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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a 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 and the accompanying form of proxy 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.

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

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 00513)**

**VERY SUBSTANTIAL DISPOSAL  
IN RELATION TO  
A PROPOSED DISPOSAL OF  
THE GROUP'S 50% INDIRECT INTERESTS  
IN A PROPERTY DEVELOPMENT IN THE PRC  
AND  
NOTICE OF GENERAL MEETING**

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A letter from the board of directors of Continental Holdings Limited is set out on pages 5 to 15 of this circular.

A notice convening the general meeting of Continental Holdings Limited to be held at Function Rooms 2 & 3, 3/F, The Mira Hong Kong, 118 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 6 April 2018 at 11:00 a.m. is set out at the end of this circular.

A form of proxy for use at the general meeting is enclosed with this circular. If you are not able to attend the general meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and the power of attorney or other authority, if any, under which it is signed or a notorially certified copy of that power or authority to the registered office of Continental Holdings Limited at Flats M and N, 1/F., Kaiser Estate, Phase III, 11 Hok Yuen Street, Hungghom, Kowloon, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the general meeting should you so wish.

2 March 2018

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*Accompanying document: Form of Proxy*

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## DEFINITIONS

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

“A Glory”	A Glory Communications Limited, a company incorporated in the British Virgin Islands with limited liability and a 50% shareholder of Wealth Plus
“Agreed Rate”	the RMB/HK\$ conversion rate at RMB85.117=HK\$100 as agreed between Master Gold and A Glory for the purpose of the SP Agreement
“Announcement”	the announcement dated 24 January 2018 issued by the Company in respect of the Disposal in accordance with the Listing Rules
“associate”	as defined in the Listing Rules
“Board”	the board of Directors
“Company”	Continental Holdings Limited (Stock Code: 00513), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Disposal in accordance with the SP Agreement
“Completion Date”	20 April 2018, being the date on which Completion is to take place in accordance with the SP Agreement
“Conditions”	the conditions precedent to Completion as set out in the Letter from the Board in this circular
“connected person”	as defined in the Listing Rules
“Consideration”	the consideration for the Sale Shares and the Shareholder Loan (Master Gold) under the SP Agreement
“Directors”	the directors of the Company

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## DEFINITIONS

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“Disposal”	the proposed sale of the Sale Shares and the Shareholder Loan (Master Gold) by Master Gold to A Glory pursuant to the SP Agreement
“General Meeting”	the general meeting of the Company to be convened at Function Rooms 2 & 3, 3/F, The Mira Hong Kong, 118 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 6 April 2018 at 11:00 a.m., or any adjournment thereof, to consider and, if thought fit, approve the Disposal and the transactions contemplated under the SP Agreement, the notice of which is set out at the end of this circular
“Group”	the Company and its subsidiaries
“Haijin”	上海海錦房地產有限公司 (Shanghai Haijin Real Estate Co., Ltd.), a wholly foreign-owned enterprise established in the PRC and a direct wholly-owned subsidiary of Wealth Plus
“Haijin Bank Loans”	all financial indebtedness (including all outstanding principal amount and unpaid interest accrued) owing by Haijin to its lending bank as at the close of business of the Completion Date
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	27 February 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange

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## DEFINITIONS

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“Master Gold”	Master Gold Development Limited, a company incorporated in the British Virgin Islands with limited liability and a 50% shareholder of Wealth Plus
“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
“Remaining Group”	the Company and its subsidiaries after the Disposal
“RMB”	Renminbi, the lawful currency of the PRC
“Property”	the property development known as “Bauhinia Square”(紫荊廣場), brief particulars of which are set out in the Letter from the Board in this circular
“Sale Shares”	50% of the entire issued shares in Wealth Plus. Master Gold is the sole legal and beneficial owner of the Sale Shares
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
“Shareholder”	shareholder of the Company
“Shareholder Loan (Master Gold)”	all of the shareholder loans owing by Wealth Plus to Master Gold as at Completion, representing 50% of the Shareholder Loans. Master Gold is the sole legal and beneficial owner of all rights, title and interests in or of the Shareholder Loan (Master Gold)
“Shareholder Loans”	all of the shareholder loans owing by Wealth Plus to A Glory and Master Gold as at Completion
“Shareholders”	holder of the Shares
“Shares”	ordinary shares of the Company

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## DEFINITIONS

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“SP Agreement”	the conditional sale and purchase agreement dated 22 January 2018 entered into amongst Master Gold (as vendor), the Company (as Master Gold’s guarantor) and A Glory (as purchaser) in relation to the Disposal
“sq. ft.”	square feet
“sq. m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tamar Investments”	Tamar Investments Group Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by Dr. Chan Sing Chuk, Charles, Ms. Cheng Siu Yin, Shirley and Mr. Chan Wai Lap, Victor, all of them are Executive Directors of the Company
“Wealth Plus”	Wealth Plus Developments Limited, a company incorporated in the British Virgin Islands with limited liability and a 50%-owned joint venture of the Group
“WP Group”	Wealth Plus and Haijin
“WP Net Value”	an amount being equal to HK\$3,452,894,251 less the amount of the Haijin Bank Loans as at the close of business of the Completion Date

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LETTER FROM THE BOARD

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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)**

*Executive Directors:*

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

*Registered office:*

Flats M and N, 1/F.  
Kaiser Estate, Phase III  
11 Hok Yuen Street  
Hung Hom, Kowloon  
Hong Kong

*Non-executive Director:*

Mr. Yam Tat Wing

*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

2 March 2018

*To the Shareholders*

Dear Sir or Madam,

**VERY SUBSTANTIAL DISPOSAL  
IN RELATION TO  
A PROPOSED DISPOSAL OF  
THE GROUP'S 50% INDIRECT INTERESTS  
IN A PROPERTY DEVELOPMENT IN THE PRC  
AND  
NOTICE OF GENERAL MEETING**

**A. INTRODUCTION**

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

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## LETTER FROM THE BOARD

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

Wealth Plus is a joint venture company held as to 50% by each of Master Gold and A Glory. Wealth Plus's sole wholly-owned subsidiary, Haijin, is the owner of the Property known as "Bauhinia Square" (紫荊廣場) in Yangpu District, Shanghai, the PRC. Bauhinia Square is an eleven-floored shopping mall with over 500 parking spaces. Under the SP Agreement, the Completion Date is agreed to be 20 April 2018. After the Completion has taken place, the Group will cease to have any interests in WP Group.

As some of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) exceeds 75%, the Disposal constitutes a very substantial disposal for the Company. Completion of the Disposal is subject to the approval of the Shareholders at the General Meeting.

Tamar Investments has undertaken to vote all of its 5,063,395,220 Shares (or approximately 74.12% of the issued share capital of the Company as at the Latest Practicable Date) in favour of the resolutions to approve the Disposal under the SP Agreement at the General Meeting.

The Board issues this circular is to give you further information of the Disposal, a valuation report on the Property and the other information as required under the Listing Rules. The Board also gives you notice of the General Meeting at the end of this circular together with the accompanying form of proxy for the General Meeting.

The Board looks forward to welcoming the Shareholders at the General Meeting, at which an ordinary resolution will be proposed to consider and, if thought fit, approve the SP Agreement and the transaction contemplated thereunder.



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## LETTER FROM THE BOARD

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### **B. THE SP AGREEMENT**

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

#### **1. Date**

22 January 2018

#### **2. Parties**

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

2.2 Master Gold is a wholly-owned subsidiary of the Company. Its principal business activity is investment holding. Its sole principal asset is 50% shareholding interests in Wealth Plus.

2.3 A Glory is a company principally engaged in investment holding and its principal asset is the 50% shareholding interests in Wealth Plus.

2.4 Other than the fact that A Glory is a 50% shareholder of Wealth Plus, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, A Glory and its ultimate beneficial owner(s) are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

#### **3. Assets subject to the Disposal**

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

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## LETTER FROM THE BOARD

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### 4. Consideration

- 4.1 The Disposal under the SP Agreement is agreed by the Group on the basis that the Haijin Bank Loans as at the close of business of the Completion Date will remain outstanding. The Consideration (for the Sale Shares and the Shareholder Loan (Master Gold)) shall be equal to 50% of the WP Net Value.
- 4.2 The amount of the WP Net Value shall be equal to HK\$3,452,894,251 (or RMB2,939 million, representing the agreed value of the Property between Master Gold and A Glory, at the Agreed Rate) less the amount of the Haijin Bank Loans as at the close of business of the Completion Date. Based on the principal amount of the Haijin Bank Loans as at 31 December 2017 (before interests) of approximately HK\$837.7 million (or approximately RMB713 million, at the Agreed Rate), the amount of the Consideration to be received by Master Gold is expected to be approximately HK\$1,308 million. On Completion, the amount of the Consideration will be ascertained based on the amount of the Haijin Bank Loans (inclusive of the unpaid interests then accrued) as at the close of business of the Completion Date accordingly.
- 4.3 The Consideration was arrived at after arm's length commercial negotiations between Master Gold and A Glory. The Group agreed to the Consideration after taking into account the market value of the Property of approximately RMB2,480 million as at 31 December 2017 valued by an independent property valuer engaged by the Group and the amount of the Haijin Bank Loans as at the close of business of the Completion Date (which will remain outstanding immediately after Completion).
- 4.4 The Consideration shall be settled in cash. A deposit in the sum of HK\$130.8 million has been paid by A Glory to Master Gold on the date of the SP Agreement. The remaining balance of the Consideration will be settled at Completion in accordance with the SP Agreement provided that at Completion, A Glory shall pay, out of the remaining balance of the Consideration, a sum of approximately HK\$85.7 million ("Escrow Sum") to an escrow agent jointly appointed by A Glory and Master Gold. The Escrow Sum will be held by the escrow agent pending the assessment and payment of the amount of the relevant taxation payable by Master Gold from the Disposal in accordance with the relevant laws and regulations in the PRC. Any remaining balance of the Escrow Sum, if any, after full settlement of the relevant taxation payable by Master Gold from the Disposal will be returned to Master Gold or, in case the relevant taxation payable by Master Gold from the Disposal exceeds the Escrow Sum, the shortfall shall be made up by Master Gold in accordance with the SP Agreement.

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## LETTER FROM THE BOARD

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### 5. Conditions and Termination

5.1 Completion of the Disposal is subject to and conditional upon satisfaction or (where applicable) waiver of the following conditions precedent on or before the Completion Date:

- (a) approval of the Disposal by the Shareholders at the General Meeting in accordance with the Listing Rules; and
- (b) the warranties given by Master Gold under the SP Agreement remaining true, accurate and not misleading in all material respects.

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

5.2 Tamar Investments, the controlling Shareholder, is holding 5,063,395,220 Shares or approximately 74.12% of the issued share capital of the Company, as at the Latest Practicable Date. Tamar Investments has undertaken to vote all of its Shares in favour of the resolutions to approve the transactions under the SP Agreement at the General Meeting.

5.3 Furthermore, either party may terminate the SP Agreement if there occurs, before Completion:- (i) an act of God (which shall include fire, flood, storm, earthquake, accident, epidemic, plague, war, rebellion, insurrection, riot and invasion); (ii) an act or omission of any government or government authority; or (iii) any rule or regulations or orders of any government or government authority, which (after taking into account the resources, including funds, insurance and other claims and indemnities available to the WP Group) may result in the material adverse effect to the WP Group as a whole. For this purpose, "material adverse effect" means diminution of the combined value of the WP Group by at least 25%, or the combined revenue of the WP Group is likely to drop by at least 25%.

5.4 If any of the Conditions is not satisfied or (where applicable) waived on or before the Completion Date or if the SP Agreement is terminated in accordance with its terms, the Disposal will not proceed and the deposit received by Master Gold will be returned to A Glory. In such cases, all rights and obligations of the parties under the SP Agreement shall terminate but without prejudice to the accrued rights and obligations of the parties before that termination.

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## LETTER FROM THE BOARD

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### 6. Completion

6.1 Completion Date is agreed to be 20 April 2018.

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

### C. INFORMATION ON WP GROUP AND THE PROPERTY

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

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

4. The unaudited net asset value of WP Group as at 30 June 2017 and 31 December 2017 amounted to HK\$357.4 million and HK\$579.0 million, respectively.

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## LETTER FROM THE BOARD

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5. Based on the principal amount of the Haijin Bank Loans as at 31 December 2017 (before interests) of approximately HK\$837.7 million (or approximately RMB713 million, at the Agreed Rate), the amount of the Consideration to be received by Master Gold is expected to be approximately HK\$1,308 million, representing an excess of approximately HK\$453 million over the aggregate sum of 50% of the net asset value of WP Group as at 30 June 2017 and the amount of the Shareholder Loan (Master Gold) or of approximately HK\$342 million over the aggregate sum of 50% of the net asset value of WP Group as at 31 December 2017 and the amount of the Shareholder Loan (Master Gold).

### **D. REASONS FOR, AND BENEFITS OF, THE DISPOSAL**

1. The Company, through its subsidiaries, is principally engaged in the design, manufacturing, marketing and trading of fine jewellery and diamonds, property investment and development, mining operation and other investment.
2. Having considered the revitalizing property market condition and the total amount receivable by Master Gold, the Directors consider that the Disposal is a good opportunity for the Group to realize its investment. The proceeds from the Disposal will enable the Group to reduce its borrowings and to improve the working capital position of the Group for future opportunities that may arise.
3. Given that the terms of the SP Agreement were negotiated on an arm's length basis with reference to market value of the Property, the Directors are of the view that the terms of the SP Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.
4. The Group expects to record a gain from the Disposal (before tax and expenses) of approximately HK\$439 million. It is estimated by the Company based on the expected amount of the Consideration, the Group's share of the unaudited net asset value of WP Group and the Shareholder Loan (Master Gold), and after adjustments for the derecognition of the financial guarantee liabilities and the release of the cumulative exchange fluctuation reserve attributable to the WP Group as at 30 June 2017 upon the Disposal. However, the actual amount of net gain from the Disposal can only be determined at Completion.
5. The Company intends to use approximately HK\$120 million out of the net sale proceeds from the Disposal to repay the Group's outstanding bank borrowings (comprising mainly revolving loans to rollover on a monthly basis and term loans repayable within two years) and the remainder of approximately HK\$1,102 million will be allocated as to (i) approximately 10% to 20% for the construction and development of the land at No. 232 Wan Chai Road acquired by the Group in 2017; (ii) approximately to 20% to 30% for sourcing and procurement of raw materials and inventory, and/or purchasing and/or upgrading of existing machinery and equipment

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## LETTER FROM THE BOARD

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and system of the Group, (iii) approximately 10% to 15% for borrowing costs and (iv) as to the remaining for general working capital and/or for any investment opportunity which the Group may find in the future as elaborated in paragraph 8 below. The proceeds from the Disposal will not be applied towards repayment of the outstanding loans currently owed by the Group to the controlling shareholder of the Company, Tamar Investments, or its associates.

6. As disclosed in the Group's 2017 annual report, the Group's revenue on trading of fine jewellery and diamond polishing business recorded a decrease of approximately HK\$60.1 million to approximately HK\$483.1 million for 2017 as a result of the downsizing of the diamond polishing business. In view of the rising labor costs as well as the continued softness of the diamond market, as of May 2017, the Group has suspended the diamond polishing operations. The Group has been focusing on the designing, manufacturing, trading and distribution of fine jewellery which will continue to be part of the Group's principal business. For the financial year ended 30 June 2017, the segment revenue of the Group from the design, manufacturing, trading and distribution of fine jewellery and diamond were approximately HK\$483.1 million, divided as to approximately 78% to the fine jewellery and the remaining 22% to diamond. For the same year, the gross profit margin of the design, manufacturing, trading and distribution of fine jewellery was approximately 20% whereas the gross profit margin of diamond polishing business was 1.5%. The Group has fully-integrated production plants in China with around 682 staff as at 30 June 2017, most of them are engaged in the design, manufacturing, trading and distribution of fine jewellery.
7. The Group has been engaged in property investment and development for years. In the property investment, the Group has sold the Continental Place, a self-developed property located at No. 236-242 Des Voeux Road Central, Hong Kong, with total consideration of approximately HK\$1,133.5 million (including the 3 pre-sold floors of HK\$133.5 million classified as revenue) and recognised segment profit of approximately HK\$40.1 million during the financial year of 2017. Following realization of this investment, on 17 July 2017, the Group has contracted to acquire a piece of land located at No. 232 Wan Chai Road, Hong Kong, with a site area of approximately 5,798 sq. ft. The total consideration was approximately HK\$1,180 million and the transaction was completed in October 2017. The Group will be redeveloping the land into a premium grade office and retail composite building of approximately 25-storey tall with a gross floor area of approximately 86,970 sq. ft. and to hold it for long term leasing investment purpose. The Group has experience and financial capability to engage in property investment and development business and will continue to develop this segment.

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## LETTER FROM THE BOARD

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

### **E. FINANCIAL EFFECTS OF THE DISPOSAL**

1. The audited consolidated total assets and total liabilities of the Group as at 30 June 2017 were approximately HK\$2,314.9 million and HK\$470.4 million respectively. Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular, assuming Completion had taken place on 30 June 2017, the unaudited pro forma consolidated total assets and total liabilities of the Remaining Group would be approximately HK\$2,683.4 million and HK\$453.3 million respectively and the unaudited pro forma consolidated shareholders' fund of the Remaining Group would be approximately HK\$2,230.1 million.
2. For the year ended 30 June 2017, the Group recorded an audited profit for the year of approximately HK\$98.5 million. Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular, assuming Completion had taken place on 1 July 2016, the unaudited pro forma consolidated profit of the Remaining Group for the year ended 30 June 2017 would be approximately HK\$453.1 million.

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## LETTER FROM THE BOARD

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### F. LISTING RULES IMPLICATIONS

1. As some of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) exceeds 75%, the Disposal constitutes a very substantial disposal for the Company and is subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.
2. Tamar Investments has undertaken to vote all of its 5,063,395,220 Shares (or approximately 74.12% of the issued share capital of the Company as at the Latest Practicable Date) in favour of the resolutions to approve the Disposal under the SP Agreement at the General Meeting.
3. Under the Listing Rules, any Shareholder with material interest in the SP Agreement and his close associates will abstain from voting on is required to abstain from voting on the ordinary resolution to be proposed at the General Meeting regarding the SP Agreement and the transactions contemplated it. To the best of the knowledge, information and belief of the Directors, A Glory and its associates do not have any interests in any shares of the Company and there is no Shareholder who has a material interest in the transactions under the SP Agreement. Accordingly, no Shareholder is required to abstain from voting on the said ordinary resolution.

### G. GENERAL MEETING AND BOOK CLOSE

1. A notice of the General Meeting to be held at Function Rooms 2 & 3, 3/F, The Mira Hong Kong, 118 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 6 April 2018 at 11:00 a.m. is set out at the end of this circular. A form of proxy for use in connection with the General Meeting is enclosed with this circular.
2. The Shareholders will be asked to consider and, if thought fit, to pass the ordinary resolution to be proposed at the General Meeting (the text of which being set out in the notice of General Meeting) approving the SP Agreement and the transactions contemplated under it, including the Disposal.
3. In compliance with Rule 13.39(4) of the Listing Rules, the ordinary resolution to be proposed at the General Meeting will be voted by poll. The voting results of the General Meeting will be announced in the manner prescribed under Rule 13.39(5) of the Listing Rules.



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## LETTER FROM THE BOARD

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4. Whether or not you are able to attend and vote at the General Meeting, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and deliver, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, to the registered office of the Company at Flats M and N, 1/F., Kaiser Estate, Phase III, 11 Hok Yuen Street, Hunghom, Kowloon, Hong Kong as soon as possible and in any event not later than 11:00 a.m. on 3 April 2018 (or if the General Meeting is adjourned, not less than 48 hours before the time appointed for the holding of the adjourned General Meeting). Completion and return of the form of proxy will not preclude you from attending and voting in person at the General Meeting or any adjournment thereof should you so wish.
5. For determining the entitlement to attend and vote at the General Meeting, the register of members of the Company will be closed from Thursday, 29 March 2018 to Friday, 6 April 2018, both dates inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the General Meeting, all duly completed and signed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 28 March 2018.

### **H. RECOMMENDATION**

The Directors consider that the Disposal is fair and reasonable and in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend all Shareholders to vote in favour of the ordinary resolution to be proposed at the General Meeting.

### **I. ADDITIONAL INFORMATION**

Your attention is drawn to the additional information contained in the Appendices to this circular.

Yours faithfully,  
For and on behalf of the Board  
**Chan Wai Lap, Victor**  
*Chairman*

**1. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP**

The audited consolidated financial statements of the Group, together with the accompanying notes, for each of the three years ended 30 June 2015, 2016 and 2017 are disclosed in the annual reports of the Company for the financial years ended 30 June 2015 (pages 70 to 238), 30 June 2016 (pages 64 to 226) and 30 June 2017 (pages 74 to 247) respectively, and are incorporated by reference into this circular.

The said annual reports of the Company are available on the Company's website at [www.continental.com.hk](http://www.continental.com.hk) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) through the links below:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/1022/LTN20151022168.pdf>

<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/1020/LTN20161020175.pdf>

<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/1030/LTN20171030245.pdf>

**2. INDEBTEDNESS STATEMENT**

As at the close of business on 31 January 2018, i.e. the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had total outstanding borrowings of approximately HK\$1,086,645,000, comprising secured interest-bearing bank loans of approximately HK\$546,000,000, unsecured interest-bearing bank loans of approximately HK\$70,000,000, unsecured interest-bearing and interest-free loans from a controlling shareholder of approximately HK\$27,000,000 and HK\$4,968,000 respectively, unsecured interest-bearing loan from ultimate holding company of approximately HK\$350,000,000, unsecured interest-free amounts due to related companies of approximately HK\$88,216,000 and finance lease obligation of approximately HK\$461,000. The aforesaid interest-bearing bank loans were secured by the Group's 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 January 2018, the Company has provided guarantees amounting to HK\$1,769,747,000 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 January 2018, 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 January 2018.

### 3. MATERIAL ADVERSE CHANGE

The Directors confirmed that there was no material adverse change in the financial or trading position of the Group since 30 June 2017 (being the date to which the latest published audited consolidated financial statements of the Group have been made up) to the Latest Practicable Date.

### 4. WORKING CAPITAL STATEMENT

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the financial resources presently available to the Group, including the internally generated funds and the currently available facilities and net proceeds from the disposal, the Group has sufficient working capital for its normal business for at least the next 12 months from the date of this circular.

### 5. BUSINESS REVIEW AND MANAGEMENT DISCUSSION AND ANALYSIS

Set out below are the management discussion and analysis of the Remaining Group for each of the three financial years ended 30 June 2015, 2016 and 2017.

#### For the year ended 30 June 2017

A summary of the revenue and results of the segments of the Remaining Group for the financial year ended 30 June 2017 is set out below:

	Design, manufacturing, marketing and trading of fine jewellery and diamonds 2017 HK\$'000	Property investment 2017 HK\$'000	Mining operation 2017 HK\$'000	Investment 2017 HK\$'000	Consolidated 2017 HK\$'000
Segment revenue:					
Sales to/revenue from external parties	<u>483,084</u>	<u>133,500</u>	<u>8,981</u>	<u>1,728</u>	<u>627,293</u>
Segment results	<u>(12,098)</u>	<u>40,119</u>	<u>(37,351)</u>	<u>(6,319)</u>	<u>(15,649)</u>

During the financial year ended 30 June 2017, the Remaining Group's revenue was HK\$627.3 million (after taking into account the properties sale of HK\$133.5 million during the year). During the year, the Remaining Group recorded an unaudited loss of approximately HK\$24.6 million.

The financial year ended 30 June 2017 continued to be challenging as the global market sentiment remained weak for high-end luxury goods. Brexit and political instability also weakened the consumer demand in United Kingdom and some European countries. While the United States showed mere signs of economic recovery, the pace remained slow and may take a longer time to uplift the luxury segment. As a result, the Remaining Group's revenue on trading of fine jewellery and diamond polishing business recorded a decrease of approximately HK\$60.1 million or 11.1% from approximately HK\$543.2 million for the year ended 30 June 2016 to approximately HK\$483.1 million for 2017. Of the HK\$60.1 million decrease, approximately HK\$34.3 million or 57.1% was a result of the downsizing of the diamond polishing business. In view of the rising labor costs as well as the continued softness of the diamond market, the management decided to cease the diamond polishing business and will focus on trading and distribution of fine jewellery in the future. As of May 2017, the Remaining Group has suspended the diamond polishing operations.

In the property investment on 19 September 2016, the Remaining Group entered into a sale and purchase agreement (the "Agreement") with an independent third party relating to dispose of 100% equity interest of Well Friendship Investment Limited ("Well Friendship") (a wholly-owned subsidiary of the Company), which holds the Continental Place, a property located at No. 236-242 Des Voeux Road Central, Hong Kong ("Continental Place"), at total consideration of approximately HK\$1,133.5 million (including the 3 pre-sold floors of HK\$133.5 million classified as revenue) and recognised segment profit of approximately HK\$40.1 million during the financial year of 2017. The Remaining Group has always been seeking potential investment opportunities in order to maximize returns to our shareholders. Following the disposal of Continental Place, the Remaining Group has decided to reinvest on another property site for potential future gains. On 17 July 2017, the Remaining Group entered in to a preliminary agreement to acquire a piece of land located at No. 232 Wan Chai Road, Hong Kong, with a site area of approximately 5,798 sq. ft. It is the current intention of the Group to redevelop the land into a premium grade office and retail composite building of approximately 25-storey tall with a gross floor area of approximately 86,970 sq. ft. and to hold it for long term leasing investment purpose. The total consideration was approximately HK\$1,180 million (subject to the adjustment) and the transaction is expected to be completed on 25 October 2017.

For our mining business, the operation at Hongzhuang Gold Mine was minimized. All of the previously reported gold resources in the Yuanling site had been exhausted. Activities such as re-visiting the old shaft and feasibility study of developing new shafts are being conducted. Meanwhile, second phase exploration was carried out at the north eastern part of Yuanling this year and Company will review the exploration result next year.

At 30 June 2017, the Remaining Group held an equity interest in Macarthur Minerals Limited (“MMS”), MMS is an Australian company listed on the TSX Venture Exchange in Canada. The Group holds the interest in MMS for long term investment and accounted for as a non-current asset as “available-for-sale financial assets”. During the year, the fair value of MMS was determined to be impaired on the basis of significant and prolonged decline in its fair value below cost. Accordingly, impairment loss of HK\$620,000 (2016: HK\$457,000) was recognised in the consolidated statement of profit or loss and other comprehensive income.

As at 30 June 2017, the Directors conducted an impairment assessment on certain of the Group’s property, plant and equipment under Yuanling mine site due to the delay of the operation plan. These assets are included in the Remaining Group’s mining segment in the reportable and operating segment of the Remaining Group. Accordingly, an impairment loss of approximately HK\$23.4 million had been recognised in respect of certain property, plant and equipment in mining segment of the Remaining Group. The impairment loss had been recognised and included in the consolidated statement of profit or loss and other comprehensive income.

#### ***Liquidity, financial resources and gearing***

As of 30 June 2017, the Remaining Group’s gearing ratio was zero, which is calculated on net debt divided by total equity plus net debt. Net debt is calculated as the sum of bank and other borrowings less cash and cash equivalents. The Remaining Group maintains a strong financial position with cash and cash equivalents of HK\$374,648,000 which were mainly denominated in Hong Kong Dollar, US Dollar, Renminbi and British Pound. Bank loans were HK\$119,000,000, which were denominated in Hong Kong Dollar. Other borrowings in respect of amounts due to related companies and loan from a controlling shareholder were approximately of HK\$87,218,000. The bank loans are secured by first legal charges over the Remaining Group’s investment property, certain leasehold land and buildings, land use rights and guaranteed by corporate guarantees executed by the Company.

The substantial increase in the Remaining Group’s cash and cash equivalent and the reduction in borrowings as at 30 June 2017 were mainly attributed to the net proceeds received from the disposal of Continental Place. With the cash yet to be utilised and in line with the Remaining Group’s prudent financial management, the Directors considered that the Remaining Group has sufficient working capital to meet its ongoing operational requirements.

***Pledge of assets***

As of 30 June 2017, the Remaining Group's investment property, certain leasehold land and buildings and land use rights with an aggregate net carrying value of HK\$51,236,000 were pledged to certain banks to secure general banking facilities granted to the Remaining Group.

***Capital structure***

All the Remaining Group's borrowings are denominated in Hong Kong Dollar and Renminbi. Interest is determined with reference to Hong Kong Interbank Offered Rate or Prime Rate for Hong Kong Dollar borrowings. The Remaining Group also made use of foreign exchange forward contracts in order to minimize exchange rate risk as a result of fluctuation in British Pound. There was no change to the Remaining Group's capital structure during the year ended 30 June 2017. In light of the current financial position of the Remaining Group and provided there is no unforeseeable circumstance, the management does not anticipate the need to change the capital structure.

***Contingent liabilities***

The Company has provided guarantees to the extent of HK\$119,000,000 with respect to bank loans to its subsidiaries. At the reporting date, no provision for the Company's obligation under the guarantee contract has been made as the directors considered that it was unlikely the repayment of the loans would be in default.

***Number of employees, remuneration policies and share option scheme***

The Remaining Group employs a total of approximately 828 employees with the majority in the PRC. The Remaining Group's remuneration to its employees is largely based on common industrial practice.

The Company has adopted a share option scheme on 13 July 2010, under which, the Company may grant options to eligible persons including directors and employees. 120,000,000 share options were granted pursuant to the scheme since its adoption and up to 30 June 2017.

***Exposure to financial risk and related hedges***

The Remaining Group utilises conservative strategies on its financial risk management and the market risk had been kept to minimum. With the exception of the UK subsidiaries, all transactions and the borrowings of the Remaining Group are primarily denominated in US Dollar, Hong Kong Dollar and Renminbi. During the year, the Remaining Group had entered into certain foreign exchange forward contracts in order to minimise the exchange rate risk as a result of fluctuation in British Pound. Management will continue to monitor the foreign exchange risk in British Pound and recent fluctuation in Renminbi and will take appropriate actions when necessary.

**For the year ended 30 June 2016**

A summary of the revenue and results of the segments of the Remaining Group for the financial year ended 30 June 2016 is set out below:

	<b>Design, manufacturing, marketing and trading of fine jewellery and diamonds 2016 HK\$'000</b>	<b>Property investment 2016 HK\$'000</b>	<b>Mining operation 2016 HK\$'000</b>	<b>Investment 2016 HK\$'000</b>	<b>Consolidated 2016 HK\$'000</b>
Segment revenue:					
Sales to/revenue from external parties	<u>543,152</u>	<u>-</u>	<u>9,056</u>	<u>367</u>	<u>552,575</u>
Segment results	<u>(14,086)</u>	<u>4,659</u>	<u>(47,769)</u>	<u>(2,375)</u>	<u>(59,571)</u>

During the financial year 2016, the Remaining Group's revenue was HK\$552.6 million. During the year, the Remaining Group recorded an unaudited loss of approximately HK\$63.9million. The loss for the year was mainly due to (i) impairment loss on mining right of approximately HK\$36.4 million; (ii) decrease in revenue and gross profit of approximately HK\$178.3 million and HK\$18.3 million respectively; and (iii) unrealised exchange loss of approximately HK\$10.4 million mainly due to declining conversion rate in British Pound after the Brexit incident.

The financial year of 2016 was challenging for both the fine jewellery and diamond polishing business as the gloomy economic conditions continued to bring difficulties to the operating environment. Beside the U.S. market showing a relatively mild improvement, the European countries still face a lot of undetermined factors given the uncertainties resulting from the Brexit. The softening of diamond market continues to impact the Remaining Group's diamond polishing performance. Against this backdrop, customers were concerned about the slowdown of global economy and continued to spend cautiously on luxury goods. During the year under review, the Remaining Group's revenue on trading of fine jewellery and diamond polishing business recorded a decrease of approximately HK\$172.4 million or 24.1% from approximately HK\$715.6 million for the year ended 30 June 2015 to approximately HK\$543.2 million for 2016. Despite decrease in revenue, the Remaining Group managed rigorous cost control to reduce overall production expenses while providing more value added services. Such measures benefited the overall gross profit margin which has increased slightly. In view of the unfavourable external environment and to counter the escalating labor cost in the PRC, the Remaining Group has improved operation efficiency and streamline operations to monitor profit margin. The Remaining Group would continue its efforts to create better value that best benefit its jewellery business.

In mining segment, mining operation was suspended as the previously reported gold resources in the Yuanling site had been exhausted. The preliminary exploration at the north eastern part of Yuanling site was completed. A potential new vein with promising grade had been identified during the exploration which will continue throughout this year.

During the year ended 30 June 2016, the Directors appointed an independent professional valuer, Dragon Appraisal Co Limited, to perform a mining right valuation with respect to the Hongzhuang Gold Mine situated at Henan Province, the PRC and impairment loss amounting to HK\$36,417,000 has been recognised in the consolidated statement of profit or loss and other comprehensive income.

The fair value of Hongzhuang Gold Mine was estimated based on the Market Based Approach with reference to comparable transactions, in which such approach was consistent with mining right valuation as at 30 June 2015. The key inputs used in the valuation was the consideration-to-resources multiple obtained from comparable transactions and the adjusted contained gold metal based on the technical review report prepared by SRK Consulting China Limited under Chinese standard.



The Chinese standard resource estimate as reported by SRK Consulting China Limited were with uncertainty. The estimated fair value of the Hongzhuang Gold Mine has assigned lower or no credit to those resources with high resources risk.

At 30 June 2016, the Remaining Group held an equity interest in Macarthur Minerals Limited (“MMS”). MMS is an Australian company listed on the TSX Venture Exchange in Canada. The Remaining Group holds the interest in MMS for long term investment and accounted for as a non-current asset as “available-for-sale financial assets”.

During the year, the fair value of MMS was determined to be impaired on the basis of significant and prolonged decline in its fair value below cost. Accordingly, impairment loss of HK\$457,000 was recognised in the consolidated statement of profit or loss and other comprehensive income. The impairment loss was considered to be an exceptional item and did not have any effect on the Remaining Group’s cash flows in the financial year.

***Liquidity, financial resources and gearing***

As of 30 June 2016, the Remaining Group had a gearing ratio of 0.32, which is calculated on net debt divided by total equity plus net debt. Net debt is calculated as the sum of bank and other borrowings less cash and cash equivalents. Total cash and cash equivalents were HK\$45,632,000 which were mainly denominated in Hong Kong Dollar, US Dollar, Renminbi and British Pound. Bank loans were HK\$571,548,000, which were mainly denominated in Hong Kong Dollar. Other borrowings in respect of amounts due to related companies and loan from a controlling Shareholder were approximately HK\$299,760,000. The bank loans are secured by first legal charges over the Remaining Group’s investment property, property under development, certain leasehold land and buildings, land use right and guaranteed by corporate guarantees executed by the Company.

***Pledge of assets***

As of 30 June 2016, the Remaining Group’s investment property, property under development, certain leasehold land and buildings and land use right with an aggregate net carrying value of HK\$1,065,250,000 were pledged to certain banks to secure general banking facilities granted to the Remaining Group.

***Capital structure***

All the Remaining Group's borrowings are mainly denominated in Hong Kong Dollar. Interest is determined on the basis of Hong Kong Interbank Offered Rate or Prime Rate for Hong Kong Dollar borrowings. The Remaining Group also made use of foreign exchange forward contracts in order to minimize exchange rate risk as a result of fluctuation in British Pound. There was no change to the Remaining Group's capital structure during the year ended 30 June 2016.

***Contingent liabilities***

The Company has provided guarantees to the extent of HK\$571,548,000 with respect to bank loans to its subsidiaries. At the reporting date, no provision for the Company's obligation under the guarantee contract has been made as the Directors considered that it was unlikely the repayment of the loans would be in default.

***Number of employees, remuneration policies and share option scheme***

The Remaining Group employs a total of approximately 968 employees with the majority in the PRC. The Remaining Group's remuneration to its employees is largely based on common industrial practice. The Company has adopted a share option scheme on 13 July 2010, under which, the Company may grant options to eligible persons including directors and employees.

***Exposure to financial risk and related hedges***

The Remaining Group utilises conservative strategies on its financial risk management and the market risk had been kept to minimum. With the exception of the UK subsidiaries, all transactions and the borrowings of the Remaining Group are primarily denominated in US Dollar, Hong Kong Dollar and Renminbi. During the year, the Remaining Group has entered into certain foreign exchange forward contracts in order to minimise the exchange rate risk as a result of fluctuation in British Pound. Management will continue to monitor the foreign exchange risk in British Pound and recent fluctuation in Renminbi and will take appropriate actions when necessary.

**For the year ended 30 June 2015**

A summary of the revenue and results of the segments of the Remaining Group for the financial year ended 30 June 2015 is set out below:

	Design, manufacturing, marketing and trading of fine jewellery and diamonds 2015 HK\$'000	Property investment 2015 HK\$'000	Mining operation 2015 HK\$'000	Investment 2015 HK\$'000	Consolidated 2015 HK\$'000
Segment revenue:	<u>715,595</u>	<u>–</u>	<u>13,845</u>	<u>1,460</u>	<u>730,900</u>
Segment results	<u>33,896</u>	<u>327,873</u>	<u>(332,049)</u>	<u>3,212</u>	<u>32,932</u>

During the financial year 2015, the Remaining Group's revenue was HK\$730.9 million. During the year, the Remaining Group recorded an unaudited profit of approximately HK\$99.6 million. It was mainly due to unrealised fair value gain on the investment property amounted to HK\$333.5 million and reversal of deferred tax liabilities amounted to HK\$76.2 million as result of impairment loss on mining right, which partially offset the impairment loss on mining right amounted to HK\$304.7 million.

During the year under review, the Remaining Group's revenue on trading of fine jewellery and diamond business recorded a decrease of approximately HK\$133 million or 15.6% from approximately HK\$848.6 million for the year ended 30 June 2014 to approximately HK\$715.6 million for 2015. Such decrease resulted mainly from a drop in its diamond polishing business due to the softening of diamond market. Revenue for jewellery trading increased slightly despite the continual weakening of global economic environment. In particular, the consumer confidence in Europe remained weak, whilst the depreciation of the local currencies had further dampened the purchasing demand of customers in those markets. In the U.S., the market has improved, but it still requires time to recover and reach its previous levels. Amidst such challenges, the Remaining Group managed to strengthen its relationship with customers and acquire more core programs and key collections. Meanwhile, the Remaining Group has also applied tight control on costs and expenses at all levels in order to sustain a positive results for the year.

In mining operation, production was suspended in the Hongzhuang Gold Mine. All the previously reported gold resources in the Yuanling mine field had been exhausted. The preliminary exploration has completed at the north eastern part of Yuanling site. A potential new vein with promising grade had been identified during the exploration. Second phase of exploration to increase the geological confidence will commence later this year.

During the year ended 30 June 2015, the Directors appointed an independent professional valuer, Roma Appraisals Limited, to perform a mining right valuation with respect to the Hongzhuang Gold Mine situated at Henan Province, the PRC and impairment loss amounting to HK\$304,707,000 has been recognised in the consolidated statement of profit or loss and other comprehensive income.

The fair value of the Hongzhuang Gold Mine was estimated based on the Market Based Approach with reference to comparable transactions, in which such approach was consistent with mining right valuation as at 30 June 2014. The key inputs used in the valuation was the consideration-to-resource multiple obtained from comparable transactions, the adjusted gold resource estimates based on latest available technical review report prepared by an independent specialist, Roma Oil and Mining Associates Limited and technical review report prepared by SRK Consulting China Limited.

According to the technical review report prepared by Roma Oil and Mining Associates Limited, the Chinese standard resource estimates as reported by SRK Consulting China Limited were with uncertainty. If new mineral resource estimation was carried out, based on the currently available data and reporting under the 2012 JORC Code guidelines, the resources would probably be reclassified to inferred resource and exploration results/targets. The estimated fair value of the Hongzhuang Gold Mine has taken into consideration of this potential downgrade.

At 30 June 2015, the Remaining Group held an equity interest in MMS. MMS is an Australian company listed on the TSX Venture Exchange in Canada. The Remaining Group holds the interest in MMS for long term investment and accounted for as a non-current asset as “available-for-sale financial assets”.

During the year, the fair value of MMS was determined to be impaired on the basis of significant and prolonged decline in its fair value below cost. Accordingly, impairment loss of HK\$4,834,000 was recognised in the consolidated statement of profit or loss and other comprehensive income. The impairment loss was considered to be an exceptional item and did not have any effect on the Remaining Group’s cash flows in the financial year.

***Liquidity, financial resources and gearing***

As of 30 June 2015, the Remaining Group had a gearing ratio of 0.25, which is calculated on net debt divided by total equity plus net debt. Net debt is calculated as the sum of bank and other borrowings less cash and cash equivalents. Total cash and cash equivalents were HK\$55,641,000 which were mainly denominated in Hong Kong Dollar, US Dollar, Renminbi and British Pound. Bank loans were HK\$468,634,000, which were mainly denominated in Hong Kong Dollar and Renminbi. Other borrowings in respect of amounts due to related companies and loan from a controlling Shareholder were approximately HK\$238,320,000. The bank loans are secured by first legal charges over the Remaining Group's investment property, property under development, certain leasehold land and buildings, land use right and guaranteed by corporate guarantees executed by the Company.

***Pledge of assets***

As of 30 June 2015, the Remaining Group's investment property, property under development, certain leasehold land and buildings and land use right with an aggregate net carrying value of HK\$1,010,271,000 were pledged to certain banks to secure general banking facilities granted to the Remaining Group.

***Capital structure***

On 10 October 2014, the Company issued and allotted a total of 1,710,526,310 conversion shares to Tamar Investments Group Limited upon conversion of convertible note into shares.

As at 30 June 2015, 40,000,000 share options were granted by the Company under its share option scheme to eligible persons to subscribe for the ordinary shares of the Company and during the year, 10,000,000 share options were exercised.

Due to the conversion of convertible note and issue of shares upon exercise of share options, the number of issued shares and total share capital of the Company has increased from 5,110,656,270 to 6,831,182,580 and HK\$442,555,000 to HK\$560,673,000 respectively during the reporting year.

***Investment in a company engaged in diamond related business***

On 15 January 2015, a subsidiary of the Company entered into a subscription agreement to subscribe for 55,556 shares in the share capital of a company ("Subject Company") at a consideration of US\$1,000,000 (equivalent to approximately HK\$7,753,000). The Subject Company is mainly engaged in hardware and software technologies relating to diamonds, diamond packaging and diamond marketing developed business.

***Contingent liabilities***

The Company has provided guarantees amounting to HK\$694,248,000 with respect to bank loans to its subsidiaries. At the reporting date, no provision for the Company's obligation under the guarantee contract has been made as the Directors considered that it was unlikely the repayment of the loans would be in default.

***Number of employees, remuneration policies and share option scheme***

The Remaining Group employs a total of approximately 1,013 employees with the majority in the PRC. The Remaining Group's remuneration to its employees is largely based on common industrial practice. The Company has adopted a share option scheme on 13 July 2010, under which, the Company may grant options to eligible persons including directors and employees.

***Exposure to financial risk and related hedges***

The Remaining Group utilises conservative strategies on its financial risk management and the market risk had been kept to minimum. With the exception of the UK subsidiaries, all transactions and the borrowings of the Group are primarily denominated in US Dollar, Hong Kong Dollar and Renminbi. The risk of foreign exchange fluctuation is minimal. During the year, the Remaining Group made use of foreign exchange forward contracts in order to minimize exchange rate risk as a result of fluctuation in British Pound. Management will continue to monitor the foreign exchange risk exposure and will take appropriate actions when necessary.

**6. FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP**

For 2018, we foresee that the consumer demand will remain soft until the 2nd and 3rd quarter. A further consolidation of the diamond and jewellery industry is expected and certain market segments will encounter great difficulties and challenges. The Group will continue to strengthen its market position by providing the best products and services to our customers. With the rapidly changing market environment, we are also implementing new business strategies and projects that will enable us to explore new opportunities and markets in the near future. During the period, the Board had been taking initiatives to co-operate with strategic partners to pursue new business opportunities with a view to diversify the business of the Group. As a result, the Group had incorporated a joint venture with a partner to acquire 51% of equity interest in Joint Able Limited and its subsidiaries which is mainly engaged in the operation of retail and trading of a branded fashion jewellery. Our management will continue to actively seek for potential business opportunities that will generate better returns and value to the Company and its shareholders.

Set out below is the unaudited financial information of the WP Group which comprises the unaudited consolidated statements of financial position of the WP Group as at 30 June 2015, 2016 and 2017 and 31 December 2017 and the unaudited consolidated statements of profit or loss and other comprehensive income, unaudited consolidated statements of cash flows and unaudited consolidated statements of changes in equity for the years ended 30 June 2015, 2016 and 2017 and the six months ended 31 December 2016 and 2017 and certain explanatory notes (altogether referred to as “Unaudited Financial Information”).

The Unaudited Financial Information has been prepared in accordance with paragraph 14.68(2)(a)(i) of the Listing Rules and the basis of preparation as set out in note 2 to the Unaudited Financial Information.

The Unaudited Financial Information is prepared by the Directors solely for the purpose of inclusion in this circular in connection with the Disposal. The Company’s reporting accountant, BDO Limited, has reviewed the Unaudited Financial Information of the WP Group in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” and with reference to Practice Note 750 “Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal” issued by the Hong Kong Institute of Certified Public Accountants.

A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the reporting accountant to obtain assurance that the reporting accountant would become aware of all significant matters that might be identified in an audit. Accordingly, the reporting accountant does not express an audit opinion. The reporting accountant has issued an unmodified review report.

**UNAUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME OF THE WP GROUP**

	For the year ended 30 June			For the six months ended 31 December	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	–	87,481	143,509	64,243	81,857
Cost of sales	–	(24,094)	(40,777)	(20,592)	(23,116)
Gross profit	–	63,387	102,732	43,651	58,741
Other income	108	945	430	247	127
Change in fair value of investment property	131,393	(289,552)	353,541	–	195,714
Selling expenses	(3,697)	(11,287)	(11,455)	(6,492)	(5,627)
Administrative expenses	(9,756)	(18,166)	(28,667)	(23,461)	(15,446)
Finance costs	(5,625)	(40,309)	(70,480)	(37,855)	(29,245)
<b>Profit/(Loss) before income tax</b>	112,423	(294,982)	346,101	(23,910)	204,264
Income tax (expense)/credit	(28,981)	71,428	(100,079)	–	(55,898)
<b>Profit/(Loss) for the year/period</b>	83,442	(223,554)	246,022	(23,910)	148,366
<b>Other comprehensive income for the year/period, net of tax Item that may be subsequently reclassified to profit or loss:</b>					
Exchange differences on translation of foreign operations	5,652	(128,071)	(19,930)	(58,543)	73,298
<b>Other comprehensive income for the year/period, net of tax</b>	5,652	(128,071)	(19,930)	(58,543)	73,298
<b>Total comprehensive income for the year/period</b>	89,094	(351,625)	226,092	(82,453)	221,664



## UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE WP GROUP

	2015 HK\$'000	As at 30 June 2016 HK\$'000	2017 HK\$'000	As at 31 December 2017 HK\$'000
<b>ASSETS AND LIABILITIES</b>				
<b>Non-current assets</b>				
Property, plant and equipment	159	2,659	1,968	1,699
Investment property	<u>2,530,200</u>	<u>2,346,675</u>	<u>2,668,257</u>	<u>2,977,736</u>
	<u>2,530,359</u>	<u>2,349,334</u>	<u>2,670,225</u>	<u>2,979,435</u>
<b>Current assets</b>				
Accounts receivables	–	24,758	28,336	29,676
Prepayments, deposits and other receivables	18,969	165	1,833	1,768
Cash and cash equivalents	<u>4,411</u>	<u>29,623</u>	<u>35,601</u>	<u>37,449</u>
	<u>23,380</u>	<u>54,546</u>	<u>65,770</u>	<u>68,893</u>
<b>Current liabilities</b>				
Accounts payables	67,405	26,993	21,686	2,220
Other payables and accruals	24,144	49,764	54,646	65,403
Due to a related company	13	27	21	21
Bank loans	<u>19,444</u>	<u>119,716</u>	<u>791,610</u>	<u>828,336</u>
	<u>111,006</u>	<u>196,500</u>	<u>867,963</u>	<u>895,980</u>
<b>Net current liabilities</b>	<u>(87,626)</u>	<u>(141,954)</u>	<u>(802,193)</u>	<u>(827,087)</u>
<b>Non-current liabilities</b>				
Loans from shareholders	1,060,400	1,329,390	1,352,280	1,352,280
Bank loans	804,518	730,896	–	–
Deferred tax liabilities	<u>141,453</u>	<u>59,113</u>	<u>158,386</u>	<u>221,038</u>
	<u>2,006,371</u>	<u>2,119,399</u>	<u>1,510,666</u>	<u>1,573,318</u>
<b>Net assets</b>	<u>436,362</u>	<u>87,981</u>	<u>357,366</u>	<u>579,030</u>
<b>Equity</b>				
Share capital	389	389	389	389
Reserves	<u>435,973</u>	<u>87,592</u>	<u>356,977</u>	<u>578,641</u>
<b>Total equity</b>	<u>436,362</u>	<u>87,981</u>	<u>357,366</u>	<u>579,030</u>

**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS OF THE WP GROUP**

	For the year ended 30 June			For the six months ended	
	2015	2016	2017	31 December	
	HK\$'000	HK\$'000	HK\$'000	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cash flows from operating activities</b>					
Profit/(Loss) before income tax	112,423	(294,982)	346,101	(23,910)	204,264
Adjustments for:					
Change in fair value of investment property	(131,393)	289,552	(353,541)	–	(195,714)
Depreciation of property, plant and equipment	100	349	677	83	352
Finance costs	5,625	40,309	70,480	37,855	29,245
Interest income	(81)	(170)	(159)	(80)	(96)
Provision/(Reversal of provision) for other receivables	23	(106)	–	–	–
Provision for trade receivables	–	–	5	–	–
Operating (loss)/profit before working capital changes	(13,303)	34,952	63,563	13,948	38,051
(Increase)/Decrease in trade receivables	–	(24,758)	(3,919)	2,576	(132)
Decrease/(Increase) in prepayments, deposits and other receivables	24,410	17,446	(1,670)	(15)	(78)
Decrease in trade payables	(67,061)	(35,212)	(4,940)	(7,428)	(20,390)
Increase other payables and accruals	17,870	24,170	5,466	6,650	8,783
(Decrease)/Increase in amount due to a related company	(16)	14	(6)	(6)	–
Net cash (used in)/generated from operations	(38,100)	16,612	58,494	15,725	26,234
Interest paid	(52,565)	(48,181)	(44,858)	(23,048)	(21,801)
<b>Net cash (used in)/generated from operating activities</b>	<b>(90,665)</b>	<b>(31,569)</b>	<b>13,636</b>	<b>(7,323)</b>	<b>4,433</b>
<b>Cash flows from investing activities</b>					
Additions to property, plant and equipment	–	(2,862)	(22)	(18)	–
Additions to investment property	(450,524)	(285,275)	–	–	–
Interest income	81	170	159	80	96
<b>Net cash (used in)/generated from investing activities</b>	<b>(450,443)</b>	<b>(287,967)</b>	<b>137</b>	<b>62</b>	<b>96</b>

**APPENDIX II****FINANCIAL INFORMATION OF WP GROUP**

	For the year ended 30 June			For the six months ended	
	2015	2016	2017	31 December	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cash flows from financing activities</b>					
Advance from shareholders	225,600	268,990	22,890	11,500	–
New bank loans	281,358	112,692	860,030	833,370	–
Repayment of bank loans	–	(27,378)	(890,230)	(845,087)	(4,470)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net cash generated from/(used in) financing activities</b>	<u>506,958</u>	<u>354,304</u>	<u>(7,310)</u>	<u>(217)</u>	<u>(4,470)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(34,150)	34,768	6,463	(7,478)	59
<b>Cash and cash equivalents at beginning of year/period</b>	38,314	4,411	29,623	29,623	35,601
<b>Effect of foreign exchange rate changes, net</b>	<u>247</u>	<u>(9,556)</u>	<u>(485)</u>	<u>8,988</u>	<u>1,789</u>
<b>Cash and cash equivalents at end of year/period</b>	<u><u>4,411</u></u>	<u><u>29,623</u></u>	<u><u>35,601</u></u>	<u><u>31,133</u></u>	<u><u>37,449</u></u>

**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY OF THE  
WP GROUP**

	<b>Share capital</b>	<b>Capital contribution reserve</b>	<b>Exchange fluctuation reserve</b>	<b>Retained profits</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Balance at 1 July 2014</b>	389	24,809	86,019	232,419	343,636
Deemed capital contribution	<u>–</u>	<u>3,632</u>	<u>–</u>	<u>–</u>	<u>3,632</u>
Transaction with owners	<u>–</u>	<u>3,632</u>	<u>–</u>	<u>–</u>	<u>3,632</u>
Profit for the year	–	–	–	83,442	83,442
Other comprehensive income:					
Exchange difference on translation of foreign operation	<u>–</u>	<u>–</u>	<u>5,652</u>	<u>–</u>	<u>5,652</u>
Total comprehensive income	<u>–</u>	<u>–</u>	<u>5,652</u>	<u>83,442</u>	<u>89,094</u>
<b>Balance at 30 June 2015 and 1 July 2015</b>	389	28,441	91,671	315,861	436,362
Deemed capital contribution	<u>–</u>	<u>3,244</u>	<u>–</u>	<u>–</u>	<u>3,244</u>
Transaction with owners	<u>–</u>	<u>3,244</u>	<u>–</u>	<u>–</u>	<u>3,244</u>
Loss for the year	–	–	–	(223,554)	(223,554)
Other comprehensive income:					
Exchange difference on translation of foreign operation	<u>–</u>	<u>–</u>	<u>(128,071)</u>	<u>–</u>	<u>(128,071)</u>
Total comprehensive income	<u>–</u>	<u>–</u>	<u>(128,071)</u>	<u>(223,554)</u>	<u>(351,625)</u>
<b>Balance at 30 June 2016 and 1 July 2016</b>	389	31,685	(36,400)	92,307	87,981
Deemed capital contribution	<u>–</u>	<u>43,293</u>	<u>–</u>	<u>–</u>	<u>43,293</u>
Transaction with owners	<u>–</u>	<u>43,293</u>	<u>–</u>	<u>–</u>	<u>43,293</u>
Profit for the year	–	–	–	246,022	246,022
Other comprehensive income:					
Exchange difference on translation of foreign operation	<u>–</u>	<u>–</u>	<u>(19,930)</u>	<u>–</u>	<u>(19,930)</u>
Total comprehensive income	<u>–</u>	<u>–</u>	<u>(19,930)</u>	<u>246,022</u>	<u>226,092</u>
<b>Balance at 30 June 2017</b>	<u><u>389</u></u>	<u><u>74,978</u></u>	<u><u>(56,330)</u></u>	<u><u>338,329</u></u>	<u><u>357,366</u></u>

**APPENDIX II**
**FINANCIAL INFORMATION OF WP GROUP**

	Share capital <i>HK\$'000</i>	Capital contribution reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Balance at 1 July 2017</b>	389	74,978	(56,330)	338,329	357,366
Profit for the period	–	–	–	148,366	148,366
Other comprehensive income:					
Exchange difference on translation of foreign operation	–	–	73,298	–	73,298
Total comprehensive income	–	–	73,298	148,366	221,664
<b>Balance at 31 December 2017</b>	<u>389</u>	<u>74,978</u>	<u>16,968</u>	<u>486,695</u>	<u>579,030</u>
	Share capital <i>HK\$'000</i>	Capital contribution reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Balance at 1 July 2016</b>	389	31,685	(36,400)	92,307	87,981
Deemed capital contribution	–	43,293	–	–	43,293
Transaction with owners	–	43,293	–	–	43,293
Loss for the period	–	–	–	(23,910)	(23,910)
Other comprehensive income:					
Exchange difference on translation of foreign operation	–	–	(58,543)	–	(58,543)
Total comprehensive income	–	–	(58,543)	(23,910)	(82,453)
<b>Balance at 31 December 2016</b>	<u>389</u>	<u>74,978</u>	<u>(94,943)</u>	<u>68,397</u>	<u>48,821</u>

**NOTES TO THE UNAUDITED FINANCIAL INFORMATION****1. General Information**

Wealth Plus is a limited liability company incorporated in the British Virgin Islands. Wealth Plus is a joint venture of Master Gold and A Glory. The principal activity of Wealth Plus is investment holding.

Wealth Plus's sole wholly-owned subsidiary, Shanghai Haijin Real Estate Co., Ltd. ("Haijin") (Wealth Plus and Haijin, collectively referred to as the "WP Group"), is a wholly foreign-owned enterprise established in the PRC, which is principally engaged in property investment in the PRC.

On 22 January 2018, Master Gold, a wholly-owned subsidiary of the Company as vendor and the Company, as the guarantor of the vendor's obligations, entered into a sale and purchase agreement with A Glory ("SP Agreement"). Pursuant to the SP Agreement, Master Gold has conditionally agreed to sell and A Glory has conditionally agreed to purchase 50% of issued share of Wealth Plus, and the shareholder's loan owed by Wealth Plus to Master Gold at an aggregate consideration of HK\$1,308,000,000 (subject to certain adjustments upon completion of disposal). Upon completion of the Disposal, Wealth Plus will cease to be a joint venture of the Company.

**2. Basis of Preparation of the Unaudited Financial Information**

The Unaudited Financial Information of the WP Group has been prepared in accordance with paragraph 14.68(2)(a)(i) of the Listing Rules, and solely for the purposes of inclusion in this circular issued by the Company in connection with the Disposal.

The amounts included in the Unaudited Financial Information have been recognised and measured in accordance with the relevant accounting policies of the Company as set out in its annual report for the year ended 30 June 2017, which conform with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. The Unaudited Financial Information has been prepared under the historical cost basis except for investment property, which is stated at fair value. The Unaudited Financial Information is presented in HK\$ and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

The Unaudited Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in HKAS 1 (Revised) “Presentation of Financial Statements” nor a set of condensed financial statements as defined in HKAS 34 “Interim Financial Reporting” issued by the HKICPA, and should be read in connection with the published annual financial statements of the Company and its subsidiaries for the year ended 30 June 2017.

As at 30 June 2015, 2016 and 2017 and 31 December 2017, the WP Group had net current liabilities of approximately HK\$87,626,000, HK\$141,954,000, HK\$802,193,000 and HK\$827,087,000 respectively.

A Glory has confirmed to provide sufficient financial support to the WP Group so as to enable the WP Group to meet their liabilities and obligations as and when they fall due and to enable the WP Group to continue its business for twelve months after 31 December 2017.

The Company has confirmed to provide sufficient financial support to the WP Group so as to enable the WP Group to meet their liabilities and obligations as and when they fall due and to enable the WP Group to continue their business for twelve months after 31 December 2017 if the Disposal is not completed, and to the completion date if the Disposal is completed.

As a result, the Unaudited Financial Information of the WP Group has been prepared on a going concern basis.

**INTRODUCTION**

The unaudited pro forma financial information of Continental Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) excluding Wealth Plus Developments Limited and its subsidiary (the “WP Group”) (the “Remaining Group”) (the “Unaudited Pro Forma Financial Information”) presented below is prepared to illustrate (a) the financial position of the Remaining Group as if the Disposal had been completed on 30 June 2017 and (b) the results and cash flows of the Remaining Group for the year ended 30 June 2017 as if the Disposal had been completed on 1 July 2016. This Unaudited Pro Forma Financial Information has been prepared for illustrative purpose only, and because of its hypothetical nature, it may not purport to present the true picture of (i) the financial position of the Remaining Group as at 30 June 2017 or at any future date had the Disposal been completed on 30 June 2017; or (ii) the results and cash flows of the Remaining Group for the year ended 30 June 2017 or for any future period had the Disposal been completed on 1 July 2016.

The Unaudited Pro Forma Financial Information is prepared based on the consolidated statement of financial position of the Group as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Group for the year ended 30 June 2017 as extracted from the consolidated financial statements of the Group for the year ended 30 June 2017 as set out in the published annual report of the Company for the year ended 30 June 2017, after giving effect to the pro forma adjustments described in the notes to the Unaudited Pro Forma Financial Information and is prepared in accordance with Rules 4.29 and 14.68(2)(a)(ii) of the Listing Rules.

**DISCLOSURE UNDER SECTION 436 OF THE HONG KONG COMPANIES ORDINANCE**

The consolidated statement of financial position of the Group as at 30 June 2017 and the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows of the Group for the year ended 30 June 2017 included in the Unaudited Pro Forma Financial Information set out below in this Appendix do not constitute the Company’s statutory annual consolidated financial statements for the year ended 30 June 2017 but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

1. The Company had delivered the financial statements for the year ended 30 June 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.
2. The Company’s auditor had reported on these financial statements of the Company for the year ended 30 June 2017. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under either sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.



**APPENDIX III**

**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**

**(A) Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining Group**

	<b>Consolidated statement of financial position of the Group as at 30 June 2017</b>	<b>Pro forma adjustments</b>		<b>Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 June 2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 3)</i>	
<b>Non-current assets</b>				
Property, plant and equipment	64,999			64,999
Land use rights	32,908			32,908
Investment property	37,800			37,800
Mining right	646,739			646,739
Interests in associates	–			–
Interests in joint ventures	854,828	(178,683)		5
		(676,140)		
Available-for-sale financial assets	15,285			15,285
Long-term receivables	–			–
Deferred tax assets	<u>5,762</u>			<u>5,762</u>
	1,658,321			803,498
<b>Current assets</b>				
Inventories	169,937			169,937
Trade receivables	96,085			96,085
Prepayments, deposits and other receivables	10,088			10,088
Financial assets at fair value through profit or loss	5,770			5,770
Due from joint ventures	16			16
Cash and cash equivalents	<u>374,648</u>		130,800	1,598,039
			<u>1,092,591</u>	
	656,544			1,879,935

**APPENDIX III**

**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**

	<b>Consolidated statement of financial position of the Group as at 30 June 2017</b>	<b>Pro forma adjustments</b>		<b>Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 June 2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 3)</i>	
<b>Current liabilities</b>				
Trade payables	(58,703)			(58,703)
Other payables and accruals	(40,067)			(40,067)
Bank loans	(119,000)			(119,000)
Obligation under finance leases	(377)			(377)
Due to related companies	(576)			(576)
Derivative financial instruments	(143)			(143)
Financial guarantee liabilities	(7,216)	7,216		–
Loan from a controlling shareholder	(4,606)			(4,606)
Provision for tax	<u>(2,309)</u>			<u>(2,309)</u>
	<u>(232,997)</u>			<u>(225,781)</u>
<b>Net current assets</b>	<u>423,547</u>			<u>1,654,154</u>
<b>Total assets less current liabilities</b>	2,081,868			2,457,652
<b>Non-current liabilities</b>				
Obligation under finance leases	(314)			(314)
Due to related companies	(82,036)			(82,036)
Financial guarantee liabilities	(9,921)	9,921		–
Deferred tax liabilities	<u>(145,132)</u>			<u>(145,132)</u>
	<u>(237,403)</u>			<u>(227,482)</u>
<b>Net assets</b>	<u><u>1,844,465</u></u>			<u><u>2,230,170</u></u>

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**APPENDIX III****UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**

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	<b>Consolidated statement of financial position of the Group as at 30 June 2017</b>	<b>Pro forma adjustments</b>		<b>Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 June 2017</b>
	<i>HK\$'000 (Note 1)</i>	<i>HK\$'000 (Note 2)</i>	<i>HK\$'000 (Note 3)</i>	<i>HK\$'000</i>
<b>EQUITY</b>				
Share capital	560,673			560,673
Reserves	1,290,190		28,165	1,675,895
	<hr/>		357,540	<hr/>
<b>Equity attributable to the owners of the Company</b>	1,850,863			2,236,568
<b>Non-controlling interests</b>	<hr/> (6,398)			<hr/> (6,398)
<b>Net assets</b>	<hr/> <u>1,844,465</u>			<hr/> <u>2,230,170</u>

**(B) Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other  
Comprehensive Income of the Remaining Group**

	Consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 30 June 2017				Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Remaining Group for the year ended 30 June 2017
	HK\$'000 (Note 1)	Pro forma adjustments		HK\$'000 (Note 6)	
	HK\$'000 (Note 4)	HK\$'000 (Note 5)		HK\$'000 (Note 6)	HK\$'000
<b>Revenue</b>	627,293				627,293
Cost of sales	<u>(515,776)</u>				<u>(515,776)</u>
Gross profit	111,517				111,517
Selling and distribution costs	(21,874)				(21,874)
Administrative expenses	(100,526)				(100,526)
Other operating income	7,767		(4,377)		3,390
Change in fair value of investment property	700				700
Impairment loss on available-for-sale financial assets	(8,373)				(8,373)
Impairment loss on property, plant and equipment	(23,374)				(23,374)
Income arising from amortising the financial guarantee liabilities	5,789		(5,789)		-
Share-based compensation	(2,140)				(2,140)
Gain on disposal of a subsidiary	22,291				22,291
Gain on disposal of interests in a joint venture	-			567,771	567,771
Finance costs	(12,239)				(12,239)
Share of results of joint ventures	<u>123,011</u>	(123,011)			<u>-</u>
<b>Profit before income tax</b>	102,549				537,143
Income tax expense	<u>(4,098)</u>			(79,901)	<u>(83,999)</u>
<b>Profit for the year</b>	<u>98,451</u>				<u>453,144</u>

**APPENDIX III**

**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**

	Consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 30 June 2017 <i>HK\$'000</i> <i>(Note 1)</i>	Pro forma adjustments			Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Remaining Group for the year ended 30 June 2017 <i>HK\$'000</i>
		<i>HK\$'000</i> <i>(Note 4)</i>	<i>HK\$'000</i> <i>(Note 5)</i>	<i>HK\$'000</i> <i>(Note 6)</i>	
<b>Other comprehensive income, net of tax</b>					
<b>Items that will not be subsequently reclassified to profit or loss:</b>					
Surplus on revaluation of leasehold land and building	36,385				36,385
<b>Items that may be subsequently reclassified to profit or loss:</b>					
Change in fair value of available-for-sale financial assets	645				645
Reclassification from equity to profit or loss on impairment of available-for-sale financial assets	620				620
Exchange differences on translation of foreign operations, associates and joint ventures	<u>(17,117)</u>	9,965			<u>(7,152)</u>
<b>Other comprehensive income for the year, net of tax</b>	<u>20,533</u>				<u>30,498</u>
<b>Total comprehensive income for the year</b>	<u><u>118,984</u></u>				<u><u>483,642</u></u>

**APPENDIX III**

**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**

	Consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 30 June 2017 <i>HK\$'000</i> <i>(Note 1)</i>	Pro forma adjustments			Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Remaining Group for the year ended 30 June 2017 <i>HK\$'000</i>
		<i>HK\$'000</i> <i>(Note 4)</i>	<i>HK\$'000</i> <i>(Note 5)</i>	<i>HK\$'000</i> <i>(Note 6)</i>	
<b>Profit for the year attributable to:</b>					
Owners of the Company	98,306				452,999
Non-controlling interests	<u>145</u>				<u>145</u>
	<u><u>98,451</u></u>				<u><u>453,144</u></u>
<b>Total comprehensive income for the year attributable to:</b>					
Owners of the Company	118,839				483,497
Non-controlling interests	<u>145</u>				<u>145</u>
	<u><u>118,984</u></u>				<u><u>483,642</u></u>
	<i>HK cent</i>				<i>HK cent</i>
<b>Earnings per share for profit attributable to the owners of the Company</b>					
– Basic	1.44				6.63
– Diluted	<u><u>1.44</u></u>				<u><u>6.63</u></u>

## (C) Unaudited Pro Forma Consolidated Statement of Cash Flows of the Remaining Group

	Consolidated statement of cash flows of the Group for the year ended 30 June 2017				Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 30 June 2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note 1)	(Note 6)	(Note 7)	(Note 8)	
<b>Cash flows from operating activities</b>					
Profit before income tax	102,549	567,771	(133,177)		537,143
Adjustments for:					
Finance costs	12,239				12,239
Share of results of joint ventures	(123,011)		123,011		–
Share-based compensation	2,140				2,140
Depreciation of property, plant and equipment	5,668				5,668
Amortisation of land use rights	1,349				1,349
Amortisation of mining right	656				656
Provision for inventories	6,593				6,593
Provision for trade receivables	220				220
Impairment loss on available-for-sale financial assets	8,373				8,373
Gain on disposal of a subsidiary	(22,291)				(22,291)
Gain on disposal of an interests in joint venture	–	(567,771)			(567,771)
Loss on disposal of property, plant and equipment	4				4
Write-off of property, plant and equipment	4,859				4,859
Impairment loss on property, plant and equipment	23,374				23,374
Income arising from amortising the financial guarantee liabilities	(5,789)		5,789		–

**APPENDIX III**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**

	<b>Pro forma adjustments</b>				<b>Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 30 June 2017</b>
	<b>Consolidated statement of cash flows of the Group for the year ended 30 June 2017</b>	<b>HK\$'000 (Note 6)</b>	<b>HK\$'000 (Note 7)</b>	<b>HK\$'000 (Note 8)</b>	<b>HK\$'000</b>
	<i>HK\$'000 (Note 1)</i>				
Income arising from derecognition of financial guarantee liabilities	(4,377)		4,377		-
Change in fair value of investment property	(700)				(700)
Fair value loss on derivative financial instruments	149				149
Unrealised foreign exchange loss	1,350				1,350
<b>Operating profit before working capital changes</b>	13,355				13,355
Decrease in inventories	44,788				44,788
Increase in trade receivables	(3,293)				(3,293)
Decrease in prepayments, deposits and other receivables	7,052				7,052
Increase in financial assets at fair value through profit or loss	(1,548)				(1,548)
Decreases to property under development	89,811				89,811
Decrease in amounts due from joint ventures	151				151
Decrease in trade and other payables and accruals	(100,751)				(100,751)
Changes in derivative financial instruments	93				93
<b>Cash generated from operations</b>	49,658				49,658
Interest paid	(9,580)				(9,580)
PRC enterprise income tax paid	(138)			(79,901)	(80,039)
Hong Kong profits tax paid	(3)				(3)



**APPENDIX III**

**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**

	Consolidated statement of cash flows of the Group for the year ended 30 June 2017 <i>HK\$'000</i> <i>(Note 1)</i>	Pro forma adjustments			Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 30 June 2017 <i>HK\$'000</i>
		<i>HK\$'000</i> <i>(Note 6)</i>	<i>HK\$'000</i> <i>(Note 7)</i>	<i>HK\$'000</i> <i>(Note 8)</i>	
Net cash generated from/ (used in) operating activities	39,937				(39,964)
<b>Cash flows from investing activities</b>					
Additions to property, plant and equipment	(6,449)				(6,449)
Additions to property under development classified as investment property	(4,106)				(4,106)
Net cash inflows from disposal of a subsidiary	981,747				981,747
Net cash inflows from disposal of interests in a joint venture	–			130,800 1,158,146	1,288,946
Proceeds from disposal of property, plant and equipment	25				25
Increase in loans to a joint venture	(11,500)		11,500		–

**APPENDIX III**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**

	<b>Consolidated statement of cash flows of the Group for the year ended 30 June 2017</b>	<b>Pro forma adjustments</b>			<b>Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 30 June 2017</b>
	<i>HK\$'000</i> <i>(Note 1)</i>	<i>HK\$'000</i> <i>(Note 6)</i>	<i>HK\$'000</i> <i>(Note 7)</i>	<i>HK\$'000</i> <i>(Note 8)</i>	<i>HK\$'000</i>
<b>Net cash generated from investing activities</b>	959,717				2,260,163
<b>Cash flows from financing activities</b>					
Repayment to a controlling shareholder	(127,000)				(127,000)
Repayment to a related company	(90,000)				(90,000)
Repayment of obligation under finance leases	(421)				(421)
Acquisition of non-controlling interests of a subsidiary	(600)				(600)
New bank loans	10,000				10,000
Repayment of bank loans	<u>(462,548)</u>				<u>(462,548)</u>
<b>Net cash used in financing activities</b>	<u>(670,569)</u>				<u>(670,569)</u>
<b>Net increase in cash and cash equivalents</b>	329,085				1,549,630
Cash and cash equivalents at beginning of year	45,632				45,632
Effect of foreign exchange rate changes, net	<u>(69)</u>				<u>(69)</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>374,648</u></u>				<u><u>1,595,193</u></u>

**(D) Notes to the Unaudited Pro Forma Financial Information of the Remaining Group**

- 1) The consolidated statement of financial position of the Group as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows of the Group for the year ended 30 June 2017 are extracted without adjustment from the published annual report of the Company for the year ended 30 June 2017.
- 2) The adjustment reflects the exclusion of the interests in the WP Group and the financial guarantee liabilities in relation to the provision of a financial guarantee contract by the Company associated with a banking facility entered by the subsidiary of the WP Group as at 30 June 2017 as if the Disposal had been completed on 30 June 2017.
- 3) The adjustment represents the pro forma gain on Disposal as if the Disposal had been completed on 30 June 2017, which is calculated as follows:

	<i>Notes</i>	<i>HK\$'000</i>
Actual cash consideration	<i>(a)</i>	1,305,350
Share of net assets in the WP Group as at 30 June 2017	<i>(b)</i>	(178,683)
Assignment of shareholder's loan to A Glory	<i>(c)</i>	(676,140)
Estimated professional fees directly attributable to the Disposal	<i>(d)</i>	(1,000)
Derecognition of the financial guarantee liabilities upon completion of the Disposal	<i>(e)</i>	17,137
Release of the cumulative exchange fluctuation reserve attributable to the WP Group upon completion of the Disposal		<u>(28,165)</u>
Estimated gain on Disposal of the WP Group before taxation		438,499
Estimated tax impact on the Disposal	<i>(f)</i>	<u>(80,959)</u>
Estimated gain on Disposal of the WP Group after taxation	<i>(g)</i>	<u><u>357,540</u></u>

- (a) In accordance with the sale and purchase agreement (“SP Agreement”), the Group agreed to dispose of its 50% equity interest in Wealth Plus, together with the shareholder’s loan owing by Wealth Plus to the Group, to A Glory Communications Limited (“A Glory”), which currently holds 50% equity interest in the WP Group. The consideration shall be equal to 50% of HK\$3,452,894,000, being taken into consideration the market value of the Property of the WP Group, less the bank loans under a bank facility agreement entered by the subsidiary of the WP Group (“Bank Loan”) at the close business of the completion date of the Disposal.

For the purpose of preparing the Unaudited Pro Forma Financial Information, the actual cash consideration shall be equal to 50% of HK\$3,452,894,000 less the Bank Loan of HK\$842,194,000, being RMB716,851,000 as at 30 June 2017 at an agreed exchange rate at RMB1: HK\$0.85117 according to the SP Agreement.

According to the SP Agreement, a deposit in the sum of HK\$130,800,000 has been paid by A Glory to the Group on the date of the SP Agreement.

- (b) The amount represents the share of 50% of the net assets of the WP Group of HK\$357,366,000 as at 30 June 2017 as extracted from the Unaudited Financial Information in Appendix II.
- (c) The amount represents the loans owing by Wealth Plus to the Group of HK\$676,140,000 as at 30 June 2017. Pursuant to the terms of the SP Agreement, the Company would assign these loans owed by the WP Group to A Glory upon the Disposal.
- (d) The amount represents certain transaction fees in relation to the Disposal, such as fee incurred for legal and professional service and valuation service, amounting to approximately HK\$1,000,000 and assumed to be fully settled by cash on 30 June 2017.
- (e) The amount represents the financial guarantee liabilities in relation to the provision of a financial guarantee contract by the Company associated with banking facility entered by the WP Group as at 30 June 2017. Pursuant to the terms of the SP Agreement, A Glory undertakes to procure the release and/or discharge of the Company’s guarantee from the said banking facility with effect from the Completion date of the Disposal. Accordingly, upon the Disposal, the associated financial guarantee of the Company would be released and the financial guarantee liabilities would be derecognised and included as part of the pro forma gain of the Disposal.

- (f) The amount represents the PRC enterprise income tax estimated according to the notice of the State Administration of Taxation of the PRC [2017] No. 37 as if the Disposal was completed on 30 June 2017. In accordance with the SP Agreement, the estimated tax shall be paid out of the consideration in full on completion by A Glory on behalf of the Company to the escrow agent jointly appointed by the Group and A Glory (“Escrow Sum”). The Escrow Sum will be held by the escrow agent pending the assessment and payment of the amount of the relevant taxation payable by the Group from the Disposal in accordance with the relevant laws and regulations in the PRC. Any remaining balance of the Escrow Sum, if any, after full settlement of the relevant taxation payable by the Group from the Disposal will be returned to the Group or, in case the relevant taxation payable by the Group from the Disposal exceeds the Escrow Sum, the shortfall shall be made up by the Group in accordance with the SP Agreement. For the purpose of preparing the Unaudited Pro Forma Financial Information, it is assumed that the estimated tax payment is HK\$80,959,000 as if the Disposal had been completed on 30 June 2017.

Accordingly, the remaining consideration received by the Group of HK\$1,092,591,000 represents the actual cash consideration of HK\$1,305,350,000 (*note 3(a)*) less the initial deposit of HK\$130,800,000 (*note 3(a)*), the estimated professional fees of HK\$1,000,000 (*note 3(d)*) and the estimated tax payment of HK\$80,959,000.

- (g) The final gain or loss on the Disposal may be different from the pro forma amount described above as the carrying amounts of interests in the joint venture and financial guarantee liabilities of the WP Group on the actual date of Disposal will differ from their carrying amounts as at 30 June 2017. It is also subject to change as the actual legal and professional fees and related expenses will differ from the assumed amounts of HK\$1,000,000 used in the preparation of the Unaudited Pro Forma Financial Information.
- 4) The adjustment is to exclude each line item of the WP Group that has been incorporated in the consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 30 June 2017 as if the Disposal had been completed on 1 July 2016.
- 5) The adjustment is to exclude the profit or loss impact relating to the provision of the financial guarantee granted to the WP Group by the Company of a banking facility entered by the WP Group as at 1 July 2016 as if the Disposal had been completed on 1 July 2016.

- 6) The adjustments reflect the recognition of the pro forma gain arising from the Disposal as if the Disposal had been completed on 1 July 2016:

	<i>Notes</i>	<i>HK\$'000</i>
Actual cash consideration	<i>(a)</i>	1,289,946
Share of net assets in the WP Group as at 1 July 2016	<i>(b)</i>	(43,991)
Assignment of shareholder's loan to A Glory	<i>(c)</i>	(664,640)
Estimated professional fees directly attributable to the Disposal	<i>(d)</i>	(1,000)
Derecognition of the financial guarantee liabilities upon completion of the Disposal	<i>(e)</i>	5,656
Release of the cumulative exchange fluctuation reserve attributable to the WP Group upon completion of the Disposal		<u>(18,200)</u>
Estimated gain on Disposal of the WP Group before taxation		567,771
Estimated tax impact on the Disposal	<i>(f)</i>	<u>(79,901)</u>
Estimated gain on Disposal of the WP Group after taxation	<i>(g)</i>	<u><u>487,870</u></u>

- (a) In accordance with the SP Agreement, the Group agreed to dispose of its 50% equity interest in Wealth Plus, together with the shareholder's loan owing by Wealth Plus to the Group, to A Glory, which currently holds 50% equity interest in the WP Group. The consideration shall be equal to 50% of HK\$3,452,894,000, being taken into consideration the market value of the Property of the WP Group, less the Bank Loan at the close business of the completion date of the Disposal.

For the purpose of preparing the Unaudited Pro Forma Financial Information, the actual cash consideration shall be equal to 50% of HK\$3,452,894,000 deducting the Bank Loan of HK\$873,003,000, being RMB743,074,000 as at 1 July 2016 at an agreed exchange rate at RMB1:HK\$0.85117 according to the SP Agreement.

According to the SP Agreement, a deposit in the sum of HK\$130,800,000 has been paid by A Glory to the Group on the date of the SP Agreement.

- (b) The amount represents the share of 50% of the net assets of the WP Group of HK\$87,981,000 as at 1 July 2016 as extracted from the Unaudited Financial Information in Appendix II.
- (c) The amount represents the loans owing by Wealth Plus to the Group of HK\$664,640,000 as at 1 July 2016. Pursuant to the terms of the SP Agreement, the Company would assign these loans owed by the WP Group to A Glory upon the Disposal.
- (d) The amount represents certain transaction fees in relation to the Disposal, such as fee incurred for legal and professional service and valuation service, amounting to approximately HK\$1,000,000 and assumed to be fully settled by cash on 1 July 2016.
- (e) The amount represents the financial guarantee liabilities in relation to the provision of a financial guarantee contract by the Company associated with a banking facility entered by the WP Group as at 1 July 2016. Pursuant to the terms of the SP Agreement, A Glory undertakes to procure the release and/or discharge of the Company's guarantee from the said banking facility with effect from the Completion date of the Disposal. Accordingly, upon the Disposal, the associated financial guarantee of the Company would be released and the financial guarantee liabilities would be derecognised and included as part of pro forma gain of the Disposal.
- (f) The amount represents the PRC enterprise income tax estimated according to the notice of the State Administration of Taxation of the PRC [2017] No. 37 as if the Disposal was completed on 1 July 2016. In accordance with the SP Agreement, the estimated tax shall be paid out of the consideration in full on completion by A Glory on behalf of the Company to the escrow agent jointly appointed by the Group and the Purchaser. The Escrow Sum will be held by the escrow agent pending the assessment and payment of the amount of the relevant taxation payable by the Group from the Disposal in accordance with the relevant laws and regulations in the PRC. Any remaining balance of the Escrow Sum, if any, after full settlement of the relevant taxation payable by the Group from the Disposal will be returned to the Group or, in case the relevant taxation payable by the Group from the Disposal exceeds the Escrow Sum, the shortfall shall be made up by the Group in accordance with the SP Agreement. For the purpose of preparing the Unaudited Pro Forma Financial Information, it is assumed that the estimated tax payment is HK\$79,901,000 as if the Disposal had been completed on 1 July 2016.

- (g) The final gain or loss on the Disposal may be different from the pro forma amount described above as the carrying amounts of interests in the joint ventures and financial guarantee liabilities of the WP Group on the actual date of Disposal will differ from their carrying amounts as at 1 July 2016. It is also subject to change as the actual legal and professional fees and related expenses will differ from the assumed amounts of HK\$1,000,000 used in the preparation of the Unaudited Pro Forma Financial Information.
- 7) The adjustment is to exclude the cash flows from the WP Group incorporated in the consolidated statement of cash flows of the Group for the year ended 30 June 2017 as if the Disposal had been completed on 1 July 2016.
- 8) These adjustments including (a) net cash inflow of HK\$1,158,146,000 represents the cash consideration of HK\$1,289,946,000 less initial deposit of HK\$130,800,000 (*note 6(a)*) and the estimated professional fee and other expenses directly attributable to the Disposal of HK\$1,000,000 (*note 6(g)*); and (b) cash outflows of the estimated PRC enterprise income tax of HK\$79,901,000 (*note 6(f)*); and (c) the exclusion of the advances to the WP Group made by the Remaining Group during the year ended 30 June 2017, as if the Disposal had been completed on 1 July 2016.
- 9) The above adjustments are not expected to have a continuing effect on the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group.



*The following is the text of a report from BDO Limited, the independent reporting accountant, in respect of the unaudited pro forma financial information of the Remaining Group as set out in this Appendix and prepared for the sole purpose of inclusion in this circular.*



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**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE  
DIRECTORS OF CONTINENTAL HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Continental Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") prepared by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2017, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 30 June 2017 and related notes as set out on pages 1 to 17 of Appendix III of the circular dated 2 March 2018 (the "Circular") in connection to the proposed disposal of 50% of the issued share capital of Wealth Plus Developments Limited and assignment of the inter-company loans extended to Wealth Plus Developments Limited (the "Proposed Disposal"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on page 1 of Appendix III of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Proposed Disposal on the Group's financial position as at 30 June 2017 and the Group's financial performance and cash flows for the year ended 30 June 2017 as if the Proposed Disposal had taken place at 30 June 2017 and 1 July 2016, respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the directors of the Company from the Company's consolidated financial statements for the year ended 30 June 2017, on which an independent auditor's report has been published.

**Directors' Responsibility for the Unaudited Pro Forma Financial Information**

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirement of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Disposal at 30 June 2017 or 1 July 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Company; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**BDO Limited**

*Certified Public Accountants*

Hong Kong

2 March 2018

*The following is the text of a letter, and valuation certificate, prepared for the purpose of incorporation in this circular received from Roma Appraisals Limited, an independent valuer, in connection with its valuation as at 31 December 2017 of the Group's property.*



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2 March 2018

**Continental Holdings Limited**

Flats M&N, 1st Floor  
Kaiser Estate Phase III  
No. 11 Hok Yuen Street  
Hungghom, Kowloon  
Hong Kong

Dear Sir/Madam,

**Re: Valuation of a commercial and office development known as Bauhinia Square located at No. 1628 Kong Jiang Road, (Lot No. Yangpu District Siping Street 169 Jie Fang 17/4 Qiu), Yangpu District, Shanghai, the PRC**

In accordance with your instructions for us to value the property held by Continental Holdings Limited (the "Company") and/or its subsidiaries (together referred to as the "Group") located in the People's Republic of China (the "PRC"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property as at 31 December 2017 (the "Date of Valuation") for the purpose of incorporation in the Circular of the Company dated 2 March 2018.

**1. BASIS OF VALUATION**

Our valuation of the property is our opinion of the market value of the concerned property which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

**2. VALUATION METHODOLOGY**

We have valued the properties by the direct comparison approach assuming sale of the properties interests in their existing states with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market and also considered the basis of capitalization of the net income receivable, if necessary.

**3. TITLE INVESTIGATION**

For the property in the PRC, we have been provided with copies of extracts of title documents relating to the property in the PRC. However, we have not searched the original documents to ascertain the existence of any amendments which do not appear on the copies handed to us. Therefore, in the course of our valuation, we have relied on the advice and information given by the Company and its PRC legal advisor – DiamonD Legal & Partners (上海九洲通和律師事務所) regarding the titles of the property in the PRC. All documents have been used for reference only.

In valuing the property, we have relied on the advice given by the Group that the current owner has valid and enforceable title to the property which is freely transferable, and has free and uninterrupted right to use the same, for the whole of the unexpired term granted subject to the payment of annual government rent/land use fees and all requisite land premium/purchase consideration payable have been fully settled.

**4. VALUATION ASSUMPTIONS**

Our valuation has been made on the assumption that the owner sells the property in the market in its existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the value of such property. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property and no allowance has been made for the property to be sold in one lot or to a single purchaser.

**5. SOURCE OF INFORMATION**

In the course of our valuation, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of property, particulars of occupation, floor areas, age of building and all other relevant matters which can affect the value of the property. All documents have been used for reference only.

We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

**6. VALUATION CONSIDERATIONS**

We have inspected the exterior and, where possible, the interior of certain property. No structural survey has been made in respect of the property. However, in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the property is free from rot, infestation or any other structural defects. No tests were carried out on any of the building services.

We have not carried out on-site measurement to verify the site area of the property under consideration but we have assumed that the site area shown on the documents handed to us are correct. Except as otherwise stated, all dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Group and are therefore approximations.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

In valuing the property, we have complied with the requirements contained in the RICS Valuation Standards published by the Royal Institution of Chartered Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

**7. REMARKS**

Unless otherwise stated, all monetary amounts stated in our valuation is in Renminbi (RMB).

Our Valuation Certificate is attached.

Yours faithfully,

For and on behalf of

**Roma Appraisals Limited**

**Frank F Wong**

*BA (Business Admin in Acct/Econ) MSc (Real Est)*

*MRICS Registered Valuer MAusIMM ACIPHE*

*Director*

*Note:* Mr. Frank F Wong is a Chartered Surveyor, Registered Valuer, Member of the Australasian Institute of Mining & Metallurgy and Associate of Chartered Institute of Plumbing and Heating Engineering who has 19 years' valuation, transaction advisory and project consultancy of properties experience in Hong Kong and 11 years' experience in valuation of properties in the PRC as well as relevant experience in the Asia-Pacific region, Australia and Oceania-Papua New Guinea, France, Germany, Poland, United Kingdom, United States, Abu Dhabi (UAE) and Jordan.



## VALUATION CERTIFICATE

## Property interest held by the Group for investment in the PRC

Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 December 2017
<p>A commercial and office development known as Bauhinia Square located at No. 1628 Kong Jiang Road, (Lot No. Yangpu District Siping Street 169 Jie Fang 17/4 Qiu), Yangpu District, Shanghai, the PRC</p> <p>中國上海市楊浦區控江路1628號一座綜合商業辦公大樓名為紫荊廣場(宗地編號：楊浦區四平街道169街坊17/4丘)</p>	<p>Bauhinia Square is a commercial and office development erected on two parcels of adjoining land having a total site area of approximately 18,101 sq.m.. (See Note 1 below)</p> <p>The development was completed in about 2015. The total gross floor area of the property is about 95,758.75 sq.m. for commercial, office, car parking and ancillary facilities uses. (See Note 1(iii) below)</p>	<p>As inspected and confirmed by the Group, the property was subject to various tenancies and otherwise with the benefit of vacant possession as at the Date of Valuation.</p>	RMB2,480,000,000
	<p>The property is subject to a right to use the land for a term till 27 January 2046 for commercial usage and till 27 January 2056 for office usage. (See Note 1 below)</p>		

*Notes:*

1. The land use right is held by Shanghai Haijin Real Estate Company Limited (上海海錦房地產有限公司) (“Shanghai Haijin”) with reference to the following documents:
  - (i) pursuant to a Contract for the Transfer of State-owned Land Use Rights dated 28 January 2006, made between Shanghai Yangpu District Housing and Land Management Bureau (上海市楊浦區房屋土地管理局) and Shanghai Haijin, the land use rights of a parcel of land having a site area of 18,101 sq.m. was transferred to Shanghai Haijin in a consideration of RMB 83,736,000. The consideration has been fully paid;
  - (ii) pursuant to a Contract for the Compensation of Acquisition of Reserved Land (儲備土地前期開發費補償合同) dated 28 January 2006, made between Shanghai Yangpu District Land Development Centre (上海市楊浦區土地發展中心) and Shanghai Hanjin, Shanghai Hanjin had to pay premium of RMB 195,384,000 for the compensation of acquisition. The premium has been fully paid; and
  - (iii) pursuant to two Shanghai Certificates of Real Estate Ownership – Hu Fang Di Yang Zi (2008) Di No. 016832 (滬房地楊字(2008)第016832號) dated 30 July 2008 and Hu Fang Di Yang Zi (2016) Di No. 017566 (滬房地楊字(2016)第017566號) dated 3 June 2016 and issued by the Shanghai Housing and Land Resources Administration Bureau (上海市規劃和國土資源管理局), the property is a transferable land and has a term of use till 27 January 2046 for commercial usage, till 27 January 2056 for office usage. The legally interest party in the site is Shanghai Hanjin. The total site area of the property including the communal area is approximately 18,101 sq.m. and the total gross floor area of the property is 95,758.75 sq.m. as recorded under the Shanghai Certificates of Real Estate Ownership.
2. Pursuant to Report of the Investigation on the Rights of Building and Land (房屋土地權屬調查報告書) dated 18 February 2016 and issued by the Shanghai Yangpu District Real Estate Transaction Centre (上海市楊浦區房地產交易中心), the development has a total gross floor area of approximately 97,265.06 sq.m., of which the total gross floor area of the above ground and the underground portion were 63,085.49 sq.m. and 34,179.57 sq.m. respectively. As advised by the Group, the difference in the total gross floor area measured in the Report of the Investigation on the Rights of Building and Land and the other relevant government documents in Note 1 is due to the difference in the measurement standards. The gross floor area in Shanghai Certificate of Real Estate Ownership has been adopted in our valuation.
3. Pursuant to a Mortgage Contract of Maximum Amount No. HSH001201606-MTG01 dated 9 September 2016, a parcel of land with a total GFA of 95,758.75 sq.m. is subject to a mortgage in favour of Shanghai Branch – Hang Seng (China) Bank Limited (恒生銀行(中國)有限公司上海分行), as security to guarantee the principal obligation under a contracts for a maximum amount of RMB773,300,000 with the security term from 15 November 2016 to 15 November 2019.

4. According to the existing tenancy agreements and the information confirmed by the Group, the current monthly rental are as at Date of Valuation summarised as follows:

<b>Portion</b>	<b>Average Monthly Rental of 2017 (RMB)</b>
i. Commercial	6,777,054
ii. Miscellaneous (incl. Advertisement, Signboard, POS terminal, etc)	231,552
iii. Carparking Space	1,094,933
iv. Office	210,724

5. Our inspection was performed by Ms. Vinci Q. J. Hou, 4-year of property valuation experience, in February 2018.
6. In arriving of our valuation opinion, we have made reference to certain comparable market transactions of similar properties, details as below:

<b>Property</b>	<b>Location</b>	<b>Transaction Date</b>	<b>Unit Rate (RMB/sq.m.)</b>
Poly Greenland Plaza (Commercial Blocks C1 and C2)	Yangpu District, Shanghai	Q1 2018	71,472
Guozheng Centre	Yangpu District, Shanghai	Q2 2017	32,713
Poly Greenland Plaza Block B1	Yangpu District, Shanghai	Q1 2017	55,000

7. According to the legal opinion as prepared by the Company's PRC legal adviser, DiamonDLegal & Partners, the following opinions are noted:
- (i) Shanghai Haijin has obtained the right to use the property legally by way of land grant or assignment. Shanghai Haijin has an absolute right to possess, use, transfer, lease, mortgage or other uses comply with the relevant laws and regulations in the PRC regarding the land use rights of the property within the remaining specified land use term;
  - (ii) All land premium and other costs of ancillary utility services has been settled in full; and
  - (iii) Except for the aforesaid mortgage, the property is not subject to mortgage or any other material encumbrance.

## 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 DIRECTORS' INTERESTS

- (a) As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) 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 were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("Model Code") to be notified to the Company and the Stock Exchange, were as follows:

### Interests in shares of the Company

Name of Directors	Number of ordinary shares of the Company			Total	Approximate percentage of all the issued shares of the Company
	Personal interest	Corporate interest	Underlying interest		
Chan Wai Lap, Victor	2,700,000	–	30,000,000 <i>(Note (i))</i>	32,700,000	0.48%
Chan Sing Chuk, Charles	–	5,063,395,220 <i>(Note (ii))</i>	–	5,063,395,220	74.12%
Cheng Siu Yin, Shirley	–	5,063,395,220 <i>(Note (ii))</i>	–	5,063,395,220	74.12%
Chan Wai Kei, Vicki	–	–	30,000,000 <i>(Note (i))</i>	30,000,000	0.44%

Name of Directors	Number of ordinary shares of the Company			Total	Approximate percentage of all the issued shares of the Company
	Personal interest	Corporate interest	Underlying interest		
Wong Edward Gwon-hing	–	–	30,000,000 <i>(Note (i))</i>	30,000,000	0.44%
Yam Tat Wing	2,400,000	–	20,000,000 <i>(Note (i))</i>	22,400,000	0.33%
Chan Ping Kuen, Derek	200,000	–	–	200,000	0.003%

*Notes:*

- (i) These interests represent the interests in underlying shares of the Company in respect of share options granted to the Directors as further described below.
- (ii) Such interests are held by Tamar Investments Group Limited, which is a company owned as to 45% by Dr. Chan Sing Chuk, Charles, 45% by Ms. Cheng Siu Yin, Shirley and 10% by Mr. Chan Wai Lap, Victor. Mr. Chan Wai Lap, Victor, Dr. Chan Sing Chuk, Charles and Ms. Cheng Siu Yin, Shirley are also directors of Tamar Investments Group Limited.

**Interests in options granted under the share option scheme of the Company  
adopted on 13 July 2010**

<b>Name of Directors</b>	<b>Number of options outstanding as at the Latest Practicable Date</b>	<b>Date of grant</b>	<b>Exercisable period</b>	<b>Exercise price</b>
Chan Wai Lap, Victor	10,000,000	19 June 2014	19 June 2014 to 18 June 2024	HK\$0.138
	10,000,000	7 July 2015	7 July 2015 to 6 July 2025	HK\$0.245
	10,000,000	3 November 2016	3 November 2016 to 2 November 2026	HK\$0.149
Chan Wai Kei, Vicki	10,000,000	19 June 2014	19 June 2014 to 18 June 2024	HK\$0.138
	10,000,000	7 July 2015	7 July 2015 to 6 July 2025	HK\$0.245
	10,000,000	3 November 2016	3 November 2016 to 2 November 2026	HK\$0.149
Wong Edward Gwon-hing	10,000,000	25 July 2014	25 July 2014 to 24 July 2024	HK\$0.121
	10,000,000	7 July 2015	7 July 2015 to 6 July 2025	HK\$0.245
	10,000,000	3 November 2016	3 November 2016 to 2 November 2026	HK\$0.149
Yam Tat Wing	10,000,000	7 July 2015	7 July 2015 to 6 July 2025	HK\$0.245
	10,000,000	3 November 2016	3 November 2016 to 2 November 2026	HK\$0.149

## Interests in shares of associated corporation of the Company

Name of associated corporation	Name of Directors	Nature of interest	Number of shares	Percentage of all the issued shares of the associated corporation
Tamar Investments Group Limited	Chan Wai Lap, Victor	Personal	10	10.00%
	Chan Sing Chuk, Charles	Personal	45	45.00%
	Cheng Siu Yin, Shirley	Personal	45	45.00%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

- (b) As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been, since 30 June 2017, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (c) None of the Directors is materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group as a whole.

- (d) As at the Latest Practicable Date, none of the Directors had entered into any service contract with any member of the Group which is not expiring or determinable by the employer within one year without payment of compensation other than statutory compensation.
- (e) As at the Latest Practicable Date, save for Dr. Chan Sing Chuk, Charles (“Dr. Chan”), an executive Director who 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 nor any of their respective close associates had any interest in a business apart from the business of the Group, which competed or was likely to compete, either directly or indirectly, with that of the Group.

### **3. LITIGATION**

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

### **4. MATERIAL CONTRACTS**

The following contracts (not being contracts entered into in the ordinary course of business of the Group) have been entered into by members of the Group within the 2 years immediately preceding the date of this circular and are or may be material:

- (a) on 13 November 2015 and 13 May 2016, Master Gold Development Limited (a wholly-owned subsidiary of the Company), as the lender, entered into facility agreements with Wealth Plus Developments Limited (a joint venture of the Group), as the borrower, for providing facilities of up to HK\$61,500,000 and HK\$37,000,000 respectively. The facilities will be used as working capital for the development of the joint venture’s property development project in Shanghai;
- (b) on 11 March 2016 and 9 September 2016, the Company, Shanghai Haijin Real Estate Co., Ltd. (the “JV Subsidiary”), Wealth Plus Developments Limited, Hang Seng Bank (China) Limited (the “Bank”), Early Light Industrial Company Limited and A Glory Communications Limited entered into facility agreements in relation to the provisions of term loan facilities of RMB110,000,000 and RMB773,300,000 by the Bank to the JV Subsidiary, whereby the Company had given guarantees of RMB55,000,000 (equivalent to approximately HK\$64,213,000) and RMB386,650,000 (equivalent to approximately HK\$448,514,000) respectively representing up to 50% of the facilities in favour of the Bank;



- (c) on 3 August 2015 and 2 October 2015, Propway Limited, a company beneficially owned by Ms. Cheng Siu Yin, Shirley, an executive Director, 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 at 2.1% and 2.4% per annum and repayable on 30 July 2016 and 30 September 2016 respectively. On 1 June 2016, Propway Limited 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;
- (d) on 19 September 2016, a wholly-owned subsidiary of the Company as vendor, and an independent third party as the purchaser entered into a sale and purchase agreement in relation to the disposal of a subsidiary, which holds Continental Place, a 29-story commercial building located in Sheung Wan, Hong Kong at an aggregate consideration of HK\$1,133.5 million;
- (e) on 17 July 2017, the Company as borrower entered into a loan agreement with Dr. Chan as lender in relation to loan facilities in the amount of HK\$50,000,000. The loans are unsecured, interest-bearing at 1.5% per annum, and repayable on 16 July 2020;
- (f) the conditional binding preliminary agreement dated 17 July 2017 between the Purchaser (a wholly-owned subsidiary of the Company), Hillcharm Limited (as seller), Globe Deal Investments Limited (a wholly-owned subsidiary of the Company as purchaser), CSI Properties Limited and Wisdom King Investments Limited, (as seller's guarantors) and Pacific Gate Investment Limited, pursuant to which Globe Deal Investments Limited has conditionally agreed to acquire, and Hillcharm Limited has conditionally agreed to sell, the entire issued share capital of Ontrack Ventures Limited and all the inter-company loan owing by Ontrack Ventures Limited to Hillcharm Limited at completion of the said agreement at an aggregate consideration of HK\$1,180 million, subject to the adjustment prescribed therein;
- (g) on 25 September 2017, the Company as borrower entered into a loan agreement with Tamar Investments Group Limited as lender in relation to loan facilities in the amount of HK\$350,000,000. The loans are unsecured, interest-bearing at 1.5% per annum, and repayable on 24 September 2020; and
- (h) the SP Agreement, the material terms of which are set out in the Letter from the Board in this circular.

**5. EXPERTS AND CONSENTS**

The qualification of the experts (“Experts”) who have given their opinions in this circular is as follows:

<b>Name</b>	<b>Qualifications</b>
BDO Limited	Certified Public Accountants
Roma Appraisals Limited	Professional valuer
DiamondLegal & Partners	PRC Legal advisers to the Company

Each of the Experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or report and/or references to its name, in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the Experts had no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and had no direct or indirect interest in any assets which have been, since 30 June 2017, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

**6. 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 registered office of the Company is situated at Flats M and N, 1/F., Kaiser Estate, Phase III, 11 Hok Yuen Street, Hunghom, Kowloon, Hong Kong.
- (c) 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.
- (d) In case of inconsistency, the English text of this circular shall prevail over the Chinese text.

**7. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be 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, 1/F., Kaiser Estate, Phase III, 11 Hok Yuen Street, Hung Hom, Kowloon, Hong Kong for a period of 14 weekdays (public holidays excepted) from the date of this circular:

- (a) the articles of association of the Company;
- (b) the annual reports of the Company for the three years ended 30 June 2015, 2016 and 2017;
- (c) the assurance report in respect of the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix III to this circular;
- (d) the letter and valuation certificate in respect of the Property, the text of which is set out in Appendix IV to this circular;
- (e) the letter of opinion from DiamonDLegal & Partners in respect of the Property, as referred to in the valuation certificate in respect of the Property set out in Appendix IV to this circular;
- (f) a copy of each of the material contracts referred to in the paragraph headed “4. Material Contracts” in this Appendix;
- (g) the written consents referred to in the paragraph headed “5. Experts and Consents” in this Appendix; and
- (h) the circulars of the Company dated 28 October 2016, 25 September 2017 and the date hereof.

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## NOTICE OF GENERAL MEETING

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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)**

**NOTICE IS HEREBY GIVEN** that a general meeting (the “General Meeting”) of Continental Holdings Limited (the “Company”) will be held at Function Rooms 2 & 3, 3/F, The Mira Hong Kong, 118 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 6 April 2018 at 11:00 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution which will be proposed as an ordinary resolution:

### **ORDINARY RESOLUTION**

**“THAT**

- (a) the conditional sale and purchase agreement dated 22 January 2018 (the “SP Agreement”) entered into between Master Gold Development Limited (“Master Gold”) as vendor, A Glory Communications Limited as purchaser and the Company as Master Gold’s guarantor (a copy of which has been produced to the meeting marked “A” and initialed by the chairman of the meeting for the purpose of identification) in relation to the sale and purchase of the Sale Shares and the Shareholder Loan (Master Gold) (both being defined in the circular of the Company dated 2 March 2018 (“Circular”)) for the Consideration (as defined in the Circular) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and

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## NOTICE OF GENERAL MEETING

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- (b) any one director of the Company be and is hereby authorised to execute all other documents and to do all other acts and things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in and completion of the SP Agreement, and take such action as he/she may in his/her opinion consider to be necessary, desirable or expedient to implement and give effect to the SP Agreement and any other transactions contemplated under the SP Agreement, and to agree to such variation, amendment or waiver or matter relating thereto (including any variation, amendment or waiver of such documents or any terms thereof) as is/are in his/her opinion in the interest of the Company and its shareholders as a whole.”

By Order of the Board  
**Chan Wai Lap, Victor**  
*Chairman*

Hong Kong, 2 March 2018

*Registered office:*

Flats M and N, 1/F.  
Kaiser Estate, Phase III  
11 Hok Yuen Street  
Hungghom, Kowloon  
Hong Kong

*Notes:*

- (1) Any member of the Company entitled to attend and vote at the General Meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.
- (2) Where there are joint registered holders of any share of the Company, any one of such persons may vote at the General Meeting, either personally or by proxy, in respect of such share as if he was solely entitled thereto; but if more than one of such joint holders be present at the General Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
- (3) Completion and return of the form of proxy will not preclude a member from attending and voting at the General Meeting or any adjournment thereof if he so wishes. In that event, his form of proxy will be deemed to have been revoked.
- (4) In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority must be delivered to the registered office of the Company at Flats M and N, 1/F., Kaiser Estate, Phase III, 11 Hok Yuen Street, Hungghom, Kowloon, Hong Kong not less than 48 hours before the time appointed for holding the General Meeting or any adjournment thereof.
- (5) For determining the entitlement to attend and vote at the General Meeting, the register of members of the Company will be closed from Thursday, 29 March 2018 to Friday, 6 April 2018, both dates inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the General Meeting, all duly completed and signed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen' s Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 28 March 2018.