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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)

PROPOSED SHARE CONSOLIDATION

PROPOSED SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation on the basis that every ten (10) issued Existing Shares be consolidated into one (1) Consolidated Share.

The Share Consolidation is conditional upon, among others, the approval by the Shareholders at the General Meeting.

As at the date of this announcement, there are 6,831,182,580 Existing Shares in issue which are fully paid or credited as fully paid. Assuming no further Shares will be issued from the date of this announcement up to the date of the General Meeting, upon the Share Consolidation becoming effective, there will be 683,118,258 Consolidated Shares in issue which are fully paid or credited as fully paid.

The Existing Shares are currently traded on the Stock Exchange in board lot size of 10,000 Existing Shares. Upon the Share Consolidation becoming effective, the board lot size for trading in the Consolidated Shares will remain unchanged at 10,000 Consolidated Shares per board lot.

Based on the closing price of HK\$0.053 per Existing Share (equivalent to the theoretical closing price of HK\$0.53 per Consolidated Share) as at the date of this announcement, (i) the value per board lot of 10,000 Existing Shares is HK\$530; and (ii) the value per board lot of 10,000 Consolidated Shares would be HK\$5,300 on the assumption that the Share Consolidation becomes effective.

GENERAL

The General Meeting will be convened and held for the Shareholders to consider and, if thought fit, approve the Share Consolidation.

A circular containing, among others, (i) further details of the Share Consolidation; and (ii) a notice convening the General Meeting, is expected to be despatched to the Shareholders on or before 7 May 2021.

Shareholders and potential investors should note that the Share Consolidation is conditional upon satisfaction of the conditions as set out in the paragraph headed “Conditions of the Share Consolidation” in this announcement. Accordingly, the Share Consolidation may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company. If they are in any doubt, they should consult their professional advisers.

PROPOSED SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation on the basis that every ten (10) issued Existing Shares be consolidated into one (1) Consolidated Share.

Effects of the Share Consolidation

As at the date of this announcement, there are 6,831,182,580 Existing Shares in issue which are fully paid or credited as fully paid. Assuming no further Shares will be issued from the date of this announcement up to the date of the General Meeting, upon the Share Consolidation becoming effective, there will be 683,118,258 Consolidated Shares in issue which are fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective, the Consolidated Shares shall rank pari passu in all respects with each other.

Other than the expenses to be incurred in relation to the Share Consolidation, the implementation of the Share Consolidation will have no effect on the consolidated net asset value of the Group, nor alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests or rights of the Shareholders, save for any fractional Consolidated Shares to which Shareholders may otherwise be entitled.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon the following conditions:

- (i) the passing of an ordinary resolution by the Shareholders to approve the Share Consolidation at the General Meeting;
- (ii) the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares upon the Share Consolidation becoming effective; and
- (iii) the compliance with the relevant procedures and requirements under the Hong Kong laws (where applicable) and the Listing Rules to effect the Share Consolidation.

The Share Consolidation is expected to become effective on 31 May 2021, being the second Business Day after the General Meeting, subject to the fulfilment of the above conditions.

Listing application

An application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in, the Consolidated Shares.

Subject to the granting of listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange upon the Share Consolidation becoming effective, as well as compliance with the stock admission requirements of the HKSCC, the Consolidated Shares will be accepted as eligible securities by the HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by the HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS established and operated by HKSCC.

None of the Existing Shares are listed or dealt in on any stock exchange other than the Stock Exchange and at the time the Share Consolidation becoming effective, the Consolidated Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange and no such listing or permission to deal is being or is proposed to be sought.

OTHER ARRANGEMENTS

Fractional entitlement to Consolidated Shares

Fractional Consolidated Shares, if any, will be disregarded and will not be issued to the Shareholders but all such fractional Consolidated shares will be aggregated and, if possible, sold for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Existing Shares regardless of the number of share certificates held by such holder.

Shareholders who are concerned about losing out on any fractional entitlement are recommended to consult their licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser and may wish to consider the possibility of buying or selling Existing Shares in a number sufficient to make up an entitlement to receive a whole number of Consolidated Shares.

Odd lots trading arrangement

To facilitate the trading of odd lots (if any) of the Consolidated Shares, the Company will appoint a designated broker as an agent to provide matching service, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares. Details of the odd lots trading arrangement will be set out in the circular of the Company to be despatched to the Shareholders.

Holders of odd lots of the Consolidated Shares should note that the matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. Shareholders who are in any doubt about the odd lots trading arrangement are recommended to consult their own professional advisers.

Exchange of share certificates

Subject to the Share Consolidation becoming effective, which is currently expected to be on 31 May 2021, Shareholders may, on or after 31 May 2021 and until 8 July 2021 (both days inclusive) and during business hours, submit their existing share certificates in red colour for the Existing Shares to 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, in exchange for new share certificates in yellow colour for the Consolidated Shares at the expenses of the Company.

Thereafter, share certificates of the Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may from time to time be specified by the Stock Exchange) by the Shareholders for each share certificate for the Existing Shares submitted for cancellation or each new share certificate issued for the Consolidated Shares, whichever the number of share certificates cancelled/issued is higher.

After 4:10 p.m. on 6 July 2021, trading will only be in Consolidated Shares which share certificates will be issued in yellow colour and existing share certificates in red colour for the Existing Shares will continue to be good evidence of legal title and may be exchanged for new share certificates for the Consolidated Shares on the basis of ten (10) Shares for one (1) Consolidated Share at any time but will cease to be valid for delivery, trading, registration and settlement purposes.

ADJUSTMENTS IN RELATION TO OTHER SECURITIES OF THE COMPANY

As at the date of this announcement, there are outstanding share options entitling the holders thereof to subscribe for up to an aggregate of 122,000,000 Existing Shares under the share option scheme adopted by the Company on 13 July 2010 (the “**2010 Share Option Scheme**”). The 2010 Share Option Scheme was expired on 12 July 2020. Therefore, the Company has adopted a new share option scheme on 22 December 2020 (the “**2020 Share Option Scheme**”). No share option has been granted under the 2020 Share Option Scheme since it has been adopted. Details of such share options are set out as follows:

Name of grantee	Date of grant	Exercise price per Existing Share (HK\$)	Number of Existing Shares to be issued upon full exercise of the share options
Directors			
Mr. Chan Wai Lap, Victor	19 June 2014	0.138	10,000,000
	7 July 2015	0.245	10,000,000
	3 November 2016	0.149	10,000,000
Ms. Chan Wai Kei, Vicki	19 June 2014	0.138	10,000,000
	7 July 2015	0.245	10,000,000
	3 November 2016	0.149	10,000,000
Mr. Yam Tat Wing	7 July 2015	0.245	10,000,000
	3 November 2016	0.149	10,000,000
Mr. Wong Edward Gwon-hing	25 July 2014	0.121	10,000,000
	7 July 2015	0.245	10,000,000
	3 November 2016	0.149	10,000,000
Other employees	22 June 2020	0.052	<u>12,000,000</u>
Total			<u><u>122,000,000</u></u>

The Company will make further announcement(s) as and when appropriate on any adjustments to be made as a result of the Share Consolidation to the exercise price and the aggregate number of Shares to be allotted and issued upon exercise of the subscription rights attaching to the above outstanding share options.

Save as disclosed above, as at the date of this announcement, the Company has no other outstanding derivatives, options, warrants or other securities in issue which are convertible into or giving rights to subscribe for, convert or exchange into, any Existing Shares or Consolidated Shares, as the case may be.

NO CHANGE IN BOARD LOT SIZE

The Existing Shares are currently traded on the Stock Exchange in board lot size of 10,000 Existing Shares. Upon the Share Consolidation becoming effective, the board lot size for trading in the Consolidated Shares will remain unchanged at 10,000 Consolidated Shares per board lot.

Based on the closing price of HK\$0.053 per Existing Share (equivalent to the theoretical closing price of HK\$0.53 per Consolidated Share) as at the date of this announcement, (i) the value per board lot of 10,000 Existing Shares is HK\$530; and (ii) the value per board lot of 10,000 Consolidated Shares would be HK\$5,300 on the assumption that the Share Consolidation becomes effective.

REASONS FOR THE SHARE CONSOLIDATION

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the Existing Shares approaches the extremities of HK\$0.01 or HK\$9,995.00, the Stock Exchange reserves the right to require the Company to either change the trading method or to proceed with a consolidation or splitting of the Existing Shares. The “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 (and updated on 1 October 2020) has further stated that (i) market price of the Existing Shares at a level less than HK\$0.10 each will be considered as trading at extremity as referred to under Rule 13.64 of the Listing Rules; and (ii) taking into account that the minimum transaction costs for a securities trade, the expected value per board lot should be greater than HK\$2,000.

Over the past 12 months, the existing board lot value of the Company has been constantly less than HK\$2,000 and the Existing Shares has been trading at a closing price below HK\$0.1. The Board considers that the proposed Share Consolidation, resulting in a theoretical value of HK\$0.53 per Consolidated Share (based on the closing price of HK\$0.053 per Existing Share as at the date of this announcement), would enable the Company to avoid the occurrence of non-compliance with the trading requirements under the Listing Rules. Further, it is expected that the Share Consolidation will increase the nominal value of the Shares. Accordingly, the Share Consolidation will bring about a corresponding upward adjustment in the trading price per board lot of the Consolidated Shares on the Stock Exchange, which will reduce the overall transaction and handling costs of dealings in the Consolidated Shares. As a result, the Share Consolidation would not only enable the Company to comply with the trading requirements under the Listing Rules, but would also attract more investors and hence broaden the Shareholder base.

The Board believes that the Share Consolidation will not have any material adverse effect on the financial position of the Group nor result in change in the relative rights of the Shareholders, save for any fractional Consolidated Shares to which Shareholders may otherwise be entitled.

In view of the above considerations, the Board is of the view that the Share Consolidation is in the interests of the Company and the Shareholders as a whole.

As at the date of this announcement, the Company has no intention to carry out other corporate actions in the next 12 months which may have an effect of undermining or negating the intended purpose of the Share Consolidation, and the Company does not have any concrete plan to conduct any fundraising activities in the next 12 months.

EXPECTED TIMETABLE

The expected timetable for the implementation of the Share Consolidation is as follows:

Event	2021
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Expected despatch date of circular with notice of the General Meeting and form of proxy	Friday, 7 May
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Latest date and time for lodging transfer documents in order to qualify for attending and voting at the General Meeting	4:30 p.m. on Friday, 21 May
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Closure of register of members for the entitlement to attend and vote at the General Meeting (both days inclusive)	Monday, 24 May to Thursday, 27 May
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Latest date and time for lodging forms of proxy for the General Meeting	11:00 a.m. on Tuesday, 25 May
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Expected date and time of the General Meeting	11:00 a.m. on Thursday, 27 May
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Publication of announcement of voting results of the General Meeting	Thursday, 27 May
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The following events are conditional upon satisfaction of the conditions for the implementation of the Share Consolidation:

Effective date of the Share Consolidation	Monday, 31 May
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First day for free exchange of existing share certificates into new share certificates for the Consolidated Shares commences	Monday, 31 May
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Dealings in the Consolidated Shares commences	9:00 a.m. on Monday, 31 May
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Event**2021**

Original counter for trading in the Existing Shares in board lots of 10,000 Existing Shares (in the form of existing share certificates) temporarily closes 9:00 a.m. on Monday, 31 May

Temporary counter for trading in the Consolidated Shares in board lots of 1,000 Consolidated Shares (in the form of existing share certificates) opens 9:00 a.m. on Monday, 31 May

Original counter for trading in the Consolidated Shares in board lots of 10,000 Consolidated Shares (in the form of new share certificates) re-opens 9:00 a.m. on Tuesday, 15 June

Parallel trading in the Consolidated Shares (in the form of new share certificates and existing share certificates) commences 9:00 a.m. on Tuesday, 15 June

Designated broker starts to stand in the market to provide matching services for odd lots of the Consolidated Shares. 9:00 a.m. on Tuesday, 15 June

Designated broker ceases to stand in the market to provide matching services for odd lots of the Consolidated Shares. 4:00 p.m. on Tuesday, 6 July

Temporary counter for trading in the Consolidated Shares in board lots of 1,000 Consolidated Shares (in the form of existing share certificates) closes 4:10 p.m. on Tuesday, 6 July

Parallel trading in the Consolidated Shares (in the form of new share certificates and existing share certificates) ends 4:10 p.m. on Tuesday, 6 July

Last day for free exchange of existing share certificates

for new share certificates for the Consolidated Shares Thursday, 8 July

All times and dates in this announcement refer to Hong Kong local times and dates. The expected timetable set out above is indicative only and may be subject to amendment. Any changes to the expected timetable will be announced in a separate announcement by the Company as and when appropriate.

GENERAL

The General Meeting will be convened and held for the Shareholders to consider and, if thought fit, approve the Share Consolidation. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolution(s) proposed to consider and approve the Share Consolidation at the General Meeting.

A circular containing, among others, (i) further details of the Share Consolidation; and (ii) a notice convening the General Meeting, is expected to be despatched to the Shareholders on or before 7 May 2021.

WARNING

Shareholders and potential investors should note that the Share Consolidation is conditional upon satisfaction of the conditions as set out in the paragraph headed “Conditions of the Share Consolidation” in this announcement. Accordingly, the Share Consolidation may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company. If they are in any doubt, they should consult their professional advisers.

DEFINITIONS

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

“Board”	the board of Directors
“Business Day(s)”	a day (other than Saturday, Sunday or public holiday and any day on which a tropical cyclone warning no.8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which banks in Hong Kong are generally open for business and the Stock Exchange is open for business of dealing in securities
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Operational Procedures”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as amended from time to time
“Company”	Continental Holdings Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange (Stock Code: 513)
“Consolidated Share(s)”	the ordinary share(s) of the Company immediately after the Share Consolidation becoming effective
“Director”	the director(s) of the Company

“Existing Share(s)”	the ordinary share(s) of the Company before the Share Consolidation becoming effective
“General Meeting”	the general meeting of the Company to be convened for the Shareholders to consider and, if thought fit, approve the Share Consolidation
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Share(s)”	the Existing Share(s) and/or Consolidated Share(s), as the case may be
“Share Consolidation”	the proposed share consolidation on the basis that every ten (10) issued Existing Shares be consolidated into one (1) Consolidated Share
“Shareholder(s)”	holder(s) of the Shares

“Stock Exchange”

the Stock Exchange of Hong Kong Limited

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

Hong Kong, 16 April 2021

As at the date of this announcement, Mr. Chan Wai Lap, Victor, Dr. Chan Sing Chuk, Charles, BBS, JP, Ms. Cheng Siu Yin, Shirley, Ms. Chan Wai Kei, Vicki and Mr. Wong Edward Gwong-hing are Executive Directors, Mr. Yam Tat Wing is a Non-executive Director and Mr. Yu Shiu Tin, Paul, BBS, MBE, JP, Mr. Chan Ping Kuen, Derek, Mr. Sze Irons, BBS, JP and Mr. Cheung Chi Fai, Frank are Independent Non-executive Directors.