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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)

**CONNECTED TRANSACTION –
ACQUISITION OF 15% SHAREHOLDING
IN A NON-WHOLLY OWNED SUBSIDIARY**

Reference is made to the announcement of the Company dated 8 May 2019 and the circular of the Company dated 27 June 2019 in relation to the acquisition of 85% shareholding in Novell Enterprises Inc. and NP Enterprises, LLC (d/b/a Lieberfarb), completion of which took place on 7 August 2019.

The Board is pleased to announce that, pursuant to the SP Agreement dated 29 October 2021 entered into by the Buyer (a wholly-owned subsidiary of the Company) and the Seller, the Buyer agreed to purchase the Acquired Stock, being fifteen percent (15%) of the issued and outstanding shares of the common stock of the Target Corporation (a non-wholly owned subsidiary of the Company), from the Seller at a consideration of US\$900,000 (approximately HK\$7,002,000). Closing of the Acquisition shall take place on 5 November 2021. Immediately before Closing, the Target Corporation is owned as to 85% by the Group through the Buyer and 15% by the Seller. Immediately after Closing, all the issued and outstanding shares of the common stock of the Target Corporation will be owned by the Buyer and the Target Corporation will become a wholly-owned subsidiary of the Company.

The Target Corporation was incorporated in New Jersey, USA. It is principally engaged in the manufacturing and trading of gold and platinum wedding bands in the USA.

Since the Seller is a director of the Target Corporation (being a non-wholly owned subsidiary of the Company), the Seller is a connected person of the Company and the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As all the percentage ratios (other than the profits ratio) (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition are less than 5%, the Acquisition is subject to the announcement requirement but exempt from the circular and shareholders' approval requirements.

INTRODUCTION

The Board is pleased to announce that, pursuant to the SP Agreement dated 29 October 2021 entered into by the Buyer (a wholly-owned subsidiary of the Company) and the Seller, the Buyer agreed to purchase the Acquired Stock, being fifteen percent (15%) of the issued and outstanding shares of the common stock of the Target Corporation (a non-wholly owned subsidiary of the Company), from the Seller at a consideration of US\$900,000 (approximately HK\$7,002,000). The principal terms of the SP Agreement are set out below.

SP AGREEMENT

1. Date

29 October 2021

2. Parties

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

Seller: Bruce Pucciarello, who is a director of the Target Corporation and one of the founders of the Target Corporation.

3. Assets to be acquired

The Buyer agreed to purchase the Acquired Stock, being fifteen percent (15%) of the issued and outstanding shares of the common stock of the Target Corporation, from the Seller.

4. Consideration

The Consideration for the Acquisition is US\$900,000 (approximately HK\$7,002,000) which shall be paid by the Buyer upon Closing.

The Consideration was arrived after arm's length negotiations between the Seller and the Buyer. The Group considered a number of factors in agreeing to the amount of the Consideration. It considered the Target Corporation's net asset value as at 30 June 2021. It also took into account the track record of earnings of the Target Corporation for the year ended 30 June 2021 and the price-to-earning ratio in the industry. In arriving at the amount of the Consideration, the Group also evaluated and took into consideration the business prospects and potential for growth of the Target Corporation with reference to, among other things, the market position, customer base and reputation and brand name of the Target Corporation established over the decades.

5. Closing

Closing of the Acquisition shall take place on 5 November 2021.

The Target Corporation is owned as to 85% by the Group through the Buyer and is a non-wholly owned subsidiary of the Company immediately before Closing. Immediately after Closing, all the issued and outstanding shares of the common stock of the Target Corporation will be owned by the Buyer and the Target Corporation will become a wholly-owned subsidiary of the Company. Its assets, liabilities and results will continue to be consolidated into the consolidated financial statements of the Group following Closing.

INFORMATION ON THE TARGET CORPORATION

A summary of the unaudited financial information of the Target Corporation for the two years ended 30 June 2020 and 30 June 2021 is set out below:

	For the years ended 30 June	
	2021	2020
	<i>Approximate Amount</i>	<i>Approximate Amount</i>
Net profit/(loss) before taxation	US\$767,000 HK\$5,956,000	(US\$1,068,000) (HK\$8,277,000)
Net profit/(loss) after taxation	US\$761,000 HK\$5,909,000	(US\$1,068,000) (HK\$8,277,000)

The unaudited net asset value of the Target Corporation as at 30 June 2021 amounted to approximately US\$4,248,000 (approximately HK\$32,985,000).

REASONS FOR, AND BENEFITS OF, THE ACQUISITION

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

The Target Corporation was incorporated in New Jersey, USA. It is principally engaged in the manufacturing and trading of gold and platinum wedding bands in the USA.

The Target Corporation has strong brand name with over thirty years of experience. It pioneered in cutting edge technology and established a strong distribution to a wide array of jewellery retailers across the USA. The Target Corporation has been profiled by manufacturing jewelers and suppliers of America as one of the most innovative jewellery manufacturers in America. The Target Corporation has built a solid reputation for having the largest collection of designed and crafted wedding rings in the industry. The brands appeal to a wide range of consumers with high level of customization.

Since the acquisition of 85% shareholding of the Target Corporation by the Group in 2019, the Target Corporation has contributed approximately 22.72% and 29.81% of the revenue of the Group for each of the year ended 30 June 2020 and 30 June 2021, and 46.1% and 17.2% of the (loss) and profit of the Group for each of the year ended 30 June 2020 and 30 June 2021 respectively.

Together with a solid base of core customers, years of successful history, the Target Corporation is positioned to combine the strengths of the Group's position in jewellery industry and leverage the Group's network and resources to further expand in the USA. The Acquisition is also an important strategy in the Group's ongoing expansion plan to further expand the market share and strengthen its position in USA market.

The terms of the SP Agreement were negotiated on an arm's length basis. The Directors (including the independent non-executive Directors) are of the view that (i) the terms of the SP Agreement are fair and reasonable, and (ii) they are on normal commercial terms or better and in the ordinary and usual course of business of the Group, and (iii) the Acquisition is in the interests of the Company and the Shareholders as a whole.

It is expected that the Consideration payable by the Group under the SP Agreement will be funded by internal resources of the Group.

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

LISTING RULES IMPLICATIONS

Since the Seller is a director of the Target Corporation (being a non-wholly owned subsidiary of the Company), the Seller is a connected person of the Company and the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As all the percentage ratios (other than the profits ratio) (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition are less than 5%, the Acquisition is subject to the announcement requirement but exempt from the circular and shareholders' approval requirements.

DEFINITIONS

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

“Acquired Stock”	15% of the issued and outstanding shares of the common stock of the Target Corporation
“Acquisition”	the proposed acquisition of the Acquired Stock by the Buyer from the Seller pursuant to the terms and conditions of the SP Agreement
“Board”	the board of Directors
“Buyer”	CJ Holdings USA Inc., a New York corporation and a wholly-owned subsidiary of the Company
“Closing”	closing of the Acquisition in accordance with the terms and conditions of the SP Agreement
“Company”	Continental Holdings Limited (Stock Code: 513), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the same meaning ascribed to it in the Listing Rules
“Consideration”	US\$900,000 (approximately HK\$7,002,000)
“Directors”	the directors of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Seller”	Bruce Pucciarello, who is a director of the Target Corporation
“Share”	issued ordinary share of the Company
“Shareholder”	holder of Share(s) of the Company
“SP Agreement”	the stock purchase agreement dated 29 October 2021 entered into between the Seller and the Buyer in relation to the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Corporation”	Novell Enterprises Inc., incorporated in accordance with the laws of the State of New Jersey, and currently a non-wholly owned subsidiary of the Company
“USA”	the United States of America
“US\$”	United States Dollar, the lawful currency of the United States of America

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

Hong Kong, 1 November 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.