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

If you have sold or transferred all your shares in Continental Holdings Limited (“Company”), 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 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)

**GENERAL MANDATES TO ISSUE NEW SHARES AND TO
REPURCHASE SHARES,
RE-ELECTION OF DIRECTORS,
ADOPTION OF NEW SHARE OPTION SCHEME
AND
NOTICE OF ANNUAL GENERAL MEETING**

PRECAUTIONARY MEASURES FOR THE ANNUAL GENERAL MEETING

To protect the attendees from the risk of infection of the novel coronavirus disease (“COVID-19”), please refer to page 1 of this circular for the measures to be implemented at the annual general meeting of the Company (“AGM”) by the Company, including:

- compulsory body temperature check
- compulsory wearing of surgical face mask
- no distribution of corporate gifts and no serving of drinks or refreshments
- seats will be limited to ensure appropriate social distancing and will be available on a first-come-first-served basis

Any person who does not comply with the precautionary measures may be denied entry into the AGM venue. The Company encourages shareholders NOT to attend the AGM in person and strongly recommends shareholders to appoint the chairman of the AGM as their proxy to vote on the resolutions at the AGM as an alternative to attending the AGM in person.

A notice convening the AGM to be held at Whampoa 01 & 02, 1/F, Harbour Grand Kowloon, 20 Tak Fung Street, Whampoa Garden, Hunghom, Kowloon, Hong Kong on Tuesday, 22 December 2020 at 11:00 a.m. or any adjournments thereof at which the above proposals will be considered, is contained on pages 36 to 40 of this circular. If you are not able to attend the AGM, you are requested to complete and return the form of proxy enclosed with this circular, in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time of the AGM to the Company’s share registrar, Computershare Hong Kong Investor Services Limited on 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong. Completion of the form of proxy shall not preclude you from attending and voting at the AGM should you so wish.

Hong Kong, 20 November 2020

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PRECAUTIONARY MEASURES FOR THE ANNUAL GENERAL MEETING

In view of the ongoing COVID-19 pandemic and recent requirements for prevention and control of its spread (as per guidelines issued by the Hong Kong Government at <https://www.chp.gov.hk/en/features/102742.html>), the Company will implement necessary preventive measures at the AGM to protect attending Shareholders, proxy and other attendees from the risk of infection, including:

- (i) Compulsory body temperature check will be conducted on every Shareholder, proxy and other attendees at the entrance of the AGM venue. Any person with a body temperature of over 37.3 degrees Celsius, or who exhibits flu-like symptoms or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the AGM venue or be required to leave the AGM venue.
- (ii) Attendees are required to prepare their own surgical face masks and wear the same inside the AGM venue at all times, and to maintain an appropriate social distance with others (including queuing for registration). Please note that no mask will be provided.
- (iii) No distribution of corporate gifts and no serving of drinks or refreshments.
- (iv) Seats at the AGM venue will be arranged to ensure appropriate social distancing. As a result, there will be limited capacity for attendees. Seats will be limited at the meeting and will be available on a first-come-first-served basis.

To the extent permitted under law, the Company reserves the right to deny entry into the AGM venue or require any person to leave the AGM venue in order to ensure the safety of the attendees at the AGM.

In the interest of all attendees' health and safety, the Company wishes to advise all Shareholders that physical attendance in person at the AGM is not necessary for the purpose of exercising voting rights. As an alternative, by using proxy forms with voting instructions duly completed, Shareholders may appoint the chairman of the AGM as their proxy to vote on the resolutions at the AGM instead of attending the AGM in person.

The proxy form, which can also be downloaded from the Company's website (<http://www.continental.com.hk>), is enclosed with this circular. If you are not a registered Shareholder (i.e., if your Shares are held via banks, brokers, custodians or Hong Kong Securities Clearing Company Limited), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of proxy.

Subject to the development of the novel coronavirus in Hong Kong, the Company may implement further precautionary measures, and issue further announcement(s) on such measures as and when appropriate.

DEFINITIONS

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

“Adoption Date”	the date on which the New Share Option Scheme is adopted, conditionally or unconditionally, by the Company
“AGM” or “Annual General Meeting”	the annual general meeting of the Company to be held at Whampoa 01 & 02, 1/F, Harbour Grand Kowloon, 20 Tak Fung Street, Whampoa Garden, Hungghom, Kowloon, Hong Kong on Tuesday, 22 December 2020 at 11:00 a.m.
“Articles of Association”	articles of association of the Company
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	board of Directors
“business day(s)”	has the meaning ascribed thereto in the Listing Rules
“close associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	Continental Holdings Limited, a company incorporated in Hong Kong with limited liability, the securities of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“core connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	director(s) of the Company

DEFINITIONS

“Eligible Person(s)”	any employee (whether full time or part time), senior executive or officer, manager or director (including executive, non-executive and independent non-executive director) of the Company or any of its subsidiaries who, as determined by the Board, have contributed or will contribute to the growth and development of the Group
“Grantee(s)”	any Eligible Person(s) who accept(s) an Offer in accordance with the terms of the New Share Option Scheme, or (where the context so permits) any person(s) who is/are entitled to any Option in consequence of the death of the original Grantee(s) (including without limitation his/her/their legal personal representative(s))
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Issue Mandate”	the general mandate to the Directors to exercise the powers of the Company to allot, issue and deal with Shares during the relevant period up to a maximum of 20 per cent of the total number of shares in issue of the Company as at the date of passing of the relevant resolution at the AGM
“Latest Practicable Date”	13 November 2020, being the latest practicable date prior to the issue of this circular for ascertaining certain information contained herein
“Listing Committee”	has the meaning ascribed thereto in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“New Share Option Scheme”	the share option scheme proposed to be adopted by the Company at the AGM, a summary of the principal terms of which is set out in Appendix III to this circular
“Offer”	an offer of the grant of an Option made in accordance with the New Share Option Scheme
“Offer Date”	the date on which an Offer is made to an Eligible Person, which must be a business day
“Option(s)”	right(s) to subscribe for Shares granted pursuant to the New Share Option Scheme
“Option Period”	the period within which an Option shall be exercised, to be notified by the Board to each Grantee in respect of each Option
“Previous Share Option Scheme”	the share option scheme adopted by the Company on 13 July 2010, and which expired on 12 July 2020
“Repurchase Mandate”	the general mandate to the Directors to exercise the powers of the Company to repurchase Shares during the relevant period up to a maximum of 10 per cent of the total number of shares in issue of the Company as at the date of passing of the relevant resolution at the AGM
“Share(s)”	share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the price per Share at which a Grantee may subscribe for Shares on exercise of an Option
“subsidiary”	has the meaning ascribed thereto in the Listing Rules

DEFINITIONS

“substantial shareholder”	has the meaning ascribed thereto in the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“%”	per cent.

LETTER FROM THE BOARD



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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00513)

Executive Directors:

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
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

20 November 2020

To the Shareholders

Dear Sir or Madam,

**GENERAL MANDATES TO ISSUE NEW SHARES AND TO
REPURCHASE SHARES,
RE-ELECTION OF DIRECTORS,
ADOPTION OF NEW SHARE OPTION SCHEME
AND
NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

The Directors wish to seek the approval of the Shareholders at the AGM for the granting of the Issue Mandate and the Repurchase Mandate, the proposed re-election of Directors and the adoption of the New Share Option Scheme.

LETTER FROM THE BOARD

The purpose of this circular is to (a) provide you with details of the Issue Mandate and the Repurchase Mandate; (b) present the proposal for the re-election of Directors; (c) provide you with information on the proposed adoption of the New Share Option Scheme; and (d) give you notice of the AGM.

GRANTING OF THE ISSUE MANDATE AND THE REPURCHASE MANDATE

Three ordinary resolutions numbered (4), (5) and (6) in the notice of the AGM to be proposed in relation to the Repurchase Mandate, the Issue Mandate and the extension of the Issue Mandate to issue and allot additional Shares representing the total number of Shares which may be purchased by the Company under the Repurchase Mandate are as follows:

(a) Repurchase Mandate

Ordinary resolution numbered (4) set out in the notice of the AGM will be proposed at the AGM to give a general and unconditional mandate to the Directors to exercise the powers of the Company to repurchase at any time during the Relevant Period (as defined in ordinary resolution numbered (4) set out in the notice of the AGM) Shares representing up to 10% of the total number of Shares in issue as at the date of passing such resolution. As at the Latest Practicable Date, there were in issue an aggregate of 6,831,182,580 Shares. Assuming that no Shares are issued or repurchased by the Company prior to the date of the AGM, such 10% will represent 683,118,258 Shares.

The Directors will seek the approval of the Shareholders for the grant of the Repurchase Mandate in accordance with the requirements set out in the Listing Rules.

The explanatory statement required by the Listing Rules to be sent to the Shareholders in connection with the Repurchase Mandate is set out in Appendix I to this circular.

(b) Issue Mandate

Ordinary resolution numbered (5) set out in the notice of the AGM will also be proposed that the Directors be given a general and unconditional mandate to issue and allot during the Relevant Period (as defined in ordinary resolution numbered (5) set out in the notice of the AGM) additional Shares representing up to 20% of the total number of Shares in issue as at the date of passing such resolution. As at the Latest Practicable Date, there were in issue an aggregate of 6,831,182,580 Shares. Assuming that no Shares are issued or repurchased by the Company prior to the date of the AGM, such 20% will represent 1,366,236,516 Shares.

LETTER FROM THE BOARD

In addition, an ordinary resolution (ordinary resolution numbered (6) set out in the notice of the AGM) will be proposed to extend such general mandate to issue Shares by adding to it an amount representing the aggregate number of Shares repurchased by the Company under the Repurchase Mandate.

To facilitate future allotment and issue of Shares by the Directors on behalf of the Company, the Directors will seek the approval of the Shareholders for the grant of the Issue Mandate at the AGM.

RE-ELECTION OF DIRECTORS

According to Articles 115(A) and 115(B) of the Articles of Association, at each annual general meeting of the Company, one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not exceeding one-third, shall retire from office by rotation. The Directors to retire in every year shall be those who have been longest in office since their last re-election or appointment but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. A retiring Director shall be eligible for re-election.

Furthermore, according to Article 115(D) of the Articles of Association, every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years and the Directors to retire shall be decided by the Board.

In accordance with Articles 115(A), 115(B) and 115(D) of the Articles of Association, Mr. Wong Edward Gwon-hing, Mr. Yam Tat Wing, Mr. Sze Irons and Mr. Chan Ping Kuen, Derek (“Mr. Derek Chan”) shall retire from office by rotation and all of them are eligible for re-election at the AGM.

Mr. Sze Irons and Mr. Derek Chan, both being Independent Non-executive Directors, have served the Company for more than nine years. The Nomination Committee of the Board considered that their long service would not affect their exercise of independent judgment and was satisfied that Mr. Sze Irons and Mr. Derek Chan have the required integrity and experience to continue fulfilling the role of Independent Non-executive Directors.

Mr. Sze Irons has extensive knowledge and experience in management and business development and in-depth understanding of the Company’s operations and business. He has expressed objective views and given independent guidance to the Company over the years. His impartiality and independent judgement on various issues can be observed during Board meetings. The Board is satisfied with his independence and considers Mr. Sze Irons continues to be independent.

LETTER FROM THE BOARD

Mr. Derek Chan has in-depth understanding of the Company's operations and business. He has expressed objective views and given independent guidance to the Company over the years, and he continues demonstrating a firm commitment to his role. His impartiality and independent judgement on various issues can be observed during Board meetings. The Board is satisfied with his independence and considers Mr. Derek Chan continues to be independent.

In addition, Mr. Sze Irons and Mr. Derek Chan have made confirmation of independence pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules. Taking into consideration of the above, the Board is of the view that Mr. Sze Irons and Mr. Derek Chan are independent in accordance with the independence guidelines.

Pursuant to the Code Provision set out in A.4.3 of Appendix 14 to the Listing Rules, the re-election of Mr. Sze Irons and Mr. Derek Chan will be subject to separate resolutions to be approved by Shareholders at the AGM.

Details of retiring Directors proposed for re-election at the AGM are set out in Appendix II to this circular.

PROPOSED ADOPTION OF THE NEW SHARE OPTION SCHEME

The Previous Share Option Scheme, which became effective on 13 July 2010 and expired on 12 July 2020, was adopted for the purpose of recognising and acknowledging the contributions that eligible persons had made or may have made to the Group. In view of the expiry of the Previous Share Option Scheme, the Board proposes to recommend to the Shareholders for consideration and if thought fit adoption of the New Share Option Scheme so that the Company may grant Options to selected Eligible Persons as incentive or reward for their contribution to the Group. A summary of the principal terms of the New Share Option Scheme is set out in Appendix III to this circular.

The New Share Option Scheme is conditional upon:

- (a) the Listing Committee granting approval of the listing of, and permission to deal in, any Shares falling to be issued upon the exercise of the Options under the New Share Option Scheme; and
- (b) the passing of an ordinary resolution to approve and adopt the New Share Option Scheme by the Shareholders at the AGM pursuant to the Listing Rules.

Application has been made to the Stock Exchange for the approval of the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of any Options that may be granted under the New Share Option Scheme.

LETTER FROM THE BOARD

Purpose of the New Share Option Scheme

The purpose of the New Share Option Scheme is to provide Eligible Persons with the opportunity to acquire proprietary interests in the Company and to encourage Eligible Persons to work towards enhancing the value of the Company and the Shares for the benefit of the Company and the Shareholders as a whole. The scheme will provide the Company with flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to Eligible Persons. As at the Latest Practicable Date, the Company did not have any other share option scheme which is still valid. By acquiring ownership interest in the Company, the following principal objectives can be achieved:

- (1) to optimise the performance and efficiency of the Eligible Persons for the benefit of the Group as well as to recruit and retain high caliber personnel for the Group; and
- (2) to align the interests of the Eligible Persons and the Shareholders.

Under the rules of the New Share Option Scheme, the Board has discretion to set a minimum period for which an Option has to be held before it can be exercised. Such discretion allows the Board to provide incentives to Grantees to remain employed with the Group during the minimum period and thereby enabling the Group to benefit from the continued services of such Grantees during such period. This discretion, coupled with the power of the Board to impose any performance target as it considers appropriate before any Option can be exercised, enables the Group to incentivise the Grantees. Subject to the Listing Rules, the Board also has discretion in determining the Subscription Price in respect of any Option. The Directors are of the view that the flexibility given to the Board in granting Options to the Grantees and in particular, imposing minimum holding period and performance targets before an Option can be exercised, and the discretion given to the Board in determining the Subscription Price will place the Group in a better position to attract and retain valuable human resources. This serves the purpose of the New Share Option Scheme.

LETTER FROM THE BOARD

Value of the Options

The Directors consider that it is not appropriate to state the value of all Options that can be granted pursuant to the New Share Option Scheme as if they had been granted at the Latest Practicable Date. The Directors believe that any statement regarding value of the Options as at the Latest Practicable Date will not be meaningful to the Shareholders and to certain extent would be misleading to the Shareholders, taking into account the number of variables which are crucial for the calculation of the value of the Options have not been determined. Such variables include the Subscription Price, Option Period, any performance targets set and other relevant variables.

Scheme mandate limit

Subject to the obtaining of Shareholders' approval with respect to the adoption of the New Share Option Scheme, pursuant to Rule 17.03 of the Listing Rules, the total number of Shares which may be issued upon the exercise of all Options to be granted under the New Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 10% of the total number of Shares in issue as at the date of approval of the New Share Option Scheme. The Board shall not grant any Options which would result in the maximum aggregate number of Shares which may be issued upon exercise of all outstanding options granted but yet to be exercised under the New Share Option Scheme and any other share option schemes adopted by the Company which provide for the grant of options to acquire or subscribe for Shares exceeding, in aggregate, 30% of the total number of Shares in issue from time to time. As at the Latest Practicable Date, there are outstanding options granted under the Previous Share Option Scheme which entitle the holders thereof to subscribe for 122,000,000 Shares.

Maximum number of Shares

Based on 6,831,182,580 Shares in issue as at the Latest Practicable Date and assuming that there is no change in the number of Shares in issue before the AGM, the maximum number of Shares which may be issued upon the exercise of Options to be granted under the New Share Option Scheme are 683,118,258 Shares, being 10% of the number of Shares in issue as at the date of approval of the New Share Option Scheme.

LETTER FROM THE BOARD

Adoption of the New Share Option Scheme

An ordinary resolution to approve and adopt the New Share Option Scheme will be proposed at the AGM. A summary of the principal terms of the New Share Option Scheme is set out in Appendix III to this circular.

Copy of the New Share Option Scheme will be available for inspection during normal business hours (Saturdays and public holidays excepted) at the registered office of the Company at Flats M & N, 1/F, Kaiser Estate Phase III, 11 Hok Yuen Street, Hunghom, Kowloon, Hong Kong from the date of this circular until the date of the AGM.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the proposed adoption of the New Share Option Scheme and no Shareholder is required to abstain from voting at the AGM for approving the New Share Option Scheme.

The Company will comply with all applicable requirements under Chapter 17 of the Listing Rules in respect of the operation of the New Share Option Scheme. Further, as at the Latest Practicable Date, the Company has no plan to grant any Options under the New Share Option Scheme.

As advised by the Company's Hong Kong legal advisers, the Offer is not regarded as an offer made to the public and the prospectus requirements of the Companies (WUMP) Ordinance should not apply. The Company will ensure that the requirements of the Companies (WUMP) Ordinance are fully complied with when administering the New Share Option Scheme.

Further, as at the Latest Practicable Date, there are no trustees for the New Share Option Scheme.

ANNUAL GENERAL MEETING

The notice of the AGM is set out in this circular. At the AGM, ordinary resolutions will be proposed to approve the granting of the Issue Mandate and the Repurchase Mandate, the re-election of Directors and the adoption of the New Share Option Scheme.

LETTER FROM THE BOARD

A form of proxy for use at the AGM is enclosed with this circular. If you are not able to attend the AGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar, Computershare Hong Kong Investor Services Limited on 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding the AGM. Completion and return of the proxy form will not preclude Shareholders from attending and voting at the AGM if they so wish.

RIGHT TO DEMAND POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The chairman of the AGM will demand a poll on each of the resolutions to be proposed at the AGM. The results of the poll will be published on the website of the Stock Exchange and the website of the Company at <http://www.continental.com.hk> on the day of the AGM.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the Register of Members of the Company will be closed from Thursday, 17 December 2020 to Tuesday, 22 December 2020, both days inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers 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 no later than 4:30 p.m. on Wednesday, 16 December 2020.

RECOMMENDATIONS

The Board considers that (a) the granting of and the extension to the Issue Mandate and the Repurchase Mandate; (b) the re-election of the Directors as described in the section headed "Re-election of Directors"; and (c) adoption of the New Share Option Scheme as described in the section headed "Proposed Adoption of the New Share Option Scheme" above are in the interest of the Company and its Shareholders as a whole and accordingly recommends you to vote in favour of all the relevant resolutions to be proposed at the AGM.

LETTER FROM THE BOARD

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.

MISCELLANEOUS

In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

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

APPENDIX I EXPLANATORY STATEMENT OF THE REPURCHASE MANDATE

The following is the explanatory statement required to be sent to the Shareholders under the Listing Rules in connection with the Repurchase Mandate.

SHARE CAPITAL

As at the Latest Practicable Date, the total number of Shares in issue comprised 6,831,182,580 Shares. On the basis that no further Shares are issued or repurchased prior to the AGM, exercise in full of the proposed Repurchase Mandate can accordingly result in up to 683,118,258 Shares being repurchased by the Company during the course of the period ending on the earliest of the date of the next annual general meeting, the date by which the next annual general meeting of the Company is required to be held by law and the date upon which such authority is revoked or varied.

REASONS FOR REPURCHASES

The Directors believe that it is in the interests of the Company and its Shareholders as a whole to seek a general authority from the Shareholders to enable the Directors to repurchase Shares in the market.

Repurchases may, depending on market conditions and funding arrangements at the time, result in an enhancement of the net assets and/or earnings per Share. The Directors are seeking the grant of the Repurchase Mandate to give the Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time, having regard to the circumstances then prevailing.

FUNDING OF REPURCHASES

Repurchases of Shares must be funded out of funds legally available for the purpose in accordance with the Articles of Association and the Companies Ordinance. Repurchases of Shares pursuant to the Repurchase Mandate would be financed entirely from the Company's available cash flow or working capital facilities. Any repurchases of Shares will be made out of funds of the Company permitted to be utilised in this connection, including profits otherwise available for distribution.

APPENDIX I EXPLANATORY STATEMENT OF THE REPURCHASE MANDATE

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in its most recent published audited financial statements dated 30 June 2020) in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

SHARE PRICES

The highest and lowest prices at which the Shares were traded on the Stock Exchange in each of the previous twelve months prior to the Latest Practicable Date were as follows:

	Per Share	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2019		
November	0.079	0.064
December	0.087	0.066
2020		
January	0.084	0.071
February	0.078	0.062
March	0.070	0.051
April	0.074	0.053
May	0.064	0.043
June	0.059	0.046
July	0.060	0.041
August	0.075	0.041
September	0.078	0.058
October	0.075	0.064
November (up to the Latest Practicable Date)	0.074	0.070

APPENDIX I EXPLANATORY STATEMENT OF THE REPURCHASE MANDATE

EFFECT OF THE TAKEOVERS CODE

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase would be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or group of Shareholders acting in concert, depending on the level of increase of the Shareholder's voting right at the time, could obtain or consolidate control of the Company and may become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

As at the Latest Practicable Date, Tamar Investments Group Limited, a company owned as to 35% by Dr. Chan Sing Chuk, Charles, 35% by his wife, Ms. Cheng Sin Yin, Shirley, 7% by Ms. Chan Wai Kei, Vicki and 16% by Mr. Chan Wai Lap, Victor ("Mr. Victor Chan"), Chairman of the Board, and all being Executive Directors of the Company, was interested in 5,063,395,220 Shares, representing approximately 74.12% of the issued Shares as at such date. Mr. Victor Chan, was also interested in 2,700,000 Shares, representing approximately 0.04% of the issued Shares. On such basis, if the Repurchase Mandate is fully exercised by the Company, it will increase their aggregate shareholding in the Company to approximately 82.40% (*Note*), and such increase will not give rise to an obligation to make a mandatory offer under the Takeovers Code. However, in such circumstances, the number of Shares held by the public will be reduced to below 25%.

Save as aforesaid, the Directors are not aware of any consequences which may arise under the Takeovers Code as a result of any repurchases made under the Repurchase Mandate. The Directors have no intention to exercise the Repurchase Mandate to such an extent that would result in the total number of the issued Shares held by the public being reduced to less than 25% as required under the Listing Rules (or the relevant prescribed minimum percentage required by the Stock Exchange).

Note: The percentage was calculated based on the Company's issued number of Shares of 6,831,182,580 as at the Latest Practicable Date and on the assumptions that there is no other change in the issued number of Shares and that none of the share options issued by the Company are exercised prior to the AGM.

APPENDIX I EXPLANATORY STATEMENT OF THE REPURCHASE MANDATE

DIRECTORS AND THEIR CLOSE ASSOCIATES AND CORE CONNECTED PERSONS

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates, have any present intention to sell any Shares to the Company or its subsidiaries under the Repurchase Mandate if the Repurchase Mandate is approved by the Shareholders.

No core connected persons of the Company have notified the Company that they have a present intention to sell Shares to the Company and no such persons have undertaken not to do so, if the Repurchase Mandate is approved by the Shareholders.

UNDERTAKING OF THE DIRECTORS

The Directors have undertaken to the Stock Exchange that they will exercise the Repurchase Mandate in accordance with the Listing Rules, all applicable laws of Hong Kong and the Articles of Associations.

REPURCHASES MADE BY THE COMPANY

The Company has not purchased any Shares (whether on the Stock Exchange or otherwise) in the six months preceding the date of this circular.

The following are the particulars of the retiring Directors proposed for re-election at the AGM.

Mr. Wong Edward Gwon-hing, aged 57, joined the Group in 1998, and has been appointed as Executive Director of the Company since 1 March 2014. He is also the General Manager of Continental Jewellery (Mfg.) Limited (“CJM”), a wholly-owned subsidiary of the Company, mainly engaged in the product development, manufacturing and marketing of fine jewellery primarily for export. Mr. Wong has over 30 years experience in manufacturing, sales marketing and management in jewellery industry. Mr. Wong is responsible for overall development and management of the Group’s jewellery business.

Mr. Wong has not held any directorship in any other public listed companies in the last three years and does not have any relationship with any other directors or senior management or substantial or controlling shareholders of the Company.

As at the Latest Practicable Date, Mr. Wong is interested in 30,000,000 underlying Shares pursuant to share options granted to him by the Company (within the meaning of Part XV of the Securities and Future Ordinance).

On 1 March 2020, Mr. Wong entered into a letter of appointment as an Executive Director for a term of three years which is terminable by either party by giving six months’ written notice. There is no service contract entered into between Mr. Wong and the Company for acting as the Executive Director. Mr. Wong is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles of Association. For the financial year ended 30 June 2020, the total remuneration paid to Mr. Wong as a General Manager of CJM is HK\$1,710,000 (including salaries, benefits, bonus and retirement scheme contributions), which is determined by reference to his duties and responsibilities with the Group, the Group’s performance and the prevailing market situation.

The Company confirms that it is not aware of any other matters that need to be brought to the attention of the Shareholders in relation to the re-election of Mr. Wong and there is no other information which is required to be disclosed pursuant to the Rule 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

Mr. Yam Tat Wing, aged 67, joined the Group in 2011 as General Manager – Business Development and Mining of the Group, was appointed as Executive Director on 1 March 2014 and was re-designated as Non-executive Director of the Company on 1 January 2017. Mr. Yam was educated up to matriculation and he obtained a certificate in Personnel Management from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University).

Prior to joining the Group, Mr. Yam had served in the Hong Kong Police Force (the “Force”) for over 37 years, he was previously Deputy Commissioner, Operations from January 2007 to March 2010. Mr. Yam has extensive experience in leadership, public administration and crisis management.

During his career in the Force, Mr. Yam was awarded the Silver Bauhinia Star Medal, Colonial Police Long Service Medal with 3rd clasp, the Colonial Police Medal for Meritorious Service, the Hong Kong Police Medal for Distinguished Service and Chief Executives Commendation. In August 2011, he was appointed an Affiliated Fellow of Wu Yee Sun College of The Chinese University of Hong Kong for a term of five years. The appointment has been extended for another term of five years in August 2016.

Mr. Yam has not held any directorship in any other public listed companies in the last three years and does not have any relationship with any other directors or senior management or substantial or controlling shareholders of the Company.

Mr. Yam was re-designated as a Non-executive Director of the Company with effect from 1 January 2017. He has entered into a letter of appointment as a Non-executive Director of Company with no specific term of appointment but is subject to termination by either party by giving three months’ written notice. He is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles of Association.

As at the Latest Practicable Date, Mr. Yam is interested in 2,400,000 Shares and 20,000,000 underlying Shares pursuant to share options granted to him by the Company (within the meaning of Part XV of the Securities and Future Ordinance). As a Non-executive Director of the Company, Mr. Yam is entitled to a director’s fee of HK\$50,000 per annum, which is determined by reference to his duties and responsibilities with the Group, the Group’s performance and the prevailing market situation.

The Company confirms that it is not aware of any other matters that need to be brought to the attention of the Shareholders in relation to the re-election of Mr. Yam and there is no other information which is required to be disclosed pursuant to the Rule 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

Mr. Sze Irons, BBS, JP, aged 58, was appointed as an Independent Non-executive Director on 2 October 2008. Mr. Sze graduated with a Bachelor's degree in Science from University of Wisconsin-La Crosse, United States in 1985. Mr. Sze has extensive experience in investment and corporate management and is currently an Independent Non-executive Director of Chevalier International Holdings Limited (Stock Code: 25), ST International Holdings Company Limited (Stock Code: 8521), Best Mart 360 Holdings Limited (Stock Code: 2360) and Jianzhong Construction Development Limited (Stock Code: 589), all of which are listed on the Stock Exchange. He has resigned as Non-executive Director of China Weaving Materials Holdings Limited (Stock Code: 3778) and Bel Global Resources Holdings Limited (Stock Code: 761) (listing of which shares on the Stock Exchange has been cancelled with effect from 24 August 2018), with effect from 6 June 2019 and 21 August 2019 respectively. He is also an Executive Director of a private company, Hang Tung Resources Holding Limited, and holds directorship in various private companies. Mr. Sze is a Deputy Director of the National Committee of the Chinese People's Political Consultative Conference ("CPPCC") Subcommittee of Human Resources and Environment and an Executive Director of the Beijing Committee of the CPPCC and the Permanent Honorary President of the Chinese Manufacturers' Association of Hong Kong. He is also elected as a member of Election Committee of the Chief Executive of Hong Kong. Mr. Sze was appointed Justice of the Peace and awarded the Bronze Bauhinia Star by the Government of Hong Kong in 2011 and 2015 respectively.

Saved as disclosed above, Mr. Sze has not held any directorship in any other public listed companies in the last three years and does not have any relationship with any other directors or senior management or substantial or controlling shareholders of the Company.

No services contract has been entered into between Mr. Sze and the Company. Mr. Sze has no fixed term of service with the Company but he is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles of Association.

As at the Latest Practicable Date, Mr. Sze does not have any interest (within the meaning of Part XV of the Securities and Future Ordinance) in the Shares. For the financial year ended 30 June 2020, Mr. Sze is entitled to a director's fee of HK\$50,000 per annum, which is determined by reference to his duties and responsibilities with the Group, the Group's performance and the prevailing market situation.

Mr. Sze has confirmed in writing his independence in accordance with the Listing Rules. Based on such information and Mr. Sze's past performance, the Board believes that Mr. Sze continues to be independent.

The Company confirms that it is not aware of any other matters that need to be brought to the attention of the Shareholders in relation to the re-election of Mr. Sze and there is no other information which is required to be disclosed pursuant to Rule 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

Mr. Chan Ping Kuen, Derek, aged 66, was appointed as an Independent Non-executive Director on 7 March 2008. Mr. Chan has more than 30 years' experience in logistics industry and possesses extensive experience in distribution. Mr. Chan was a Founder and Director of various logistic companies and was a Director of a private company engaging in logistics and forwarding.

Mr. Chan has not held any directorship in any other public listed companies in the last three years and does not have any relationship with any other directors or senior management or substantial or controlling shareholders of the Company.

No services contract has been entered into between Mr. Chan and the Company. Mr. Chan has no fixed term of service with the Company but he is subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Articles of Association.

As at the Latest Practicable Date, Mr. Chan has interest in 200,000 Shares (within the meaning of Part XV of the Securities and Future Ordinance). For the financial year ended 30 June 2020, Mr. Chan is entitled to a director's fee of HK\$50,000 per annum, which is determined by reference to his duties and responsibilities with the Group, the Group's performance and the prevailing market situation.

Mr. Chan has confirmed in writing his independence in accordance with the Listing Rules. Based on such information and Mr. Chan's past performance, the Board believes that Mr. Chan continues to be independent.

The Company confirms that it is not aware of any other matters that need to be brought to the attention of the Shareholders in relation to the re-election of Mr. Chan and there is no other information which is required to be disclosed pursuant to the Rule 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

The following summarises the principal terms of the New Share Option Scheme to be conditionally approved by the Shareholders at the AGM but such summary does not form part of, nor is it intended to be, part of the New Share Option Scheme, nor should it be taken as affecting the interpretation of the rules of the New Share Option Scheme. The Directors reserve the right at any time prior to the AGM to make such amendments to the New Share Option Scheme as they may consider necessary or appropriate provided that such amendments do not conflict in any material respect with such terms as summarised in this Appendix and the Listing Rules and any other applicable laws.

(A) WHO MAY JOIN

The Board may invite any Eligible Person as the Board may in its absolute discretion select, having regard to each person's qualifications, skills, background, experience, service records and/or contribution or potential value to the relevant member(s) of the Group, to take up Options to subscribe for Shares at a price calculated in accordance with paragraph (C) below. It is expected that grantees of Options will make an effort to contribute to the development of the Group so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the Options granted and in turn benefiting the Company and the Shareholders as a whole.

(B) PURPOSES OF THE NEW SHARE OPTION SCHEME

The New Share Option Scheme is an incentive scheme to recognise the contributions of the Eligible Persons to the growth of the Group by rewarding and compensating them with opportunities to obtain ownership interest in the Company and to motivate and give incentives to these Eligible Persons to continue to contribute to the long term success and prosperity of the Group. By acquiring ownership interest in the Company, the following principal objectives can be achieved:

- (1) to optimise the performance and efficiency of the Eligible Persons for the benefit of the Group as well as to recruit and retain high calibre personnel for the Group; and
- (2) to align the interests of the Eligible Persons and the Shareholders.

(C) SUBSCRIPTION PRICE AND ACCEPTANCE PERIOD

The Subscription Price shall be a price determined by the Board at its absolute discretion and notified to an Eligible Person but shall not be less than the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date; and
- (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) business days immediately preceding the Offer Date.

Provided that where the Board proposes to grant Options under paragraphs (E)(ii) or (F)(ii) below, the date of the meeting of the Board proposing the relevant grant shall be deemed to be the Offer Date for the purpose of calculating the Subscription Price.

The Eligible Person must accept any such Offer notified to him or her within ten (10) business days from the Offer Date, failing which it shall be deemed to have been declined. Upon acceptance of the Offer, the Grantee shall pay HK\$1.00 to the Company as consideration for the grant.

(D) NUMBER OF SHARES SUBJECT TO THE NEW SHARE OPTION SCHEME

- (i) Subject to the provisions of paragraph (D)(ii) below,
 - (1) the total number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option scheme(s) of the Company must not in aggregate exceed ten (10) per cent. (the "Scheme Mandate Limit") of the Shares in issue at the date of approval of the New Share Option Scheme (assuming no further Shares will be issued or repurchased on or prior to the date of approval of the New Share Option Scheme, such ten (10) per cent. shall represent 683,118,258 Shares based on 6,831,182,580 issued Shares as at the Latest Practicable Date) unless the Company obtains a fresh approval from the Shareholders pursuant to paragraph(s) (D)(i)(2) and/or (3) below;

- (2) the Company may seek approval of the Shareholders in general meetings to refresh the Scheme Mandate Limit such that the total number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option scheme(s) of the Company shall not exceed ten (10) per cent. of the Shares in issue as at the date of such Shareholders' approval. The Company must issue a circular containing the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules to the Shareholders; and
 - (3) the Company may seek separate approval of the Shareholders in general meetings to grant Options over and above the Scheme Mandate Limit provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Persons specified by the Company before such approval is sought and for whom specific approval is then obtained. The Company must issue a circular containing the information required under Note 1 to Rule 17.03(3) of the Listing Rules to the Shareholders in connection with such grant.
- (ii) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option scheme(s) of the Company shall not, in aggregate exceed thirty (30) per cent. of the Shares in issue from time to time. No option may be granted under the New Share Option Scheme and any other option scheme(s) of the Company if such limit is exceeded.
 - (iii) If the Company conducts a share consolidation or subdivision after the 10% limit has been approved by the Shareholders in general meeting, the maximum number of Shares that may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option scheme(s) of the Company under the 10% limit as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same.

(E) MAXIMUM ENTITLEMENT OF EACH GRANTEE

- (i) Unless the approval of the Shareholders as contemplated under paragraph (E)(ii) below is obtained, the total number of Shares issued and to be issued upon exercise of the options granted to each Eligible Person under the New Share Option Scheme and any other share option scheme(s) of the Company (including exercised and outstanding options) in any 12-month period must not exceed one (1) per cent. of the Shares in issue.

- (ii) Where the Board proposes to grant an option to an Eligible Person under the New Share Option Scheme and/or any other share option scheme(s) of the Company and such further grant would result in such Eligible Person becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares (a) already issued under all the options previously granted to him or her which have been exercised; (b) issuable under all the options previously granted to him or her which are for the time being subsisting and unexercised; and (c) which were subject to options previously granted to him or her but for the time being having been cancelled in the past 12-month period up to and including the date of such further grant, exceeding one (1) per cent. of the Shares in issue for the time being, such further grant shall be separately approved by the Shareholders in general meetings (with such Eligible Person and his or her close associates (or his or her associates if such Eligible Person is a connected person) abstaining from voting). The relevant requirements under the Note to Rule 17.03(4) of the Listing Rules and other applicable statutory regulations or rules must be complied with.

(F) MAXIMUM ENTITLEMENT OF EACH GRANTEE WHO IS A CONNECTED PERSON

In addition to the approval of the Shareholder as set out in paragraphs (D)(i) and (E)(ii) above,

- (i) each grant of option to an Eligible Person who is a Director, chief executive or substantial shareholder of the Company or any of their respective associates, under the New Share Option Scheme and any other share option scheme(s) must be approved by the independent non-executive Director(s) (excluding the independent non-executive Director who is the grantee of the option); and

- (ii) where the Board proposes to grant any Option to an Eligible Person who is a substantial Shareholder or an independent non-executive Director or any of their respective associates, and such Option, if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding options) in the past 12-month period up to and including the date of grant:
- (1) representing in aggregate more than 0.1 per cent. of the total number of Shares in issue; and
 - (2) having an aggregate value (on the assumption that all such options had been exercised and all Shares allotted), based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant, in excess of HK\$5,000,000.00,

such further grant of Options must be approved by the Shareholders. The Company must send a circular to its shareholders containing the information required under Rule 17.04(3) of the Listing Rules. The proposed Grantee, his or her associates and all core connected persons of the Company must abstain from voting at the general meeting, except that any such person may vote against the relevant resolution at the general meeting provided that his or her intention to do so has been stated in the circular to be sent to the Shareholders. The Company must comply with Rules 13.40, 13.41 and 13.42 of the Listing Rules. Shareholders' approval as required under Rule 17.04(1) is also required for any change in the terms of Options granted to any Eligible Persons who is a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates.

(G) RESTRICTION ON TIME OF GRANT OF OPTIONS, EXERCISE PERIOD AND PERFORMANCE TARGET**Restriction on the time of grant of Options**

The Company may not grant any Options after inside information has come to the Company's knowledge, until such inside information has been announced in accordance with the Listing Rules. In particular, no Option may be granted during the period commencing one month immediately preceding the earlier of (i) the date of the Board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for the approval of the Company's interim, quarterly, half-year or annual results; and (ii) the deadline for the Company to publish its interim, quarterly, half-year or annual results announcement, and ending on the date of the results announcement. No Options may be granted during any period of delay in publishing a results announcement.

Exercise period

Subject to paragraphs (I), (J), (K) and (L) and unless otherwise determined by the Board and notified to the Grantee on or before the Offer Date, an Option may be exercised in accordance with the terms of the New Share Option Scheme at any time during the Option Period, subject to any restrictions or conditions on the exercise of the Options as the Board may determine.

The Option Period shall be notified by the Board to each Grantee upon grant of each Option, provided that it shall commence on a date not earlier than the Offer Date and not be more than ten (10) years from the Offer Date.

Performance target

There is no provision in the New Share Option Scheme to require a Grantee to fulfil any performance target or to hold the Option for a certain period before exercising the Option, but the Board may at its absolute discretion and from time to time provide such requirements in the Offer.

(H) NON-TRANSFERABILITY

An Option shall be personal to the Grantee and shall not be assignable, and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any Option (save that the Grantee may nominate a nominee in whose name the Shares issued pursuant to the New Share Option Scheme may be registered). Any breach of the foregoing shall entitle the Company to determine any outstanding Option or part thereof granted to such Grantee, whereupon the Option outstanding or part thereof shall be deemed to have lapsed.

(I) RIGHTS ON CEASING TO BE AN ELIGIBLE PERSON

- (i) Where the Grantee of an Option ceases to be an Eligible Person for any reason other than his or her death or termination of his or her employment or engagement or cessation of his or her directorship on one or more of the grounds set out in paragraph (P)(v) below, the Grantee may (if the date of cessation of employment or engagement or directorship is on or after the commencement of the Option Period) exercise the Option at any time on or before the date which is three (3) months after the date of cessation, to the extent exercisable as at the date of cessation but not so exercised, which date of cessation shall be the last actual working day with or for the relevant entity whether salary or compensation is paid in lieu or not, and the Board's decision in that regard shall be conclusive.
- (ii) Where the Grantee dies before exercising the Option in full and none of the events which would be a ground for termination of his or her employment or engagement or cessation of his or her directorship set out in paragraph (P)(v) below occurs, the legal personal representative(s) of the Grantee shall be entitled to exercise the Option up to the entitlement of such Grantee as at the date of death (to the extent not already exercised) within six (6) months from the date of death.

(J) WINDING-UP

In the event a notice is given by the Company to the Shareholders to convene a shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up the Company, the Company shall forthwith give notice thereof to the Grantee and the Grantee (or his or her legal personal representative(s)) may by notice in writing to the Company accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given (such notice to be received by the Company not later than two (2) business days prior to the proposed shareholders' meeting) exercise the Option (to the extent not already exercised) either to its full extent or to the extent specified in such notice and the Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed shareholders' meeting, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise.

(K) GENERAL OFFER

- (i) If a general offer (whether by way of takeover offer, share repurchase offer or otherwise in a like manner) is made to all the Shareholders (or all Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror), the Company shall use its reasonable efforts to procure that such offer is extended to all Grantees (on the same terms, mutatis mutandis, and assuming that such Grantee will become, by exercise of the Options granted to them (to the extent not already exercised), Shareholders). If the general offer becomes or is declared unconditional prior to the expiry date of the relevant Option, the Grantee shall be entitled to exercise the Option in full or in part (to the extent not already exercised) at any time within such period as shall be notified by the Company, provided that if, during such period, such person becomes entitled to exercise rights of compulsory acquisition of Shares pursuant to the Companies Ordinance and gives notices in writing to any holders of Shares that he intends to exercise such rights, Options (to the extent not already exercised) shall be and remain exercisable until one (1) month from the date of such notice.
- (ii) If a general offer by way of scheme of arrangement is made to all the Shareholders with the scheme having been approved by the necessary number of Shareholders at the requisite meetings, the Grantee (or his or her legal personal representative(s)) may thereafter (but before such time as may be specified by the Company in a notice to the Grantee) exercise the Option to its full extent or to the extent specified in his or her notice to the Company.

(L) COMPROMISE OR ARRANGEMENT WITH MEMBERS OR CREDITORS

In the event of a compromise or arrangement between the Company and its members or creditors being proposed in connection with the scheme for the reconstruction or amalgamation of the Company under the Companies Ordinance, the Company shall give notice thereof to all Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a compromise or arrangement and the Grantee may by notice in writing to the Company accompanied by the remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given (such notice to be received by the Company not later than two (2) business days prior to the proposed meeting) exercise the Option (to the extent not already exercised) either to its full extent or to the extent specified in such notice, and the Company shall as soon as possible and in any event not later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise credited as fully paid and register the Grantee as holder thereof. With effect from the date of such meeting, the rights of all Grantees to exercise their respective Options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all Options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of Options under this paragraph shall for the purposes of such compromise or arrangement form part of the issued Shares on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of the Grantees to exercise their respective Options shall with effect from the date of the making of the order by the court be restored in full but only to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the New Share Option Scheme) (provided that the Option Period shall accordingly be extended by the length of the period of suspension) as if such compromise or arrangement had not been proposed by the Company and no claim shall lie against the Company or any of its officers for any loss or damage sustained by any Grantee as a result of the aforesaid suspension.

(M) ADJUSTMENT

(i) Subject to paragraph (M)(ii) below, in the event of a capitalisation issue, rights issue, sub-division or consolidation of Shares or reduction of capital of the Company while any Option remains exercisable, such corresponding alterations (if any) shall be made to:

- (1) the number of Shares subject to the Options already granted; and/or
- (2) the Subscription Price,

provided that any such alteration shall be made on the basis that:

- (1) the aggregate Subscription Price payable by a Grantee on the full exercise of any Option shall remain as nearly as possible the same as it was before such event; and
- (2) the number of issued Shares to which Grantee is entitled as a percentage of the total number of issued Shares after such alteration shall remain the same as that to which he or she was entitled before such alteration,

and provided further that the supplementary guidance issued by the Stock Exchange on 5 September 2005 and other notes or guidance issued by the Stock Exchange from time to time shall be complied with. Any adjustments required under Rule 17.03(13) of the Listing Rules must give a Grantee the same proportion of the equity capital as that to which that Grantee was previously entitled, but no such adjustments may be made to the extent that a Share would be issued at less than its nominal value (if any). In respect of any such alterations (save those made on a capitalisation issue), an independent financial adviser or the auditors of the Company must confirm to the Directors in writing that such alterations satisfy the requirements set out in the Note to Rule 17.03(13) of the Listing Rules.

- (ii) For the avoidance of doubt, the issue by the Company of securities as consideration for or in connection with a transaction will not be regarded as a circumstance requiring adjustment.
- (iii) The capacity of the independent financial adviser or the auditors of the Company in paragraph (M)(i) is that of expert and not of arbitrator and its certification shall, in the absence of manifest error, be final and binding on the Company and the Grantees.

(N) ALTERATION OF RULES

- (i) Subject to paragraph (N)(iii) below, the provisions of the New Share Option Scheme other than those relating to the matters set out in Rule 17.03 of the Listing Rules and the definitions of “Eligible Person”, “Grantee” and “Option Period” may be altered from time to time in any respect by resolution of the Board. Other specified provisions of the New Share Option Scheme relating to, among other things, the matters set out in Rule 17.03 of the Listing Rules and the definitions of “Eligible Person”, “Grantee” and “Option Period” cannot be altered to the advantage of the Grantees or prospective Grantees save with the prior approval of the Shareholders in general meeting.
- (ii) No alteration of the New Share Option Scheme shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Grantees as would be required of the Shareholders under the Articles of Association for the time being for a variation of the rights attached to the Shares.
- (iii) Any alteration to the terms and conditions of the New Share Option Scheme which is of a material nature or any change to the terms of Options granted shall be approved by the Shareholders, save where such alteration takes effect automatically under the existing terms of the New Share Option Scheme.
- (iv) Any change to the authority of the Board in relation to any alteration to the terms of the New Share Option Scheme must be approved by the Shareholders in general meeting.
- (v) The amended terms of the New Share Option Scheme or the Options must still comply with the relevant requirements of Chapter 17 of the Listing Rules.

(O) RANKING OF THE SHARES

The Shares to be allotted and issued upon exercise of an Option will be subject to all the provisions of the Articles of Association for the time being in force and will rank pari passu with the fully paid Shares in issue on the date of allotment of the Shares upon exercise of the Option or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members, and accordingly will entitle the holders to have the same voting, transfer and other rights, including those arising on liquidation of the Company, and to participate in all dividends or other distributions paid or made on or after the date of allotment of the Shares upon exercise of the Option or, if that date falls on a day when the register of members of the Company is closed, then the first day of the re-opening of the register of members, other than any dividend or other distributions previously declared or recommended or resolved to be paid or made if the record date is before the date of allotment of the Shares upon exercise of the Option.

(P) LAPSE OF OPTION

An Option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of the periods referred to in paragraphs (I) or (L);
- (iii) subject to the competent court not making an order the effect of which is to prohibit the offeror to acquire the remaining Shares in the offer, the expiry of the period referred to in paragraph (K)(i);
- (iv) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in paragraph (K)(ii);
- (v) the date on which the Grantee ceases to be an Eligible Person by reason of the termination of his or her employment or engagement or cessation of his or her directorship on the grounds that he or she has been guilty of misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay debts or has become insolvent or has committed an act of bankruptcy or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or on any other ground on which an employer would be entitled to terminate his or her employment or engagement at common law or pursuant to any applicable laws or under the Grantee's service or engagement contract with the relevant entity. A resolution of the Board to the effect that the employment or engagement of a Grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive;

- (vi) the date of occurrence of any event(s), if any, whereby the relevant Option will lapse as prescribed under the Offer;
- (vii) subject to paragraph (J), the date of commencement of the winding-up of the Company; and
- (viii) where the Grantee commits a breach of paragraph (H), the date which the Board shall designate in the exercise of the Company's right to determine the Option thereunder.

(Q) CONDITIONS

The New Share Option Scheme is conditional on (i) the passing of the necessary resolution by the Shareholders in general meeting to approve and adopt the New Share Option Scheme; and (ii) the Listing Committee granting approval of the listing of, and permission to deal in, any Shares falling to be issued pursuant to the exercise of Options granted under the New Share Option Scheme.

(R) TERM OF THE NEW SHARE OPTION SCHEME

The New Share Option Scheme will remain in force for a period of ten (10) years commencing from the Adoption Date, after which no further Options shall be granted. The Options which are granted during the life of the New Share Option Scheme may, however, continue to be exercisable in accordance with their terms of issue, and the provisions of the New Share Option Scheme shall remain in full force and effect in respect thereof.

(S) CANCELLATION OF OPTIONS

Any cancellation of Options granted but not exercised shall require approval of the Board. Where the Board cancels Options and issues new ones to the same Eligible Person, the issue of such new Options may only be made under the New Share Option Scheme with available unissued Options (excluding the cancelled Options) within the limit approved by the Shareholders as mentioned in paragraph (D)(i).

(T) EARLY TERMINATION

The Company may by ordinary resolution in general meeting or the Board may at any time terminate the operation of the New Share Option Scheme. In such event, no further Options will be offered but the Options which are granted during the life of the New Share Option Scheme may continue to be exercisable in accordance with their terms of issue and, for such purposes only, the provisions of the New Share Option Scheme will remain in full force and effect.

NOTICE OF ANNUAL GENERAL MEETING



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 the annual general meeting (“AGM”) of the shareholders of Continental Holdings Limited (“Company”) will be held at Whampoa 01 & 02, 1/F, Harbour Grand Kowloon, 20 Tak Fung Street, Whampoa Garden, Hung Hom, Kowloon, Hong Kong on Tuesday, 22 December 2020 at 11:00 a.m. for the purpose of transacting the following business:

As ordinary business:

- (1) To receive and consider the audited consolidated financial statements and the reports of the directors and the independent auditor of the Company and its subsidiaries for the year ended 30 June 2020.
- (2)
 - (a) To re-elect Mr. Wong Edward Gwon-hing as an executive director of the Company.
 - (b) To re-elect Mr. Yam Tat Wing as a non-executive director of the Company.
 - (c) To re-elect Mr. Sze Irons as an independent non-executive director of the Company.
 - (d) To re-elect Mr. Chan Ping Kuen, Derek as an independent non-executive director of the Company.
 - (e) To authorise the board of directors of the Company to fix the directors’ remuneration.
- (3) To re-appoint BDO Limited as the independent auditor of the Company and authorise the directors of the Company to fix the auditor’s remuneration.

NOTICE OF ANNUAL GENERAL MEETING

And as special business, to consider and, if thought fit, to pass with or without modification the following resolutions of which resolutions numbered (4) to (7) will be proposed as ordinary resolutions:

ORDINARY RESOLUTIONS

- (4) **“THAT:**
- (a) subject to paragraph (b) below, the exercise by the directors of the Company during the Relevant Period (as defined below) of all the powers of the Company to purchase shares of the Company (“Shares”), subject to and in accordance with the applicable laws, be and is hereby generally and unconditionally approved;
 - (b) the total number of Shares which may be purchased pursuant to the approval in paragraph (a) above shall not exceed 10% of the total number of Shares in issue on the date of passing of this resolution, and the said approval shall be limited accordingly; and
 - (c) for the purpose of this resolution, “Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the revocation or variation of the authority given under this resolution by ordinary resolution of the shareholders of the Company in general meetings; or
 - (iii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held.”
- (5) **“THAT:**
- (a) subject to paragraph (b) below, the exercise by the directors of the Company during the Relevant Period (as defined below) of all the powers of the Company to issue, allot and deal with additional Shares and to make or grant offers, agreements and options during the Relevant Period which would or might require Shares to be issued, allotted or dealt with during or after the end of the Relevant Period be and is hereby generally and unconditionally approved;

NOTICE OF ANNUAL GENERAL MEETING

- (b) the total number of Shares issued, allotted, dealt with or agreed conditionally or unconditionally to be issued, allotted or dealt with, pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as defined below), or (ii) any option scheme or similar arrangement for the time being adopted by the Company for the granting or issuance of Shares or rights to acquire Shares, or (iii) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company, shall not exceed 20% of the total number of Shares in issue on the date of passing of this resolution; and
- (c) for the purposes of this resolution:
 - (i) “Relevant Period” shall have the same meaning as assigned to it under resolution numbered (4) set out in the notice convening this meeting;
 - (ii) “Rights Issue” means an offer of Shares open for a period fixed by the directors of the Company to the holders of Shares on a fixed record date in proportion to their then holdings of Shares (subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognized regulatory body or any stock exchange in any territory outside Hong Kong).”
- (6) “**THAT** subject to the passing of the resolutions numbered (4) and (5) above, the general mandate granted to the directors of the Company to issue, allot and deal with any additional Shares pursuant to resolution numbered (5) above be and is hereby extended by the addition thereto of the total number of Shares which may be purchased by the Company under the authority granted pursuant to resolution numbered (4) above, provided that such amount of Shares so purchased shall not exceed 10% of the total number of Shares in issue on the date of passing this resolution.”

NOTICE OF ANNUAL GENERAL MEETING

- (7) “**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting the listing of, and permission to deal in, any ordinary shares in the capital of the Company (“Shares”) or any part thereof to be issued pursuant to the exercise of any options that may be granted under the new share option scheme of the Company (the “New Share Option Scheme”, the rules of which are summarised in the circular dated 20 November 2020 of the Company and contained in the document marked “A” produced to the meeting and for the purposes of identification, signed by the chairman of the meeting), the New Share Option Scheme be and is hereby approved and adopted and the directors of the Company be and are hereby authorised to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the New Share Option Scheme including without limitation:
- (a) administering the New Share Option Scheme and granting options under the New Share Option Scheme;
 - (b) modifying and/or amending the New Share Option Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the New Share Option Scheme relating to modification and/or amendment and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange;
 - (c) issuing and allotting from time to time such number of Shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options granted under the New Share Option Scheme, subject to a maximum amount of 10% of the total number of issued Shares as at the date of approval of the New Share Option Scheme; and
 - (d) making application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be issued and allotted pursuant to the exercise of the options granted under the New Share Option Scheme.”

By Order of the Board
Chan Wai Lap, Victor
Chairman

Hong Kong, 20 November 2020

NOTICE OF ANNUAL GENERAL MEETING

Registered Office:

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

Notes:

- (a) Any member of the Company entitled to attend and vote at the AGM is entitled to appoint up to two individuals as his proxies to attend and vote instead of him. A proxy need not be a member of the Company.
- (b) Where there are joint registered holders of any share of the Company, any one of such persons may vote at the AGM, 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 AGM 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.
- (c) Completion and return of the form of proxy will not preclude a member from attending and voting at the AGM or any adjournment thereof if he so wishes. In that event, his form of proxy will be deemed to have been revoked.
- (d) 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 thereof must be delivered to the Company's share registrar, Computershare Hong Kong Investor Services Limited on 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding the AGM or any adjournment thereof.
- (e) For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 17 December 2020 to Tuesday, 22 December 2020 both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers 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 no later than 4:30 p.m. on Wednesday, 16 December 2020.
- (f) Shareholders are strongly encouraged to note the COVID-19 precautionary measures and special arrangements to be implemented at the AGM which are set out on the cover page and page 1 with heading "PRECAUTIONARY MEASURES FOR THE ANNUAL GENERAL MEETING" in the Company's circular and that NO refreshments, drinks or gifts will be provided. Shareholders are strongly encouraged to appoint the Chairman of the AGM as their proxy and submit their form of proxy as early as possible.