guarantee, together with provisions of the March 2016 Guarantee and the May 2016 Financial Assistance, are 25% or more and all of the applicable percentage ratios are less than 100%, the provision of the Guarantee, together with provisions of the March 2016 Guarantee and the May 2016 Financial Assistance, constitute financial assistances of and major transactions for the Company under Chapter 14 of the Listing Rules. Therefore, the provision of the Guarantee, together with provisions of the March 2016 Guarantee and the May 2016 Financial Assistance, are subject to the notification, announcement, circular and shareholders' approval requirements under the Listing Rules.

LETTER FROM THE BOARD

To the best of the knowledge, information and belief of the Directors having made all enquiries, no Shareholders or any of their respective associates have any material interest in the provisions of the Guarantee, the March 2016 Guarantee and the May 2016 Financial Assistance. 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 provisions of the Guarantee, the March 2016 Guarantee and the May 2016 Financial Assistance.

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 date of the Latest Practicable Date. Pursuant to Rule 14.44 of the Listing Rules, Tamar Investments has issued a written shareholder's approval certificate to approve the provisions of the Guarantee, the March 2016 Guarantee and the May 2016 Financial Assistance and accordingly, no extraordinary general meeting will be convened by the Company to approve the provisions of the Guarantee, the March 2016 Guarantee and the May 2016 Financial Assistance.

RECOMMENDATION AND FURTHER INFORMATION

On the basis of the information set out in this circular, the Directors consider that the provisions of the Guarantee, the March 2016 Guarantee and the May 2016 Financial Assistance 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 2014, 2015 and 2016, and the audited consolidated statement of financial position of the Group as at 30 June 2014, 2015 and 2016 as extracted from the Company's annual reports for the years ended 30 June 2014 and 2015 and annual results announcement for the year ended 30 June 2016 respectively.

	For the year ended 30 June		
	2016	2015	2014
	HK\$'000	HK\$'000	HK\$'000
RESULTS			
Revenue	552,575	730,900	868,103
(Loss)/ Profit before income tax	(186,055)	65,158	51,971
Income tax credit/(expense)	10,363	76,179	(1,232)
(Loss)/ Profit before non-controlling interests	(175,692)	141,337	50,739
Non-controlling interests	26	234	(159)
Net (loss)/ profit attributable to owners of the Company	(175,666)	141,571	50,580
(Loss)/ Earnings per Share			
– Basic (<i>HK cents</i>)	(2.57)	2.23	0.99
– Diluted (<i>HK cents</i>)	(2.57)	2.07	0.75

	As at 30 June		
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS			
Total assets	2,954,644	3,097,489	2,866,683
Total liabilities	<u>(1,230,703)</u>	<u>(1,099,418)</u>	<u>(1,020,457)</u>
	1,723,941	1,998,071	1,846,226
Non-controlling interests	<u>6,156</u>	<u>6,130</u>	<u>5,896</u>
Shareholders' fund	<u><u>1,730,097</u></u>	<u><u>2,004,201</u></u>	<u><u>1,852,122</u></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 and consolidated financial statements together with the relevant notes for the year ended 30 June 2016 have been set out in the Company's annual result announcement for the year ended 30 June 2016, both of which are 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, 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 31 August 2016, for the purpose of this indebtedness statement prior to the printing of this circular, the Group had total outstanding borrowings of approximately HK\$877,178,000, comprising secured interest-bearing bank loans of approximately HK\$509,200,000, unsecured interest-bearing bank loan of approximately HK\$66,575,000, unsecured interest-bearing and interest-free loans from a controlling shareholder of approximately HK\$127,000,000 and HK\$4,645,000 respectively, unsecured interest-bearing and interest-free amounts due to related companies of approximately HK\$90,000,000 and HK\$78,750,000 respectively and finance lease obligation of approximately HK\$1,008,000. 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 31 August 2016, the Company has provided guarantees amounting to HK\$1,147,730,000 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 31 August 2016, 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 31 August 2016.

5. FINANCIAL AND TRADING PROSPECTS

It is expected that the Europeans will be more cautious towards spending on luxury products such as jewellery and diamonds and the U.S. markets will similarly be challenging. The slow down of China economic growth will also hinder global economic recovery and adverse market environment shall persist. Although the market sentiment remained weak under slow economic growth, the Group would actively explore market and business opportunities and focus to reinforce the Group's market presence in jewellery business. The Group would optimise internal resources and strengthen cost control polices to enhance overall profitability. Going forward, the Group will continue to seek for suitable investment opportunity in order to generate further profits and better returns to the 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) 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) 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 and Indonesia, 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. Ms. Cheng Siu Yin, Shirley has entered into service agreement with the Company commencing from 1 July 2016 in relation to her appointment as Managing Director 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 8 July 2015, 13 November 2015 and 13 May 2016, Master Gold, as the lender entered into facility agreements with the JV Company, as the borrower, for providing facilities up to HK\$50,000,000, HK\$61,500,000 and HK\$37,000,000 respectively. The facilities will be used as working capital for the development of the Project.
- (b) 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.
- (c) On 30 October 2014, 11 March 2016 and 9 September 2016, the Company, the JV Subsidiary, the JV Company, the Bank, Early Light and A Glory had entered into facility agreements in relation to the provisions of term loan facilities by the Bank to the JV Subsidiary, whereby the Company had given guarantees of RMB100,000,000 (equivalent to approximately HK\$116,000,000), RMB55,000,000 (equivalent to approximately HK\$63,800,000) and RMB386,650,000 (equivalent to approximately HK\$448,514,000) respectively in favour of the Bank.
- (d) 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.

- (e) On 3 August 2015 and 2 October 2015, Propway Limited (“**Propway**”), a company beneficially owned by Ms. Cheng Siu Yin, Shirley (“**Ms. Cheng**”), 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. On 1 June 2016, Propway and the Company entered into supplemental facility agreements to extend the repayment date of the facilities to 30 July 2017 and 30 September 2017 respectively.
- (f) On 1 June 2016, Henan Multi-Resources Mining Company Limited as borrower has entered into a supplemental loan agreement with 廣州市恒拓投資諮詢有限公司, a company which Dr. Chan is the ultimate beneficial owner, as lender, to extend the repayment date of a loan in the amount of RMB27,250,000 (equivalent to approximately HK\$31,610,000) to 31 May 2019. The loan is unsecured and interest-free.
- (g) On 19 September 2016, the Group had entered into a sale and purchase agreement with an independent third party relating to a disposal of 100% equity interest in Well Friendship Investment Limited, a wholly-owned subsidiary of the Company, which holds the Group’s investment property and property under development – “Continental Place” at a total consideration of HK\$1,133,500,000 subject to certain adjustments upon completion of the disposal transaction. Further details of the transaction were set out in the announcement of the Company dated 21 September 2016.

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, save for the Group has recorded of a loss for the year ended 30 June 2016 (as compared to a profit for the year ended 30 June 2015), as set out in the annual results announcement published by the Company on 28 September 2016, 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 to which the latest published audited financial statements of the Company were made up.

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 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) In case of inconsistency, 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 17 October 2016:

- (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) the annual results announcement of the Company for the year ended 30 June 2016;
- (d) 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, Ms. Chan Wai Kei, Vicki and Ms. Cheng Siu Yin, Shirley respectively referred to in note (e) to the paragraph headed "Disclosure of interests of Directors" in this Appendix;
- (e) a copy of each of the material contracts referred to in the paragraph headed "material contracts" in this Appendix;
- (f) the circular of the Company dated 30 November 2015; and
- (g) this circular.