THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **Continental Holdings Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00513)

MAJOR AND CONNECTED TRANSACTIONS
PROPOSALS TO
(1) DISPOSE OF 25% INDIRECT INTERESTS IN A REDEVELOPMENT PROPERTY AT WAN CHAI ROAD;
(2) ACQUIRE 90% INDIRECT INTERESTS IN A REDEVELOPMENT PROPERTY AT CHEUNG WAH STREET;
(3) FORM JOINT VENTURES FOR THE REDEVELOPMENT PROPERTIES AT WAN CHAI ROAD AND CHEUNG WAH STREET; AND
(4) REPAY THE COMPANY SHAREHOLDER LOAN
AND
NOTICE OF GENERAL MEETING

A letter from the board of directors of Continental Holdings Limited is set out on pages 10 to 34 of this circular.

A notice convening the general meeting of Continental Holdings Limited to be held at Function Rooms 2 & 3, 3/F, The Mira Hong Kong, 118 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Monday, 17 December 2018 at 11:30 a.m. (or as soon as the annual general meeting of Continental Holdings Limited to be held at the same place and on the same date at 11:00 a.m. shall be concluded or adjourned) is set out at the end of this circular.

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

29 November 2018

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Accompanying document: Form of Proxy

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

"Acquisition (Equal Glory)"	the proposed acquisition of the Sale Shares (Equal Glory) and the Sale Loan (Equal Glory) from the Vendor (Equal Glory) by the Purchaser (Equal Glory) pursuant to the terms and conditions of the Agreement
"Agreement"	the sale and purchase agreement dated 29 October 2018 in respect of the Transactions, which was made between the Vendor (Equal Glory), the Purchaser (Equal Glory) (a wholly-owned subsidiary of the Company), the Vendor (Ontrack) (a wholly-owned subsidiary of the Company), the Purchaser (Ontrack), Tamar Investments (as the guarantor for the due performance of the obligations of the Vendor (Equal Glory) and the Purchaser (Ontrack) under the Agreement) and the Company (as the guarantor for the due performance of the obligations of the Purchaser (Equal Glory) and the Vendor (Ontrack) under the Agreement), as, where the context permits, amended and restated by the Amendment and Restatement Deed
"Amendment and Restatement Deed"	the amendment and restatement deed dated 2 November 2018 made between the Vendor (Equal Glory), the Purchaser (Equal Glory) (a wholly-owned subsidiary of the Company), the Vendor (Ontrack) (a wholly-owned subsidiary of the Company), the Purchaser (Ontrack), Tamar Investments (as the guarantor for the due performance of the obligations of the Purchaser (Ontrack)), Dr. Chan (as the guarantor for the due performance of the obligations of the Vendor (Equal Glory)) and the Company (as the guarantor for the due performance of the obligations of the Purchaser (Equal Glory) and the Vendor (Ontrack)) to amend and restate certain terms of the Agreement, the effect of which is that Tamar Investments will guarantee the performance of the Purchaser (Ontrack) whereas Dr. Chan will guarantee the performance of the Vendor (Equal Glory)
"Announcements"	the announcements dated 29 October 2018 and 2 November 2018 issued by the Company in respect of the Agreement

"associate"	as defined in Chapter 14A of the Listing Rules
"Bank Borrowings (Equal Glory)"	the outstanding financial borrowings and indebtedness (including all outstanding principal amount and unpaid interests accrued) owing by the PropCo Group (Equal Glory) to the bank creditor which has granted financial facilities and accommodation for the acquisition of the PropCo Group (Equal Glory) and/or the implementation of the Development Project (Equal Glory)
"Bank Borrowings (Ontrack)"	the outstanding financial borrowings and indebtedness (including all outstanding principal amount and unpaid interests accrued) owing by the PropCo Group (Ontrack) to the bank creditor which has granted financial facilities and accommodation for the acquisition of the PropCo Group (Ontrack) and/or the implementation of the Development Project (Ontrack)
"Board"	the board of Directors
"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
"Company Shareholder Loan"	the outstanding indebtedness (as principal, interest or otherwise) owing by the Company pursuant to a loan agreement dated 25 September 2017 between the Company as borrower and Tamar Investments as lender in relation to loan facilities in the amount of HK$350,000,000 granted to the Company. The loans facilities are unsecured, interest-bearing at 1.5% per annum, and repayable on 24 September 2020
"Completion"	the completion of the Disposal (Ontrack) or the Acquisition (Equal Glory), as the case may be, in accordance with the relevant terms and conditions of the Agreement

"Completion Date"	the day on which the Completion of the Disposal (Ontrack) or the Acquisition (Equal Glory) is to take place in accordance with the terms and conditions of the Agreement, being the fifth (5th) business day after the date on which the last in time of the Conditions are fulfilled or waived (if applicable), or such other date as may be agreed to between the parties in writing for such purposes
"Conditions"	the conditions precedent to Completion as set out in the Agreement and listed in the paragraph headed "1.4 Conditions precedent" in the Letter from the Board in this circular
"connected person"	as defined in Chapter 14A of the Listing Rules
"Consideration (Acquisition)"	the aggregate consideration payable by the Purchaser (Equal Glory) to the Vendor (Equal Glory) for the Sale Shares (Equal Glory) and the Sale Loan (Equal Glory) under the Agreement
"Consideration (Acquisition) Adjustment"	the adjustment to be made to the Consideration (Acquisition) by reference to 90% of the net current asset or deficit value of the PropCo Group (Equal Glory) as at Completion of the Acquisition (Equal Glory) in accordance with the terms of the Agreement
"Consideration (Disposal)"	the aggregate consideration payable by the Purchaser (Ontrack) to the Vendor (Ontrack) for the Sale Shares (Ontrack) and the Sale Loan (Ontrack) under the Agreement
"Consideration (Disposal) Adjustment"	the adjustment to be made to the Consideration (Disposal) by reference to 25% of the net current asset or deficit value of the PropCo Group (Ontrack) as at Completion of the Disposal (Ontrack) in accordance with the terms of the Agreement
"Development Project (Equal Glory)"	the redeveloping of the Property (Equal Glory) and the subsequent disposal thereof

"Development Project (Ontrack)"	the redeveloping of the Property (Ontrack)
"Directors"	the directors of the Company
"Disposal (Ontrack)"	the proposed disposal of the Sale Shares (Ontrack) and the Sale Loan (Ontrack) by the Vendor (Ontrack) to the Purchaser (Ontrack) pursuant to the terms and conditions of the Agreement
"Dr. Chan"	Dr. Chan Sing Chuk, Charles, an executive Director of the Company
"Enlarged Group"	the Company and its subsidiaries after Completion of the Acquisition (Equal Glory) and the Disposal (Ontrack)
"General Meeting"	the general meeting of the Company to be convened at Function Rooms 2 & 3, 3/F, The Mira Hong Kong, 118 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on 17 December 2018 at 11:30 a.m. (or as soon as the annual general meeting of Continental Holdings Limited to be held at the same place and on the same date at 11:00 a.m. shall be concluded or adjourned), or any adjournment thereof, to consider and, if thought fit, approve the Transactions, the notice of which is set out at the end of this circular
"Group"	the Company and its subsidiaries for the time being
"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
"Independent Board Committee"	the independent committee of the Board, comprising the independent non-executive Directors, namely, Mr. Yu Shiu Tin, Paul, *BBS, MBE, JP*, Mr. Chan Ping Kuen, Derek, Mr. Sze Irons, *BBS, JP* and Mr. Cheung Chi Fai, Frank

"Independent Financial Adviser" or "Lego Corporate Finance"	Lego Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions
"Independent Shareholders"	the Shareholders who are not required to abstain from voting on the Transactions under the Listing Rules and the applicable law
"Initial Consideration (Acquisition)"	an amount equal to 90% of a sum the amount of which is equal to HK$295,680,000 (representing the value of the Property (Equal Glory) as agreed by the immediate parties to the Acquisition (Equal Glory)) minus the Bank Borrowings (Equal Glory) at Completion of the Acquisition (Equal Glory)
"Initial Consideration (Disposal)"	an amount equal to 25% of a sum the amount of which is equal to HK$1,219,200,000 (representing the value of the Property (Ontrack) as agreed by the immediate parties to the Disposal (Ontrack)) minus the Bank Borrowings (Ontrack) at Completion of the Disposal (Ontrack)
"JV (Equal Glory)"	the joint venture to be formed between the Purchaser (Equal Glory) and Plenty Business on Completion of the Acquisition (Equal Glory) for the single purpose of undertaking and implementing the Development Project (Equal Glory) pursuant to the JV (Equal Glory) Agreement
"JV (Equal Glory) Agreement"	the shareholders agreement to be entered into on Completion of the Acquisition (Equal Glory) between the Purchaser (Equal Glory), the Company as the guarantor of the Purchaser (Equal Glory), Plenty Business, Plenty Business's ultimate beneficial owner listed on the Stock Exchange as its guarantor and the PropCo (Equal Glory) in respect of the PropCo (Equal Glory) and the Development Project (Equal Glory)
"JV (Equal Glory) Formation"	the formation of the JV (Equal Glory)

"JV (Ontrack)"	the joint venture to be formed between the Vendor (Ontrack) and the Purchaser (Ontrack) on Completion of the Disposal (Ontrack) for the single purpose of undertaking and implementing the Development Project (Ontrack) pursuant to the JV (Ontrack) Agreement
"JV (Ontrack) Agreement"	the shareholders agreement to be entered into on Completion of the Disposal (Ontrack) between the Vendor (Ontrack), the Company as the guarantor of the Vendor (Ontrack), the Purchaser (Ontrack), Tamar Investments as the guarantor of the Purchaser (Ontrack) and the PropCo (Ontrack) in respect of the PropCo (Ontrack) and the Development Project (Ontrack)
"JV (Ontrack) Formation"	the formation of the JV (Ontrack)
"Latest Practicable Date"	26 November 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Long Stop Date"	31 March 2019 or such later day as the parties to the Agreement may agree in writing
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"Plenty Business"	Plenty Business Limited, a company incorporated in the British Virgin Islands with limited liability, being the 10%-shareholder of PropCo (Equal Glory). It is a party to the JV (Equal Glory) Agreement and an investment holding company
"PRC"	the People's Republic of China, for the purpose of this circular, excluding Hong Kong, Macau Special Administration Region of the People's Republic of China and Taiwan

"PropCo (Equal Glory)"	Equal Glory Limited, a company incorporated in the British Virgin Islands with limited liability and owned as to 90% by the Vendor (Equal Glory) and 10% by Plenty Business as at the Latest Practicable Date. It is a party to the JV (Equal Glory) Agreement and an investment holding company
"PropCo Group (Equal Glory)"	the PropCo (Equal Glory) and its subsidiaries
"PropCo Group (Ontrack)"	the PropCo (Ontrack) and its subsidiary
"PropCo (Ontrack)"	Ontrack Ventures Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Vendor (Ontrack) as at the Latest Practicable Date. It is a party to the JV (Ontrack) Agreement and an investment holding company
"Property (Equal Glory)"	the land and properties located at Nos. 7, 7A, 9 and 9A of Cheung Wah Street, Cheung Sha Wan, which is currently held by the PropCo Group (Equal Glory)
"Property (Ontrack)"	the interests in the land and properties located at No.232 Wan Chai Road, Hong Kong, which is currently held by the PropCo Group (Ontrack)
"Purchaser (Equal Glory)"	Radiant Achieve Limited, a wholly owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability. It is an investment holding company and a party to each of the Agreement and the JV (Equal Glory) Agreement
"Purchaser (Ontrack)"	Luminous Fortune Limited, a company incorporated in the British Virgin Islands with limited liability and indirectly owned by Dr. Chan, Ms. Cheng Siu Yin, Shirley and Mr. Chan Wai Lap, Victor, all of whom are executive Directors. It is an investment holding company and a party to each of the Agreement and the JV (Ontrack) Agreement

"Sale Loan (Equal Glory)"	90% of the outstanding loan and indebtedness owed by the PropCo Group (Equal Glory) to the shareholders of PropCo (Equal Glory) (being the Vendor (Equal Glory) and Plenty Business) or their associates, if any, at Completion of the Acquisition (Equal Glory)
"Sale Loan (Ontrack)"	25% of the outstanding loan and indebtedness owed by the PropCo Group (Ontrack) to the Vendor (Ontrack) or its associates, if any, at Completion of the Disposal (Ontrack)
"Sale Shares (Equal Glory)"	such issued and fully paid ordinary shares in the PropCo (Equal Glory) as shall represent 90% of the entire issued share capital of the PropCo (Equal Glory) at Completion of the Acquisition (Equal Glory)
"Sale Shares (Ontrack)"	such issued and fully paid ordinary shares in the PropCo (Ontrack) as shall represent 25% of the entire issued share capital of the PropCo (Ontrack) at Completion of the Disposal (Ontrack)
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
"Share"	an issued ordinary share of the Company
"Shareholder"	shareholder of the Company
"sq. ft."	square feet
"sq. m."	square metre
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tamar Investments"	Tamar Investments Group Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by Dr. Chan, Ms. Cheng Siu Yin, Shirley and Mr. Chan Wai Lap, Victor, all of them are executive Directors of the Company. It is an investment holding company and a party to each of the Agreement and the JV (Ontrack) Agreement

"Transactions"	collectively the transactions under the Agreement, including the Disposal (Ontrack), the Acquisition (Equal Glory), the JV (Ontrack) Formation, the JV (Equal Glory) Formation and the repayment of the Company Shareholder Loan in accordance with the Agreement
"Vendor (Equal Glory)"	Fairy Tale International Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Dr. Chan. It is a party to the Agreement and an investment holding company
"Vendor (Ontrack)"	Globe Deal Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company. It is an investment holding company and a party to each of the Agreement and the JV (Ontrack) Agreement

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

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

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

29 November 2018

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTIONS
PROPOSALS TO
(1) DISPOSE OF 25% INDIRECT INTERESTS IN
A REDEVELOPMENT PROPERTY AT WAN CHAI ROAD;
(2) ACQUIRE 90% INDIRECT INTERESTS IN
A REDEVELOPMENT PROPERTY AT CHEUNG WAH STREET;
(3) FORM JOINT VENTURES
FOR THE REDEVELOPMENT PROPERTIES
AT WAN CHAI ROAD AND CHEUNG WAH STREET; AND
(4) REPAY THE COMPANY SHAREHOLDER LOAN

INTRODUCTION

On 29 October 2018 (after trading hours), the Agreement in respect of the Transactions was entered into between the Vendor (Equal Glory), the Purchaser (Equal Glory) (a wholly-owned subsidiary of the Company), the Vendor (Ontrack) (a wholly-owned subsidiary of the Company), the Purchaser (Ontrack), Tamar Investments (as the guarantor for the due performance of the obligations of the Vendor (Equal Glory) and the Purchaser (Ontrack) under the Agreement) and the Company (as the guarantor for the due performance of the obligations of the Purchaser (Equal Glory) and the Vendor (Ontrack) under the Agreement). The Transactions under the Agreement involve the Disposal (Ontrack), the Acquisition (Equal Glory), the JV (Ontrack) Formation, the JV (Equal Gory) Formation and the repayment of the Company Shareholder Loan.

On 2 November 2018 (after trading hours), the Amendment and Restatement Deed was made between the Vendor (Equal Glory), the Purchaser (Equal Glory) (a wholly-owned subsidiary of the Company), the Vendor (Ontrack) (a wholly-owned subsidiary of the Company), the Purchaser (Ontrack), Tamar Investments (as the guarantor for the due performance of the obligations of the Purchaser (Ontrack)), Dr. Chan (as the guarantor for the due performance of the obligations of the Vendor (Equal Glory)) and the Company (as the guarantor for the due performance of the obligations of the Purchaser (Equal Glory) and the Vendor (Ontrack)) to amend and restate certain terms of the Agreement, the effect of which is that Tamar Investments will guarantee the performance of the Purchaser (Ontrack) whereas Dr. Chan will guarantee the performance of the Vendor (Equal Glory). Other than the amendment mentioned above, all other material terms of the Agreement shall remain unchanged and continue to be in force and effect in all respects.

The Disposal (Ontrack), the Acquisition (Equal Glory), the JV (Ontrack) Formation and the JV (Equal Glory) Formation constitute a major transaction for the Company under Chapter 14 of the Listing Rules, and they are subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. The Disposal (Ontrack), the Acquisition (Equal Glory) and the JV (Ontrack) Formation constitute non-exempt connected transactions for the Company under Chapter 14A of the Listing Rules.

The purpose of this circular is to provide the Shareholders with the relevant information with respect to the Transactions and a notice to convene the General Meeting to seek the requisite Independent Shareholders' approval of the Transactions.

An Independent Board Committee comprising the independent non-executive Directors, namely, Mr. Yu Shiu Tin, Paul, *BBS, MBE, JP*, Mr. Chan Ping Kuen, Derek, Mr. Sze Irons, *BBS, JP* and Mr. Cheung Chi Fai, Frank, has been established to advise the Independent Shareholders on the Transactions and to make recommendations to the Independent Shareholders as to how to vote at the General Meeting. Lego Corporate Finance has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on those matters.

The Board looks forward to welcoming the Shareholders at the General Meeting, at which ordinary resolutions will be proposed to consider and, if thought fit, approve the Transactions.

A. TRANSACTIONS UNDER THE AGREEMENT

1. Disposal (Ontrack)

1.1 Immediate parties to the Disposal (Ontrack)

(a) Vendor (Ontrack) – Globe Deal Investments Limited, as the vendor. It is a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company.

(b) Purchaser (Ontrack) – Luminous Fortune Limited, as the purchaser. It is a company incorporated in the British Virgin Islands with limited liability. Its principal business activity is investment holding. It is owned indirectly by Dr. Chan, Ms. Cheng Siu Yin, Shirley and Mr. Chan Wai Lap, Victor, all of whom are executive Directors. Therefore, it is a connected person of the Company.

(c) Guarantor of Vendor (Ontrack) – The Company, as the guarantor for the due performance of the obligations of the Vendor (Ontrack) under the Agreement.

(d) Guarantor of Purchaser (Ontrack) – Tamar Investments, as the guarantor for the due performance of the obligations of the Purchaser (Ontrack) under the Agreement. Tamar Investments is a controlling shareholder and a connected person of the Company.

1.2 Assets

Pursuant to the Agreement, the Vendor (Ontrack) shall sell and assign to the Purchaser (Ontrack):

(a) the Sale Shares (Ontrack), representing 25% of the entire issued share capital of the PropCo (Ontrack) and

(b) the Sale Loan (Ontrack), representing 25% of all the loan and indebtedness owed by the PropCo Group (Ontrack) to the Vendor (Ontrack) or its associates at Completion of the Disposal (Ontrack).

As at 30 September 2018, the outstanding principal amount of all the loan and indebtedness owed by the PropCo Group (Ontrack) to the Vendor (Ontrack) and its associates was approximately HK$301,483,000. After Completion of the Disposal (Ontrack), the Vendor (Ontrack) and the Purchaser (Ontrack) will have interests in those outstanding loan and indebtedness owing by the PropCo Group (Ontrack) in proportion to their shareholdings in PropCo (Ontrack).

The PropCo Group (Ontrack)'s principal asset is the Property (Ontrack). The Property (Ontrack) is a piece of land located at No. 232 Wan Chai Road, Hong Kong.

1.3 Consideration (Disposal)

The Consideration (Disposal) for the Sale Shares (Ontrack) and the Sale Loan (Ontrack) will be equal to the amount of the Initial Consideration (Disposal) and subject to the Consideration (Disposal) Adjustment as at Completion of the Disposal (Ontrack).

The Initial Consideration (Disposal) is an amount equal to 25% of a sum, the amount of which is equal to HK$1,219,200,000 minus the Bank Borrowings (Ontrack) as at Completion of the Disposal (Ontrack). The sum of HK$1,219,200,000 represents the value of the Property (Ontrack) as agreed by the immediate parties to the Disposal (Ontrack). It is equivalent to 96% of the market value of the Property (Ontrack) appraised by an independent professional valuer engaged by the Group at approximately HK$1,270,000,000 as at 30 September 2018. The valuation report on the Property (Ontrack) in compliance with the Listing Rules is set out in Appendix V to this circular.

In arriving at the amount of the Initial Consideration (Disposal), the Bank Borrowings (Ontrack) as at Completion of the Disposal (Ontrack) will be deducted from such amount as they will remain as outstanding liabilities of the PropCo Group (Ontrack) after Completion of the Disposal (Ontrack). Based on the outstanding principal amount of the Bank Borrowings (Ontrack) (before interests) of HK$472,000,000 as at 30 September 2018, the Initial Consideration (Disposal) is estimated to be approximately HK$186,800,000. On Completion of the Disposal (Ontrack), the final amount of the Initial Consideration (Disposal) will be ascertained based on the actual amount of the Bank Borrowings (Ontrack) (inclusive of all unpaid interests then accrued) as at the close of business of the Completion Date accordingly.

The amount of the Consideration (Disposal) will be further adjusted by reference to the Consideration (Disposal) Adjustment to account for 25% of the net current asset or deficit value of the PropCo Group (Ontrack) as at Completion of the Disposal (Ontrack). The values of the Property (Ontrack), the Bank Borrowings (Ontrack) and its outstanding loan and indebtedness owed by the PropCo Group (Ontrack) to the Vendor (Ontrack) or its associates will be excluded for the purpose of calculating the net current asset or deficit value of the PropCo Group (Ontrack) at Completion of the Disposal (Ontrack). Completion accounts of the PropCo Group (Ontrack) will be prepared for this purpose. Such completion accounts will be audited following the Completion of the Disposal (Ontrack) to verify the adjustment amount, with any difference in amount to be made up/refunded in cash by the relevant parties in accordance with the Agreement. The amount of adjustment will not be substantial since the PropCo Group (Ontrack) has no other material current assets and liabilities.

At Completion of the Disposal (Ontrack), the Initial Consideration (Disposal), (after taking into account the Consideration (Disposal) Adjustment (if any)), receivable by the Group will be set off against the repayment of the Company Shareholder Loan as described in section C below. The finalized amount of adjustment based on the audited completion accounts of the PropCo Group (Ontrack) will be payable in cash by the Vendor (Ontrack) (if it is a negative figure) or the Purchaser (Ontrack) (if it is a positive figure) following Completion of the Disposal (Ontrack) in accordance with the Agreement. Any adjustment amount received in cash by the Group is used as working capital of the Group.

1.4 Conditions precedent

Completion of both of the Disposal (Ontrack) and the Acquisition (Equal Glory) (see section 2 below) is subject to satisfaction or (where applicable) waiver of the following Conditions:

(a) the Purchaser (Equal Glory) having been satisfied with a due diligence review of the affairs of the PropCo Group (Equal Glory), including the title to the Property (Equal Glory) and that the PropCo Group (Equal Glory) does not have any undisclosed material indebtedness or liabilities to any parties;

(b) Plenty Business having executed and delivered a waiver waiving and renouncing its rights (including any rights of pre-emption) in relation to any restrictions or conditions of the Transactions;

(c) the circular in respect of the Transactions having been issued and despatched by the Company on or before 29 November 2018 or such other date as agreed by the Company;

(d) the Independent Shareholders having duly passed the resolutions to approve the Transactions;

(e) no indication from the Stock Exchange having been received by any party to the effect that the listing of the Shares will or may be withdrawn or objected to for any reason attributable to the Transactions;

(f) no material adverse change having occurred in relation to the PropCo Group (Ontrack) or the PropCo Group (Equal Glory) which is likely to have a material adverse effect on the financial position, business, assets and property (including its title interests and rights to and in the Property (Ontrack) or Property (Equal Glory)) or results of operations of the PropCo Group (Ontrack) or the PropCo Group (Equal Glory);

(g) the representations and warranties given by the Vendor (Ontrack) and the Vendor (Equal Glory) being true and accurate, and not misleading, in any material respects;

(h) the relevant bank creditors under the Bank Borrowings (Ontrack) and the Bank Borrowings (Equal Glory) having given all requisite consents and approvals for the consummation of the Transactions and, where relevant, such consents and approvals becoming unconditional; and

(i) the full valuation reports in respect of the Property (Ontrack) and Property (Equal Glory) having been prepared in accordance with the Listing Rules, showing that their market values are not less than HK$1,270,000,000 and HK$308,000,000, respectively.

The Purchaser (Equal Glory) may waive any of the Conditions (a), (f) and (g) in so far as the Conditions relate to the Acquisition (Equal Glory); and the Purchaser (Ontrack) may waive any of the Conditions (f) and (g) in so far as the Conditions relate to the Disposal (Ontrack). The Condition (c) shall not be waived but the Company may at its sole discretion extend the deadline for fulfilment of the Condition (c) to such later date as it shall solely determine. Despite the foregoing provisions, no waiver shall be given (and if given, shall not be effective) in respect of any Condition if such waiver would result in or likely to result in any party of the Agreement or the PropCo Group (Equal Glory) or the PropCo Group (Ontrack) breaching any regulatory requirements to which any party of the Agreement or the PropCo Group (Equal Glory) or the PropCo Group (Ontrack), as the case may be, is subject.

If any of the Conditions is not satisfied or (where applicable) waived on or before the Long Stop Date (i.e. 31 March 2019), the Agreement shall be terminated automatically in which case all rights and obligations of the parties under the Agreement shall terminate and no party shall have any claim against the others.

As at the Latest Practicable Date, Conditions (b) and (i) have been satisfied.

1.5 Completion of the Disposal (Ontrack)

Completion of the Disposal (Ontrack) shall take place on the fifth (5th) business day after the date on which the last in time of the Conditions are fulfilled or waived (if applicable), or such other date as may be agreed to between the parties in writing for such purposes.

Under the Agreement, Completion of the Disposal (Ontrack) will not take place unless Completion of the Acquisition (Equal Glory) also takes place contemporaneously with it.

After Completion of the Disposal (Ontrack), the PropCo (Ontrack) will become a 75%-owned subsidiary in the Group. The assets, liabilities and results of the PropCo Group (Ontrack) will remain to be consolidated into the consolidated financial statements of the Group.

1.6 Gain on Disposal (Ontrack)

It is expected that the Group will recognise a gain of approximately HK$5,396,000 on the disposal of 25% of equity interest in PropCo (Ontrack), which is calculated as the difference between the consideration received and 25% of the net assets value of the PropCo Group (Ontrack) (adjusted against of the Sale Loan (Ontrack)). Since the disposal of 25% equity interest in PropCo (Ontrack) is an equity transaction, the said amount will be recognised in the equity of the Group. The actual amount of the gain arising from the Disposal (Ontrack) to be recognised by the Group can only be determined at Completion and will be subject to final audit by the Company's auditor.

1.7 JV (Ontrack) Formation

The Group will continue to undertake the development project at the Property (Ontrack) after Completion of the Disposal (Ontrack). Accordingly, subject to and upon Completion of the Disposal (Ontrack), the Vendor (Ontrack) and the Purchaser (Ontrack) as shareholders of the PropCo (Ontrack) will enter into the JV (Ontrack) Agreement to establish PropCo (Ontrack) as a corporate joint venture to undertake the Development Project (Ontrack).

(a) Parties and date

The JV (Ontrack) Agreement between, among other parties, the Vendor (Ontrack), the Purchaser (Ontrack) and the PropCo (Ontrack) will be entered into on Completion of the Disposal (Ontrack).

(b) Purpose

The PropCo Group (Ontrack)'s sole principal purpose is to undertake and implement the Development Project (Ontrack) at the Property (Ontrack).

(c) Financing

The JV (Ontrack) Agreement will provide for, among other things, the respective capital contribution commitments of the shareholders of the PropCo (Ontrack) to finance the development costs to complete the Development Project (Ontrack). The development costs to complete the Development Project (Ontrack) are intended to be funded as to approximately 80% by bank borrowings, with the remainder by further shareholders' loans advanced to the PropCo Group (Ontrack) by the shareholders of PropCo (Ontrack) on a pro rata basis.

The PropCo Group (Ontrack) has secured a loan facility from a bank to finance 80% of the expected construction costs and professional fees (subject to a maximum of HK$400,000,000) as primary development costs of the Development Project (Ontrack). This facility has not yet been utilized. After Completion of the Disposal (Ontrack), the Vendor (Ontrack) and the Purchaser (Ontrack) are expected to provide their guarantees as security to the financing bank severally on a pro rata basis in accordance with the JV (Ontrack) Agreement. The Company will comply with the relevant requirements of the Listing Rules in due course.

After Completion of the Disposal (Ontrack), the total capital commitments of the shareholders of PropCo (Ontrack) to finance the development costs to complete the Development Project (Ontrack) are estimated to be approximately HK$500,000,000 of which approximately HK$375,000,000 is made by the Vendor (Ontrack) and approximately HK$125,000,000 is made by the Purchaser (Ontrack). This amount has taken into account the shareholders' loans from the shareholders of the PropCo Group (Ontrack) and their several guarantees to secure the bank borrowings of the PropCo Group (Ontrack) for the development costs.

As the Vendor (Ontrack) and the Purchaser (Ontrack) will also provide their guarantees as security to the financing bank severally on a pro rata basis for the Bank Borrowings (Ontrack), the total capital commitments on the part of the Vendor (Ontrack) and the Purchaser (Ontrack) in respect of the Development Project (Ontrack) are estimated at approximately HK$729,000,000 and HK$243,000,000 respectively.

(d) Profit and loss

The profit and loss of the PropCo (Ontrack) will be shared amongst the Vendor (Ontrack) and the Purchaser (Ontrack), as shareholders of the PropCo (Ontrack), in proportion to their respective shareholdings in PropCo (Ontrack).

(e) Board of directors

The Purchaser (Ontrack) has right to appoint and remove 1 director to the board of directors of PropCo (Ontrack). The Vendor (Ontrack) will be entitled to appoint and remove any number of directors to the board of directors of PropCo (Ontrack), which entitles and effectively confers rights on the Group to appoint and remove a majority of the members of the board of directors of the PropCo (Ontrack) after Completion of the Disposal (Ontrack).

2. Acquisition (Equal Glory)

2.1 Immediate parties to the Acquisition (Equal Glory)

(a) Vendor (Equal Glory) – Fairy Tale International Limited, as the vendor. It is a company incorporated in the British Virgin Islands with limited liability. Its principal business activity is investment holding. It is wholly owned by Dr. Chan, an executive Director, and is a connected person of the Company.

(b) Purchaser (Equal Glory) – Radiant Achieve Limited, as the purchaser. It is a company incorporated in the British Virgin Islands with limited liability. It is a wholly owned subsidiary of the Company.

(c) Guarantor of Vendor (Equal Glory) – Dr. Chan, as the guarantor for the due performance of the obligations of the Vendor (Equal Glory) under the Agreement. Dr. Chan is an executive Director and a connected person of the Company.

(d) Guarantor of Purchaser (Equal Glory) – The Company, as the guarantor for the due performance of the obligations of the Purchaser (Equal Glory) under the Agreement.

2.2 Assets

Pursuant to the Agreement, the Vendor (Equal Glory) shall sell and assign to the Purchaser (Equal Glory):

(a) the Sale Shares (Equal Glory), representing 90% of the entire issued share capital of the PropCo (Equal Glory) and

(b) the Sale Loan (Equal Glory), representing 90% of all the loan and indebtedness owed by the PropCo Group (Equal Glory) to the shareholders of PropCo (Equal Glory) or their respective associates at Completion of the Acquisition (Equal Glory).

As at 30 September 2018, the outstanding principal amounts of the loans and indebtedness owed by the PropCo Group (Equal Glory) to the Vendor (Equal Glory) (or its associates) and Plenty Business (or its associates) were approximately HK$192,416,000 and HK$34,272,000, respectively. Such loans are unsecured, interest-free and have no fixed term of repayment. After Completion of the Acquisition (Equal Glory), the Purchaser (Equal Glory) and Plenty Business will have interests in those outstanding loan and indebtedness owing by the PropCo Group (Equal Glory) in proportion to their shareholdings in PropCo (Equal Glory).

PropCo (Equal Glory) is the holding company in the PropCo Group (Equal Glory). Its only principal assets are direct and indirect interests in the Property (Equal Glory) located at Nos. 7, 7A, 9 and 9A of Cheung Wah Street, Cheung Sha Wan, Hong Kong.

2.3 Consideration (Acquisition)

The Consideration (Acquisition) for the Sale Shares (Equal Glory) and the Sale Loan (Equal Glory) will be equal to the amount of the Initial Consideration (Acquisition) and subject to Consideration (Acquisition) Adjustment.

The Initial Consideration (Acquisition) is an amount equal to 90% of a sum, the amount of which is equal to HK$295,680,000 minus the Bank Borrowings (Equal Glory) as at Completion of the Acquisition (Equal Glory). The sum of HK$295,680,000 represents the value of the Property (Equal Glory) as agreed by the immediate parties to the Acquisition (Equal Glory). It is equivalent to 96% of the market value of the Property (Equal Glory) appraised by an independent professional valuer engaged by the Group at approximately HK$308,000,000 as at 30 September 2018. The valuation report on the Property (Equal Glory) in compliance with the Listing Rules is set out in Appendix IV to this circular.

In arriving at the amount of the Initial Consideration (Acquisition), the Bank Borrowings (Equal Glory) as at Completion of the Acquisition (Equal Glory) will be deducted from such amount as they will remain as outstanding liabilities of the PropCo Group (Equal Glory) after Completion of the Acquisition (Equal Glory). Based on the outstanding principal amount of the Bank Borrowings (Equal Glory) (before interests) of HK$118,000,000 as at 30 September 2018, the Initial Consideration (Acquisition) is expected to be approximately HK$159,912,000. On Completion of the Acquisition (Equal Glory), the final amount of the Initial Consideration (Acquisition) will be ascertained based on the actual amount of the Bank Borrowings (Equal Glory) (inclusive of all unpaid interests then accrued) as at the close of business of the Completion Date accordingly.

The amount of the Consideration (Acquisition) will be adjusted by reference to the Consideration (Acquisition) Adjustment to account for 90% of the net current asset or deficit value of the PropCo Group (Equal Glory) as at Completion of the Acquisition (Equal Glory). The values of the Property (Equal Glory), the Bank Borrowings (Equal Glory) and the outstanding loan and indebtedness owed by the PropCo Group (Equal Glory) to the shareholders of PropCo (Equal Glory) or their associates will be excluded for the purpose of calculating the net current asset or deficit value of the PropCo Group (Equal Glory) at Completion of the Acquisition (Equal Glory). Completion accounts of the PropCo Group (Equal Glory) will be prepared for this purpose. Such completion accounts will be audited following the Completion of the Acquisition (Equal Glory) to verify the adjustment amount, with any difference in amount to be made up/refunded in cash by the relevant parties in accordance with the Agreement. The amount of adjustment will not be substantial since the PropCo Group (Equal Glory) has no other material current assets and liabilities.

At Completion of the Acquisition (Equal Glory), a sum representing the Initial Consideration (Acquisition) after taking into account the Consideration (Acquisition) Adjustment (if any) will be settled in cash by the Group. The finalized amount of adjustment based on the audited completion accounts of the PropCo Group (Equal Glory) will be payable in cash by the Vendor (Equal Glory) (if it is a negative figure) or the Purchaser (Equal Glory) (if it is a positive figure) following Completion of the Acquisition (Equal Glory) in accordance with the Agreement.

2.4 Conditions precedent

The Acquisition (Equal Glory) is subject to satisfaction or (where applicable) waiver of the Conditions in paragraph 1.4 above.

2.5 Completion of the Acquisition (Equal Glory)

Completion of the Acquisition (Equal Glory) shall take place on the fifth (5th) business day after the date on which the last in time of the Conditions are fulfilled or waived (if applicable), or such other date as may be agreed to between the parties in writing for such purposes.

Under the Agreement, Completion of the Acquisition (Equal Glory) will not take place unless Completion of the Disposal (Ontrack) also takes place contemporaneously with it.

After Completion of the Acquisition (Equal Glory), PropCo (Equal Glory) will become a 90%-owned subsidiary of the Company. The assets, liabilities and results of the PropCo Group (Equal Glory) will be consolidated into the consolidated financial statements of the Group.

2.6 JV (Equal Glory) Formation

The Group will continue to undertake the redevelopment project at the Property (Equal Glory). Accordingly, subject to and upon Completion of the Acquisition (Equal Glory), the Purchaser (Equal Glory) and Plenty Business as shareholders of PropCo (Equal Glory) will enter into the JV (Equal Glory) Agreement to establish PropCo (Equal Glory) as a corporate joint venture to undertake the Development Project (Equal Glory).

Parties and date

The JV (Equal Glory) Agreement between, among other parties, Plenty Business, the Purchaser (Equal Glory) and PropCo (Equal Glory) will be entered into on Completion of the Acquisition (Equal Glory).

At present, Plenty Business is a shareholder holding the remaining 10% shareholdings of PropCo (Equal Glory). Its principal business activity is investment holding. The ultimate beneficial owner of Plenty Business is Union Medical Healthcare Limited, a company listed on the Main Board of the Stock Exchange with stock code 2138. As disclosed in its annual report for the year ended 31 March 2018, Union Medical Healthcare Limited operates as a medical and healthcare service provider in Hong Kong. It is principally engaged in the provision of medical, quasi-medical and traditional beauty services and sale of skincare and beauty products in Hong Kong, Macau and the PRC. Union Medical Healthcare Limited also through its indirectly wholly-owned subsidiary formed a joint venture with an indirectly wholly-owned subsidiary of the Company to invest in a company which is mainly engaged in the operation of retail and trading of a branded fashion jewellery.

Save as disclosed above, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, Plenty Business and its ultimate beneficial owners are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

Purpose

The PropCo Group (Equal Glory)'s sole principal purpose is to undertake and implement the Development Project (Equal Glory) at the Property (Equal Glory).

Financing

The JV (Equal Glory) Agreement will provide for, among other things, the respective capital contribution commitments of the shareholders of PropCo (Equal Glory) to finance the development costs to complete the Development Project (Equal Glory). After Completion of the Acquisition (Equal Glory), the development costs to complete the Development Project (Equal Glory) is intended to be funded as to approximately 80% by bank borrowings with the remainder by further shareholders' loans advanced to the PropCo Group (Equal Glory) by the shareholders of PropCo (Equal Glory) on a pro rata basis.

The PropCo Group (Equal Glory) is also negotiating with a bank to secure a loan facility to finance 80% of the expected construction costs and professional fees as primary development costs of the Development Project (Equal Glory). The Company is expecting to secure this facility before the Completion Date. The Purchaser (Equal Glory) and Plenty Business will be required to provide security to the financing bank severally on a pro rata basis in accordance with the JV (Equal Glory) Agreement. The Company will comply with the relevant requirements of the Listing Rules in due course.

The total capital commitments of the shareholders of PropCo (Equal Glory) to finance the development costs to complete the Development Project (Equal Glory) are estimated to be approximately HK$200,000,000 of which approximately HK$180,000,000 is made by the Purchaser (Equal Glory) and approximately HK$20,000,000 is made by Plenty Business. This amount has taken into account the shareholders' loans from the shareholders of the PropCo Group (Equal Glory) and their several guarantees to secure the bank borrowings of the PropCo Group (Equal Glory) for the development costs.

As the Purchaser (Equal Glory) and Plenty Business will also provide their guarantees as security to the financing bank severally on a pro rata basis for the Bank Borrowings (Equal Glory), the total capital commitments on the part of the Purchaser (Equal Glory) and Plenty Business in respect of the Development Project (Equal Glory) are estimated to be approximately HK$286,200,000 and HK$31,800,000 respectively.

Profit and loss

The profit and loss of PropCo (Equal Glory) will be shared amongst the Purchaser (Equal Glory) and Plenty Business, as shareholders of PropCo (Equal Glory), in proportion to their respective shareholdings in PropCo (Equal Glory).

Board of directors

Plenty Business has right to appoint and remove up to 1 director to the board of directors of PropCo (Equal Glory). The Purchaser (Equal Glory) will be entitled to appoint and remove any number of directors to the board of directors of PropCo (Equal Glory), which entitles and effectively confers rights on the Group to appoint and remove a majority of the members of the board of directors of PropCo (Equal Glory) after Completion of the Acquisition (Equal Glory).

B. INFORMATION ON THE ASSETS SUBJECT TO THE DISPOSAL (ONTRACK) AND ACQUISITION (EQUAL GLORY)

The PropCo Group (Ontrack)

1. PropCo (Ontrack) was incorporated in the British Virgin Islands with limited liability. Through its wholly-owned subsidiary, PropCo (Ontrack) is holding the property interests in the Property (Ontrack). The Group completed the acquisition of the Property (Ontrack) through its acquisition of the PropCo Group (Ontrack) at a consideration of approximately HK$1,180,000,000 on 25 October 2017.

2. A summary of the consolidated financial information of the PropCo Group (Ontrack) is set out below:

	For the year ended 30 June 2018 (audited) *Approximately HK$000*	**For six months ended 30 June 2017 (audited)** *Approximately HK$000*	**For the year ended 31 December 2016 (audited)** *Approximately HK$000*
Net profit before taxation and extraordinary items	65,449	310,241	52,484
Net profit after taxation and extraordinary items	65,449	259,009	43,711

The significant fluctuation in the financial performance of the PropCo Group (Ontrack) for the respective year/period was mainly due to gains arising from changes in fair value of the investment property, which account for approximately HK$66,416,000, HK$310,494,000 and HK$53,292,000 for the year ended 30 June 2018, six months ended 30 June 2017 and year ended 31 December 2016 respectively. The net profit of the PropCo Group (Ontrack) was mainly contributed by the fair value gain of the investment property for each of the year ended 30 June 2018, six months ended 30 June 2017 and year ended 31 December 2016.

3. The unaudited net asset value of the PropCo Group (Ontrack) as at 30 September 2018 amounted to approximately HK$427,090,000. As at 30 September 2018, the outstanding principal amount of the Bank Borrowings (Ontrack) (before interests) stood at approximately HK$472,000,000. The Bank Borrowings (Ontrack) are currently guaranteed by the Group. After Completion of the Disposal (Ontrack), the Vendor (Ontrack) and the Purchaser (Ontrack) are expected to provide their guarantees as security to the financing bank severally on a pro rata basis in accordance with the JV (Ontrack) Agreement.

   By taking the Initial Consideration (Disposal) at approximately HK$186.8 million, it would represent a premium of approximately 2.6% over the total net book value of the Sale Shares (Ontrack) and Sale Loan (Ontrack) of approximately HK$182 million as at 30 June 2018.

The PropCo Group (Equal Glory)

4. PropCo (Equal Glory) was incorporated in the British Virgin Islands with limited liability. Through its wholly-owned subsidiaries, PropCo (Equal Glory) is holding the property interests in the Property (Equal Glory). The PropCo Group (Equal Glory) completed the acquisition of the Property (Equal Glory) at a total cost of approximately HK$295,000,000 (before transaction costs and expenses) on 25 July 2018.

5. A summary of the unaudited consolidated financial information of the PropCo Group (Equal Glory) for the period from 14 May 2018 (date of incorporation of PropCo (Equal Glory)) to 30 September 2018 is set out below:

	For the period ended 30 September 2018 *Approximately HK$'000*
Net loss before taxation and extraordinary items	(80)
Net loss after taxation and extraordinary items	(80)

6. The unaudited net liabilities value of the PropCo Group (Equal Glory) as at 30 September 2018 amounted to approximately HK$80,000. As at 30 September 2018, the outstanding principal amount of the Bank Borrowings (Equal Glory) (before interests) stood at approximately HK$118,000,000. They are currently guaranteed solely by Dr. Chan. After Completion of the Acquisition (Equal Glory), the bank borrowings of the PropCo Group (Equal Glory) are expected to be guaranteed by the Purchaser (Equal Glory) and Plenty Business severally on a pro rata basis in accordance with the JV (Equal Glory) Agreement.

C. REPAYMENT OF THE COMPANY SHAREHOLDER LOAN AND SET-OFF

1. Under the Agreement, the Company conditionally agreed to fully repay, at Completion, the Company Shareholder Loan to Tamar Investments, subject to set-off arrangement mentioned below. At present, the outstanding principal amount of the Company Shareholder Loan is HK$350,000,000, which is unsecured and bears interests at 1.5% per annum. The Company Shareholder Loan will be due for repayment on 24 September 2020.

2. The repayment of the Company Shareholder Loan is subject to and conditional on the satisfaction or (where applicable) waiver of the Conditions in paragraph 1.4 above, including the approval of both of the Disposal (Ontrack) and the Acquisition (Equal Glory).

3. Pursuant to the Agreement, the Initial Consideration (Disposal) (after taking into account the Consideration (Disposal) Adjustment (if any)) receivable by the Group will be set off against the repayment of the Company Shareholder Loan by the Company on a "dollar-for-dollar" basis with effect from Completion. The Company will repay the net balance of the Company Shareholder Loan after the set-off, upon which its obligations and liabilities to Tamar Investments in respect of the Company Shareholder Loan will be taken as fully discharged.

4. For illustration purpose, assuming the Initial Consideration (Disposal) is held at approximately HK$186,800,000 and taking the Company Shareholder Loan only at its outstanding principal amount of HK$350,000,000, the net balance of the Company Shareholder Loan after the set-off is estimated at approximately HK$163,200,000, before adjustment and finalization of the amounts involved in the set-off. After taking the Consideration (Acquisition) at approximately HK$159,912,000 (before adjustment) payable by the Group, the aggregate cash outflow of the Group is estimated at approximately HK$323,112,000.

5. The Group intends to use its existing cash resources to fund the cash outflow from the Transactions.

D. FINANCIAL EFFECT OF THE TRANSACTIONS

Upon Completion, the PropCo (Ontrack) will remain as a 75%-owned subsidiary of the Company. The assets, liabilities and financial results of the PropCo Group (Ontrack) will continue to be consolidated in the financial statements of the Group. In addition, the PropCo (Equal Glory) will become a 90%-owned subsidiary of the Company, resulting in the PropCo Group (Equal Glory)'s assets, liabilities and financial results being consolidated into the consolidated financial statements of the Group.

Earnings

The principal businesses of the PropCo Group (Ontrack) and the PropCo Group (Equal Glory) will remain to be property development after Completion. The Group's intention is to hold the PropCo Group (Ontrack)'s underlying property at Wan Chai for long term investment purpose after the completion of the development project. During the development stage, there will not be material revenue from the operations of the PropCo Group (Ontrack) apart from any gain recorded on change in the fair value of its property, which is non-recurring in nature. The Group expects that after completion of the development project, the PropCo Group (Ontrack) will be able to deliver a stable source of income from its rental and other property related revenue stream received.

For the PropCo Group (Equal Glory), the Group's intention is to develop its underlying property in Cheung Sha Wan for sale after completion of the development project. During the development stage, there will not be material revenue from the operations of the PropCo Group (Equal Glory). The Group accordingly expects that after completion of its development project, the revenue generated from the PropCo Group (Equal Glory)'s property sales made will be able to enlarge and strengthen the Group's revenue base.

Assets and liabilities

As at 30 June 2018 the Group's consolidated net assets value was approximately HK$2,244 million, and its total assets and total liabilities stood at approximately HK$3,475 million and HK$1,230 million respectively. Based on the unaudited pro forma financial information of the Enlarged Group in Appendix III to this circular and assuming the Acquisition (Equal Glory) and the Disposal (Ontrack) had been completed and the repayment of the Company Shareholder Loan had been made on 30 September 2018 in accordance with the Agreement, the net assets value of the Group would have been increased by approximately HK$182 million, whereas its total assets and total liabilities would have decreased by approximately HK$25 million and HK$207 million respectively. The net current assets of the Group would have decreased by approximately HK$168 million. Further details are set out in the unaudited pro forma financial information of the Enlarged Group in Appendix III to this circular.

E. REASONS FOR, AND BENEFITS OF, THE TRANSACTIONS

1. The Company, through its subsidiaries, is principally engaged in the design, manufacturing, marketing and trading of fine jewellery and diamonds, property investment and development, mining operation and other investment.

2. The Group has been engaged in property investment and development for years. In the property investment, the Group has sold the Continental Place, a self-developed property located at No. 236-242 Des Voeux Road Central, Hong Kong, with total consideration of approximately HK$1,133.5 million (including the 3 pre-sold floors of HK$133.5 million classified as revenue) and recognised segment profit of approximately HK$40.1 million during the financial year of 2017. The Group acquired the PropCo Group (Ontrack) holding the Property (Ontrack) at approximately HK$1,180 million in October 2017. The Group completed its disposal of a 50% owned joint venture which holds the "Bauhinia Square", an eleven-floored shopping mall located in Yangpu District of Shanghai, for HK$1,305.8 million in April 2018. The Group also completed its acquisition of 12 floors of Glassview Commercial Building in Yuen Long at HK$129 million on 22 October 2018. The Group has experience and financial capability to engage in property investment and development business and will continue to develop this segment.

3. The Group's management has been actively looking to diversify the revenue sources of the Group and will continue to seek other business or investment opportunities for a more attractive return on equity for its shareholders and create shareholders' value through prudent investments in properties and business or projects with promising potentials. The Group's decision to invest in the Property (Equal Glory) and the Property (Ontrack) is made in furtherance of its principal activities. The Property (Equal Glory) is currently in the process of redevelopment. Despite the fact that certain notices and orders are currently registered against the Property (Equal Glory), the Company considers that the rectification work for such notices and orders will be addressed following the demolition of the existing tenement blocks. The demolition works of the existing tenement blocks is expected to start in or around February 2019 and complete in or around the second quarter of 2019. The Group intends to redevelop the Property (Equal Glory) into a premium grade residential tower to diversify the property investments of the Group. The expected completion date of the redevelopment is around the second quarter of 2022. The Company intends to redevelop the Property (Equal Glory) in compliance with the relevant covenants and/or restrictions to which the Property (Equal Glory) is subject (including the zoning plan and the government lease as more particularly described in Appendix IV). Therefore, the Company does not foresee any difficulty in complying with any covenants and/or restrictions to which the Property (Equal Glory) is subject or in obtaining any requisite licences for the redevelopment. In making decisions to invest in the Property (Equal Glory), the Group took into account the following main factors:

   (a) Location and surrounding – It is situated on the north-western side of Cheung Wah Street its junction with Cheung Sha Wan Road in Cheung Sha Wan of Kowloon Peninsula. The immediate locality is a residential and industrial area where developments in the vicinity comprise a mixture of medium/high- rise private residential buildings, public housing blocks, high-rise industrial buildings, aged tenement blocks and educational institutions. Accessibility to the property is good as various modes of public transportation facilities such as franchised buses, taxies and public light buses are conveniently available in this locality. The MTR Cheung Sha Wan is within 5-10 minutes' walking distance.

   (b) Development – The Property (Equal Glory) is situated within an area zoned as "Residential (Group A) 8" under the approved Cheung Sha Wan Outline Zoning Plan. According to the Notes of this plan, the zone is intended primarily for high-density residential developments. The two 5-storey existing buildings erected on the Property (Equal Glory) will be demolished. The development to be erected on the Property (Equal Glory) is expected to be a 25-storey residential development over 2-storey of retail podium.

(c) Investment opportunity – This investment offers an opportunity to the Group to invest in one of the fastest growing residential areas in Hong Kong. The Property (Equal Glory) is within districts undergoing active redevelopments. The management of the Group is optimistic about the potential return from this investment opportunity.

4. Property (Ontrack)'s site area is approximately 539 sq. m.. The Group intends to redevelop the Property (Ontrack) into a premium grade office and retail composite tower of approximately 26 storeys tall with a gross floor area of approximately 8,066 sq. m.. It is the intention of the Group to hold it for long term leasing investment purpose. It has the following features:

   (a) Location and Surrounding – It is situated at No. 232 Wan Chai Road, Wan Chai, Hong Kong. The immediate locality is a commercial area where developments in the vicinity comprise a mixture of medium/high-rise commercial buildings and hotel. Accessibility to the property is good as various modes of public transportation facilities such as franchised buses, taxies and public light buses are conveniently available in this locality. The MTR Wan Chai station is within 8-10 minutes' walking distance.

   (b) Development – The Property (Ontrack) is situated within an area zoned as "Other Specified Uses" under the Draft Wan Chai Outline Zoning Plan. The Property (Ontrack) will be developed into a block of 26-storey office and retail composite building. The total planned gross floor area of the Property (Ontrack) is expected to be about 8,066 sq.m. The proposed development expected to be completed in the end of 2021. The Property (Ontrack) is currently undergoing installation of foundation works.

   (c) Investment opportunity – This investment offers an opportunity to the Group to invest in one of the fastest growing office and retail areas in Hong Kong. The Property (Ontrack) is within districts undergoing active redevelopments. The management of the Group is optimistic about the potential return from this investment opportunity.

5. The establishment of JV (Equal Glory) and JV (Ontrack) to undertake the Development Project (Equal Glory) and Development Project (Ontrack) with the respective joint venture partners enables the Group to diversify the investment and capital commitment risks for long term investment and construction projects. Through such joint venture structures, the Group will be able to make a better and more efficient use of the Group's own capital resources for other investments that the Group may identify in the future.

6. The Group considers the repayment of the Company Shareholder Loan (which will fall due in September 2020) in full saves the financing costs and interests expenses, and affords additional flexibility to the management of the Company to better manage the resources of the Group for its business. The Group is expecting to save financing costs and interests expenses totaling at approximately HK$10,428,000 which would be preserved within the Group for its use.

7. As set out in the circular of the Company dated 2 March 2018, the Group stated that it intends to allocate, out of the net proceeds of the disposal of 50% of the issued shares of Wealth Plus Developments Limited and 50% of the shareholder loans owing by Wealth Plus Developments Limited by Master Gold Development Limited to A Glory Communications Limited, for the purposes stated in the circular other than for repayment of the outstanding loans owed by the Group to its controlling shareholder, Tamar Investments, or its associates. If the repayment of the Company Shareholder Loan becomes unconditional, the Company will apply such net proceeds of the Disposal for such purpose. The repayment will immediately reduce the Group's gearing and save unnecessary interest expenses of the Group to the benefits of the Group. The Board considers that the Independent Shareholders' sanction of this change of use of proceeds will be in the interests of the Company having regard to, among other things, the financial position and cash resources of the Group.

8. The terms of the Agreement were negotiated on an arm's length basis. The Directors (other than the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee in this circular) are of the view that the terms of the Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

F. LISTING RULES IMPLICATIONS

1. The highest of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal (Ontrack), the Acquisition (Equal Glory), the JV (Ontrack) Formation and the JV (Equal Glory) Formation fall between 25% and 100%. Accordingly, they constitute a major transaction for the Company under Chapter 14 of the Listing Rules, and they are subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

2. In addition, the Purchaser (Ontrack) is indirectly owned by Dr. Chan, Ms. Cheng Siu Yin, Shirley and Mr. Chan Wai Lap, Victor, all of whom are executive Directors. The Vendor (Equal Glory) is also wholly owned by Dr. Chan. The Purchaser (Ontrack) and the Vendor (Equal Glory) are therefore connected persons of the Company. Accordingly, the Disposal (Ontrack), the Acquisition (Equal Glory) and the JV (Ontrack) Formation constitute non-exempt connected transactions for the Company under Chapter 14A of the Listing Rules.

3. Given that the Disposal (Ontrack) and the Acquisition (Equal Glory) are inter-conditional on each other; and the JV (Equal Glory) Formation, the JV (Ontrack) Formation and the repayment of the Company Shareholder Loan are subject to and conditional upon the Completion of the Disposal (Ontrack) and the Acquisition (Equal Glory), the Transactions comprising all of these transactions would be subject to the approval of the Independent Shareholders in accordance with in Chapter 14A of the Listing Rules.

4. Dr. Chan and his family members, Mr. Chan Wai Lap, Victor, Ms. Cheng Siu Yin, Shirley and Ms. Chan Wai Kei, Vicki had material interest in the Transactions and had abstained from voting on the resolutions of the Board approving the Transactions.

5. The Company will convene the General Meeting, at which ordinary resolutions to approve the Transactions will be proposed for consideration and passing by the Independent Shareholders.

6. 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. None of them have any interests in the Transactions. They have been appointed to establish the Independent Board Committee to advise the Independent Shareholders in respect of the Transactions.

7. Lego Corporate Finance Limited has been appointed as the independent financial adviser to advise the Independent Board Committee as to whether the terms of the Transactions are fair and reasonable and whether they are in the interests of the Company and the Shareholders as a whole and the Independent Board Committee will advise the Independent Shareholders as to how to vote on the resolution(s) approving the Transactions at the General Meeting.

8. Tamar Investments, holding a total of 5,063,395,220 Shares (or approximately 74.12% of the issued share capital of the Company as at the Latest Practicable Date), is a party to the Agreement. Under the Listing Rules, Tamar Investments and its associates will abstain from voting on any of the resolutions to approve the Transactions at the General Meeting.

9. Plenty Business and its associates holding any Shares are also required to abstain from voting on any of the resolutions to approve the Transactions at the General Meeting. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, Plenty Business and its associates were not holding any Shares at the Latest Practicable Date.

G. GENERAL MEETING AND BOOK CLOSE

1. A notice of the General Meeting to be held at Function Rooms 2 & 3, 3/F, The Mira Hong Kong, 118 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Monday, 17 December 2018 at 11:30 a.m. (or as soon as the annual general meeting of Continental Holdings Limited to be held at the same place and on the same date at 11:00 a.m. shall be concluded or adjourned) is set out at the end of this circular. A form of proxy for use in connection with the General Meeting is enclosed with this circular.

2. The Shareholders will be asked to consider and, if thought fit, to pass the ordinary resolutions proposed at the General Meeting (the text of which being set out in the notice of General Meeting) approving the Transactions.

3. In compliance with Rule 13.39(4) of the Listing Rules, the ordinary resolutions proposed at the General Meeting will be voted by poll. The voting results of the General Meeting will be announced pursuant to Rule 13.39(5) of the Listing Rules.

4. Whether or not you are able to attend and vote at the General Meeting, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and deliver, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, to the registered office of the Company at Flats M and N, 1/F., Kaiser Estate, Phase III, 11 Hok Yuen Street, Hunghom, Kowloon, Hong Kong as soon as possible and in any event not later than 11:30 a.m. on 15 December 2018 (or if the General Meeting is adjourned, not less than 48 hours before the time appointed for the holding of the adjourned General Meeting). Completion and return of the form of proxy will not preclude you from attending and voting in person at the General Meeting or any adjournment thereof should you so wish.

5. For determining the entitlement to attend and vote at the General Meeting, the register of members of the Company will be closed from 12 December 2018 to 17 December 2018, both dates inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the General Meeting, all duly completed and signed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen' s Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 11 December 2018.

H. RECOMMENDATION

Consistent with the voting recommendations from both of the Independent Board Committee and Lego Corporate Finance, the Board recommends all Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the General Meeting.

I. ADDITIONAL INFORMATION

The relevant Transactions are subject to the satisfaction or (where applicable) waiver of the Conditions in accordance with the terms of the Agreement as described in this circular. There is no assurance they will be completed eventually. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

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

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

The following is the text of the letter of recommendation to the Independent Shareholders from the Independent Board Committee regarding the Transactions for the purpose of incorporation in this circular:

CONTINENTAL
HOLDINGS LIMITED
恒和珠寶集團有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 00513)

29 November 2018

To the Independent Shareholders

Dear Sirs,

MAJOR AND CONNECTED TRANSACTIONS
PROPOSALS TO
(1) DISPOSE OF 25% INDIRECT INTERESTS IN
A REDEVELOPMENT PROPERTY AT WAN CHAI ROAD;
(2) ACQUIRE 90% INDIRECT INTERESTS IN
A REDEVELOPMENT PROPERTY AT CHEUNG WAH STREET;
(3) FORM JOINT VENTURES
FOR THE REDEVELOPMENT PROPERTIES
AT WAN CHAI ROAD AND CHEUNG WAH STREET; AND
(4) REPAY THE COMPANY SHAREHOLDER LOAN
AND
NOTICE OF GENERAL MEETING

We refer to the circular dated 29 November issued by the Company (the ''Circular'') of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed as the Independent Board Committee to advise you as to whether, in our opinion, the terms of the Transactions are fair and reasonable as far as the Independent Shareholders are concerned and the Transactions are in the interests of the Company and the Shareholders as a whole. Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 37 to 68 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 10 to 36 of the Circular and the additional information set out in the appendices to the Circular.

Having taken into account the terms of the Transactions (as set out in the Agreement) and the advice of the Independent Financial Adviser, we consider that the Transactions are on normal commercial terms or better and in the ordinary and usual course of business of the Company, that the Transactions are fair and reasonable as far as the Independent Shareholders are concerned and that the Transactions are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the General Meeting to approve the Transactions.

Yours faithfully,
Independent Board Committee

Mr. Yu Shiu Tin, Paul *BBS, MBE, JP*	**Mr. Chan Ping Kuen, Derek**	**Mr. Sze, Irons** *BBS, JP*	**Mr. Cheung Chi Fai, Frank**

Independent non-executive Directors

The following is the full text of the letter of advice from Lego Corporate Finance Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, in respect of the Transactions, which has been prepared for the purpose of inclusion in this circular.

Lego Corporate Finance Limited
力高企業融資有限公司

29 November 2018

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

**MAJOR AND CONNECTED TRANSACTIONS
PROPOSALS TO
(1) DISPOSE OF 25% INDIRECT INTERESTS IN
A REDEVELOPMENT PROPERTY AT WAN CHAI ROAD;
(2) ACQUIRE 90% INDIRECT INTERESTS IN
A REDEVELOPMENT PROPERTY AT CHEUNG WAH STREET;
(3) FORM JOINT VENTURES
FOR THE REDEVELOPMENT PROPERTIES
AT WAN CHAI ROAD AND CHEUNG WAH STREET;
AND
(4) REPAY THE COMPANY SHAREHOLDER LOAN**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Transactions, details of which are contained in the Announcements and the letter from the Board (the "Letter from the Board") contained in the circular of the Company dated 29 November 2018 (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 29 October 2018 (after trading hours), the Agreement in respect of the Transactions was entered into between the Vendor (Equal Glory), the Purchaser (Equal Glory) (a wholly-owned subsidiary of the Company), the Vendor (Ontrack) (a wholly-owned subsidiary of the Company), the Purchaser (Ontrack), Tamar Investments (as the guarantor for the due performance of the obligations of the Vendor (Equal Glory) and the Purchaser (Ontrack) under the Agreement) and the Company (as the guarantor for the due performance of the obligations of the Purchaser (Equal Glory) and the Vendor (Ontrack) under the Agreement). The Transactions under the Agreement involve the Disposal (Ontrack), the Acquisition (Equal Glory), the JV (Ontrack) Formation, the JV (Equal Glory) Formation and the repayment of the Company Shareholder Loan. Pursuant to the Amendment and Restatement Deed dated 2 November 2018, Tamar Investments will guarantee the performance of the Purchaser (Ontrack) whereas Dr. Chan will guarantee the performance of the Vendor (Equal Glory). Other than the amendment mentioned above, all other material terms of the Agreement shall remain unchanged and continue to be in force and effect in all respects.

The highest of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal (Ontrack), the Acquisition (Equal Glory), the JV (Ontrack) Formation and the JV (Equal Glory) Formation fall between 25% and 100%. Accordingly, such transactions constitute a major transaction for the Company under Chapter 14 of the Listing Rules, and are subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. In addition, the Purchaser (Ontrack) is indirectly owned by Dr. Chan, Ms. Cheng Siu Yin, Shirley and Mr. Chan Wai Lap, Victor, all of whom are executive Directors. The Vendor (Equal Glory) is also wholly owned by Dr. Chan. The Purchaser (Ontrack) and the Vendor (Equal Glory) are therefore connected persons of the Company. Accordingly, the Disposal (Ontrack), the Acquisition (Equal Glory) and the JV (Ontrack) Formation constitute non-exempt connected transactions for the Company under Chapter 14A of the Listing Rules. Given that the Disposal (Ontrack) and the Acquisition (Equal Glory) are inter-conditional on each other; and the JV (Equal Glory) Formation, the JV (Ontrack) Formation and the repayment of the Company Shareholder Loan are subject to and conditional upon the Completion of the Disposal (Ontrack) and the Acquisition (Equal Glory), the Transactions comprising all of these transactions would be subject to the approval of the Independent Shareholders in accordance with Chapter 14A of the Listing Rules.

The Company will convene the General Meeting, at which ordinary resolutions to approve the Transactions will be proposed for consideration and passing by the Independent Shareholders. Tamar Investments, holdings a total of 5,063,395,220 Shares (or approximately 74.12% of the issued share capital of the Company as at the Latest Practicable Date), is a party to the Agreement. Under the Listing Rules, Tamar Investments and its associates will abstain from voting on any of the resolutions to approve the Transactions at the General Meeting. Plenty Business and its associates holding any Shares are also required to abstain from voting on any of the resolutions to approve the Transactions at the General Meeting. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, Plenty Business and its associates were not holding any Shares as at the Latest Practicable Date.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Yu Shiu Tin Paul, *BBS, MBE, JP*, Mr. Chan Ping Kuen, Derek, Mr. Sze Irons, *BBS, JP* and Mr. Cheung Chi Fai, Frank, has been established pursuant to the Listing Rules to advise the Independent Shareholders in respect of the Transactions and to make a recommendation as to whether the Transactions are on normal commercial terms or better and in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and as to voting in respect of the relevant resolutions at the General Meeting. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any relationships with or interests in the Company that could reasonably be regarded as relevant to the independence of Lego Corporate Finance Limited. In the last two years, there was no engagement between the Group and Lego Corporate Finance Limited. Apart from normal professional fees paid or payable to us in connection with our appointment as the Independent Financial Adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Company. Accordingly, we are qualified to give independent advice in relation to the Transactions.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information provided by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date hereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the date of the General Meeting and all such statements of belief, opinions and intention of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors, the management of the Group, and/or the advisers of the Group. We have also sought and received confirmation from the management of the Group that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and/or the management of the Group are true, accurate, complete and not misleading in all material respects at the time they were made and continue to be so until the date of the General Meeting. The Company shall inform the Independent Shareholders as soon as possible if there is any material change to such information and representations in accordance with the Listing Rules until the date of the General Meeting.

We consider that we have reviewed the relevant information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and/or the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company or any of its subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendations with respect to the Transactions to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors and reasons:

1. Background information on the Group

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. Set out in Table 1 below is a summary of the audited consolidated financial information of the Group for each of the three years ended 30 June 2016, 2017 and 2018 as extracted from the annual report of the Company for the year ended 30 June 2017 (the "Annual Report 2017") and the annual report of the Company for the year ended 30 June 2018 (the "Annual Report 2018"), respectively.

Table 1: Financial highlights of the Group

	For the year ended 30 June		
	2018	**2017**	**2016**
	(audited)	**(audited)**	**(audited)**
	(HK'000)	*(HK'000)*	*(HK'000)*
Revenue			
Design, manufacturing, marketing and trading of fine jewellery and diamonds	386,262	483,084	543,152
Property investment	912	133,500	–
Mining operation	–	8,981	9,056
Investment	4,708	1,728	367
	391,882	**627,293**	**552,575**
Profit/(loss) for the year attributable to owners of the Company	**354,759**	**98,306**	**(175,666)**

	As at 30 June		
	2018	**2017**	**2016**
	(audited)	**(audited)**	**(audited)**
	(HK'000)	*(HK'000)*	*(HK'000)*
Non-current assets	2,055,883	1,658,321	1,995,173
Current assets	1,418,842	656,544	959,471
Current liabilities	703,048	232,997	783,033
Net current assets	715,794	423,547	176,438
Non-current liabilities	527,394	237,403	447,670
Net assets	2,244,283	1,844,465	1,723,941

For the year ended 30 June 2017

For the year ended 30 June 2017, the Group recorded revenue of approximately HK$627.29 million, representing an increase of approximately 13.52% as compared to revenue of approximately HK$552.58 million for the year ended 30 June 2016. According to the Annual Report 2017, such increase in revenue was mainly attributable to the properties sale of HK$133.50 million arising from the sale of Continental Place, a property located at No. 236-242 Des Voeus Road Central, Hong Kong ("Continental Place"). For the year ended 30 June 2017, the Group recorded profit attributable to owners of the Company of approximately HK$98.31 million against the loss of approximately HK$175.67 million as recorded for the previous year. Based on the Annual Report 2017, such turnaround from loss to profit for the year was mainly due to (i) the one-off gain arising from the disposal of a subsidiary of the Company; and (ii) share of profit of joint venture mainly arising from change in fair value of the investment property held by the Group's joint venture.

As at 30 June 2017, net current assets and net assets of the Group amounted to approximately HK$423.55 million and approximately HK$1,844.47 million, respectively.

For the year ended 30 June 2018

For the year ended 30 June 2018, the Group recorded revenue of approximately HK$391.88 million, representing a decrease of approximately 37.53% as compared to the revenue of approximately HK$627.29 recorded for the year ended 30 June 2017. With reference to the Annual Report 2018, such decrease in revenue was mainly attributable to (i) suspension of the diamond polishing operations since May 2017; (ii) absence of one-off revenue arising from disposal of Continental Place which was recognised in the previous year. For the year ended 30 June 2018, the Group recorded profit attributable to owners of the Company of approximately HK$354.76 million, representing a significant increase of approximately 260.86% as compared to approximately HK$98.31 million as recorded in the previous year. As disclosed in the Annual Report 2018, such substantial increase in profit attributable to owners of the Company was primarily resulting from (i) the one-off gain from the disposal of a 50% joint venture of the Group; (ii) unrealised fair value gain on the investment properties; and (iii) share of profit of joint ventures of the Group, which partially offset the impairment loss on mining right and estimated income tax.

As at 30 June 2018, the Group recorded net current assets and net assets amounted to approximately HK$715.79 million and approximately HK$2,244.28 million, respectively.

2. Background information on PropCo Group (Ontrack) and PropCo Group (Equal Glory)

PropCo Group (Ontrack)

PropCo (Ontrack) was incorporated in the British Virgin Islands with limited liability. Through its wholly-owned subsidiary, PropCo (Ontrack) is holding the property interests in the Property (Ontrack), being its principal asset, which is a piece of land located at No. 232 Wan Chai Road, Hong Kong. The Property (Ontrack) has a site area of approximately 539 sq. m. and a total planned gross floor area of about 8,066 sq. m.. The Group completed the acquisition of the Property (Ontrack) through its acquisition of the PropCo Group (Ontrack) at a consideration of approximately HK$1,180,000,000 on 25 October 2017. Set out below are the consolidated financial information of the PropCo Group (Ontrack) for the relevant years/period:

	For the year ended 30 June 2018 (audited) *Approximately HK$'000*	**For the six months ended 30 June 2017 (audited)** *Approximately HK$'000*	**For the year ended 31 December 2016 (audited)** *Approximately HK$'000*
Net profit before taxation and extraordinary items	65,449	310,241	52,484
Net profit after taxation and extraordinary items	65,449	259,009	43,711

The significant fluctuation in the financial performance of the PropCo Group (Ontrack) for the respective year/period was mainly due to gains arising from changes in fair value of the investment property, which accounted for approximately HK$66,416,000, HK$310,494,000 and HK$53,292,000 for the year ended 30 June 2018, six months ended 30 June 2017 and year ended 31 December 2016 respectively. The net profit of the PropCo Group (Ontrack) was mainly contributed by the fair value gain of the investment property for each of the year ended 30 June 2018, six months ended 30 June 2017 and year ended 31 December 2016.

The unaudited net asset value of the PropCo Group (Ontrack) as at 30 September 2018 amounted to approximately HK$427,090,000.

PropCo Group (Equal Glory)

PropCo (Equal Glory) was incorporated in the British Virgin Islands with limited liability. Through its wholly-owned subsidiary, PropCo (Equal Glory) is holding the property interests in the Property (Equal Glory). The PropCo Group (Equal Glory)'s principal assets are the direct and indirect interests in the Property (Equal Glory), which is located at Nos. 7, 7A, 9 and 9A of Cheung Wah Street, Cheung Sha Wan, Hong Kong with a site area of approximately 3,240 sq. ft. (or 301 sq.m.). The PropCo Group (Equal Glory) completed the acquisition of the Property (Equal Glory) at a total cost of approximately HK$295,000,000 (before transaction costs and expenses) on 25 July 2018. Set out below are the audited consolidated financial information of the PropCo Group (Equal Glory) for the period from 14 May 2018 (date of incorporation) to 30 September 2018. Further details of the financial information on the PropCo Group (Equal Glory) are set out in Appendix II to the Circular.

	For the period from 14 May 2018 (date of incorporation) to 30 September 2018 (audited) *HK$'000*
Revenue	–
Loss before income tax	(80)
Loss and total comprehensive income for the period	(80)

The audited net liabilities value of the PropCo Group (Equal Glory) as at 30 September 2018 amounted to approximately HK$80,000.

3. Reasons for and benefits of entering into the Transactions

(i) Background of the Group's property investment business

The Group has been engaging in the business of property investment and development for years. In the property investment, the Group has sold the Continental Place with a total consideration of approximately HK$1,133.5 million (including the 3 pre-sold floors of HK$133.5 million classified as revenue) and recognised segment profit of approximately HK$40.1 million during the financial year of 2017 from such disposal. In the same year, the Group acquired the PropCo Group (Ontrack) holding the Property (Ontrack) at the total consideration of approximately HK$1,180 million and the acquisition was completed on 25 October 2017. On 20 April 2018, the Group completed the disposal of a 50% owned joint venture which holds the "Bauhinia Square", an eleven-floored shopping mall located in Yangpu District of Shanghai, for approximately HK$1,305.8 million. The Group recognised a gain from the disposal of approximately HK$277.5 million. On 22 October 2018, the Group completed the acquisition of 12 floors of Glassview Commercial Building in Yuen Long at an aggregate consideration of HK$129 million. Based on the aforementioned sale and purchase of commercial and retail properties over the past years, we are of the view that the Group had a proven track record and possessed solid experience and financial capability in the field of property investment and development. As stated in the Letter from the Board, the Group's management has been actively looking to diversify the revenue sources of the Group and will continue to seek other business or investment opportunities for a more attractive return on equity for its shareholders and create Shareholders' value through prudent investments in properties and business or projects with promising potentials.

(ii) Prospect of the Hong Kong property sector

The Group intends to redevelop the Property (Ontrack) located in Wan Chai into a premium grade office and retail composite tower of approximately 26 storeys tall with a total planned gross floor area of approximately 8,066 sq. m.. The Property (Ontrack) is currently undergoing installation of foundation works and the proposed development is expected to be completed in the end of 2021. It is the intention of the Group to hold it for long term leasing investment purpose upon construction completion. The two 5-storey existing buildings erected on the Property (Equal Glory) will be demolished. The Property (Equal Glory) located in Cheung Sha Wan is proposed to be redeveloped into a 25-storey residential development over 2-storey of retail podium. The Property (Equal Glory) is currently in the process of redevelopment. The demolition works of the existing tenement blocks is expected to start in or around February 2019 and complete in or around the second quarter of 2019. The expected completion date of the redevelopment is around the second quarter of 2022. On this basis, we have performed independent research on the recent development and outlook of the residential, office and retail property markets in Hong Kong.

Based on the monthly statistics as available from the website of the Land Registry (*www.landreg.gov.hk/*), it is noted that the number of sale and purchase agreement (ASP) for residential building units registered with the Land Registry showed a continuous decreasing trend starting from June 2018 which recorded a number of ASP at 6,713 to September 2018 which recorded a number of ASP at 3,500, representing a decrease of approximately 47.86% over the months, and picked up to a number of ASP at 4,243 in October 2018, representing an increase of approximately 21.23% from the previous month. According to the Hong Kong Property Review 2018 released by the Rating and Valuation Department of Hong Kong (*www.rvd.gov.hk/*) on 27 April 2018, which provides a review of the Hong Kong property market for the year 2017 and forecasts of completions for 2018 and 2019, it is noted that private domestic stocks in 2017 amounted to 1,174,628 units with a year-on-year increase of around 1.4% and a vacant rate of 3.7%, while private domestic stocks in Sham Shui Po district (where the Property (Equal Glory) is located at) amounted to 76,970 units with a year-on-year increase of around 2.7% and a vacant rate of 4.5%. Despite the increase in domestic stocks, the price index for territory-wide private domestic units showed a continuous growing trend for each month in 2017 and hiked up to 353.0 at year end. With respect to private offices, the office vacant rate in Wan Chai district stood at 7.5% following that in Central and Western district of 5.0%, being the lowest office vacant rate in Hong Kong Island in 2017. The rental index for Grade A offices in Wan Chai/Causeway Bay exhibited an overall rising trend in 2017 and has been significantly growing throughout 2013 to 2017 from 215.5 to 253.6, against the base year in 1999. On the other hand, it is noted that the rental index for retail properties showed a steady growing trend in 2017 and had moved up from 165.5 to 182.5

throughout 2013 to 2017, while it is also notable that the average rents per month for retail properties located in Hong Kong Island are in general higher than those situated in Kowloon and the New Territories. Based on the Hong Kong Property Review Monthly Supplement for November 2018 issued by the Rating and Valuation Department of Hong Kong, we noted that (i) the price index of territory-wide private domestic units showed a consecutive quarter-on-quarter growth since the beginning of 2018 and up to the third quarter; (ii) the average monthly rent of Grade A private offices located in Wan Chai/Causeway Bay has moved up from HK$725 per sq.m. in January 2018 to HK$863 per sq.m. in September 2018, representing an increase of about 19% over the months; and (iii) the average monthly rent of retail property units in Hong Kong Island has increased from HK$1,427 per sq.m. in January 2018 to HK$2,232 per sq.m. in September 2018, representing a growth of around 56% over the months.

With reference to the Hong Kong Property Research Report Q2 2018 (Residential) and the Hong Kong Property Research Report Q2 2018 (Office) respectively issued on 2 August 2018 by Colliers International, a global professional real estate services and investment management company, we noted that Hong Kong's residential price is expected to increase by 15% in 2018 and further rise by 5% to 10% per annum for the next five years as supported by solid economic fundamentals and the government's estimated land shortage of 108 hectares up to 2026, while overall office rent is projected to increase by 7.9% in 2018 and further increase by a total of 9.6% from the end of 2018 to 2022. Further, it is also expected that demand in terms of annual net take-up will increase to 185,805 sq.m. on average from 2018 to 2022, which grew by 130% as compared to the average demand from 2013 to 2017, while annual Grade A office supply is expected to increase to 232,257 sq.m. on average from 2018 to 2022, which grew by 76% as compared to the average supply from 2013 to 2017.

In addition, we have also reviewed the recent residential land sales in Hong Kong. With reference to the land sale results from 2017 and up to the Latest Practicable Date as available from the Lands Department (*www.landsd.gov.hk/*), it is observed that residential land sales with premium of over HK$10 billion included residential plots located at (i) Lee Nam Road, Ap Lei Chau, Hong Kong which was sold at a premium of HK$16.86 billion in February 2017; (ii) Hing Wah Street West, Cheung Sha Wan which was sold at a premium of HK$17.28 billion in November 2017; (iii) junction of Lung Cheung Road and Lion Rock Tunnel Road, Kowloon Tong, Kowloon which was sold at a premium of HK$12.45 billion in January 2018; and (iv) Kai Tak Area 1F, Site 1, Kai Tak, Kowloon which was sold at a premium of HK$25.16 billion in May 2018. As reflected from the active land sales and competitive premiums, we consider there to be a positive market sentiment for the property development market in Hong Kong.

Despite the recent signs of cooling down of the overheated property market as seen from the fall of transaction volume in respect of residential building units since 2H 2018, taking into consideration that (i) the price index of private residential units showed a continual rising trend against the supply of newly built units over the years; (ii) the office vacant rate in core districts including Wan Chai district is constantly low; (iii) the rental index and average monthly rents of Grade A offices and retail properties in Hong Kong Island demonstrated a steady growth; and (iv) the expected growth of residential price and office rent in the future, we are of the view that the long term prospect of the Hong Kong residential property market and the leasing market of office and retail buildings remains positive.

(iii) Repayment of the Company Shareholder Loan

Under the Agreement, the Company conditionally agreed to fully repay, at Completion of the Disposal (Ontrack), the Company Shareholder Loan to Tamar Investments. At Completion of the Disposal (Ontrack), the Initial Consideration (Disposal) (after taking into account the Consideration (Disposal) Adjustment (if any)) receivable by the Group will be set off against the repayment of the Company Shareholder Loan by the Company on a "dollar-for-dollar" basis with effect from Completion. The Company will repay the net balance of the Company Shareholder Loan after the set-off, upon which its obligations and liabilities to Tamar Investments in respect of the Company Shareholder Loan will be taken as fully discharged. As at the Latest Practicable Date, the outstanding principal amount of the Company Shareholder Loan owed by the Company was HK$350,000,000, which is unsecured and bears interests at 1.5% per annum and due for repayment on 24 September 2020. Assuming the Initial Consideration (Disposal) is held at approximately HK$186,800,000 and taking the Company Shareholder Loan only at its outstanding principal amount of HK$350,000,000, the net balance of the Company Shareholder Loan after the set-off is estimated to be approximately HK$163,200,000 (before adjustment and finalisation of the amounts involved in the set-off).

With reference to the Annual Report 2018, the net assets of the Group amounted to approximately HK$2,244.28 million while the cash and cash equivalents of the Group amounted to approximately HK$1,128.66 million as at 30 June 2018, which accounted for around 80% of the current assets. Since the cash and cash equivalents of the Group exceeded the sum of bank and other borrowings of the Group, the gearing ratio of the Group was zero as at 30 June 2018, which is calculated on net debt divided by total equity plus net debt. As disclosed in the Letter from the Board, through the full repayment of the Company Shareholder Loan, the Group expects to save financing costs and interests expenses of approximately HK$10,428,000 in total which would be preserved for its business development and/or other use. Given the sufficient cash on hand and the solid financial position of the Group and that the full repayment of the Company Shareholder Loan would potentially save financing costs and interests expenses which provides financial flexibility for the Group for utilisation of its internal resources, we are of the view that the repayment of the Company Shareholder Loan under the Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(iv) Joint venture arrangement after Completion

Following Completion, the Group will enter into the JV (Ontrack) Agreement and the JV (Equal Glory) Agreement to continue with the Development Project (Ontrack) at Property (Ontrack) in Wan Chai and the Development Project (Equal Glory) at Property (Equal Glory) in Cheung Sha Wan, on a joint-venture basis, respectively. The respective sole principal business of the PropCo Group (Ontrack) and the PropCo Group (Equal Glory) are to undertake and implement the Development Project (Ontrack) at the Property (Ontrack) and the Development Project (Equal Glory) at the Property (Equal Glory). While the Group would maintain/acquire the majority control of the interests in the respective Development Project (Ontrack) and the Development Project (Equal Glory) upon Completion, the entering into of the JV (Ontrack) Agreement and the JV (Equal Glory) Agreement would effectively regulate the respective rights and obligations (including the financing arrangements to the development projects) of the shareholders in accordance with their respective shareholdings in PropCo (Ontrack) and PropCo (Equal Glory). Pursuant to the JV (Ontrack) Agreement and the JV (Equal Glory) Agreement, the respective shareholders of PropCo Group (Ontrack) and PropCo Group (Equal Glory) will be required to provide guarantees as security to the financing bank in respect of bank borrowings severally on a pro rata basis in accordance with their respective shareholding interest respectively thereof. In light of the aforesaid, the joint venture arrangement after Completion is expected to lower the capital commitment required on the part of the Company and the liabilities to be carried by the Company which would otherwise be required if the Company undertakes the development projects on its own.

Taking into consideration that (i) the Transactions are in line with the intention of the Group being the furtherance into the property investment sector in Hong Kong by diversification of its property portfolio to include residential properties in addition to office and retail properties; (ii) the prospects of the residential property market and leasing market of office and retail properties are positive; (iii) the financial position of the Group upon the repayment of the Company Shareholder Loan will potentially improve; and (iv) the Disposal (Ontrack) would lower the capital commitment for the Property (Ontrack) required on the part of the Company and the joint venture arrangements after Completion would reduce the investment and capital commitment risks faced by the Group for the development projects in the long run, we are of the view that the Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the Transactions

(i) The Consideration (Disposal)

With reference to the Letter from the Board, the Consideration (Disposal) for the Sale Shares (Ontrack) and the Sale Loan (Ontrack) will be equal to the amount of the Initial Consideration (Disposal) and subject to the Consideration (Disposal) Adjustment as at Completion of the Disposal (Ontrack). The Initial Consideration (Disposal) is an amount equal to 25% of a sum, the amount of which is equal to HK$1,219,200,000 minus the Bank Borrowings (Ontrack) as at Completion of the Disposal (Ontrack). The sum of HK$1,219,200,000 represents the value of the Property (Ontrack) as agreed by the immediate parties to the Disposal (Ontrack). It is equivalent to 96% of the market value of the Property (Ontrack) appraised by an independent professional valuer engaged by the Group at approximately HK$1,270,000,000 as at 30 September 2018. In arriving at the amount of the Initial Consideration (Disposal), the Bank Borrowings (Ontrack) as at Completion of the Disposal (Ontrack) will be deducted from such amount as they will remain as outstanding liabilities of PropCo Group (Ontrack) after Completion of the Disposal (Ontrack). Based on the outstanding principal amount of the Bank Borrowings (Ontrack) (before interests) of HK$472,000,000 as at 30 September 2018, the Initial Consideration (Disposal) is estimated to be approximately HK$186,800,000. On Completion of the Disposal (Ontrack), the final amount of the Initial Consideration (Disposal) will be ascertained based on the actual amount of the Bank Borrowings (Ontrack) (inclusive of all unpaid interests then accrued) as at the close of business of the Completion Date accordingly.

In assessing the fairness and reasonableness of the Initial Consideration (Disposal) for the disposal of the Sale Shares (Ontrack) and the Sale Loan (Ontrack), we have primarily made reference to the aggregate sum of (i) the unaudited net assets value of PropCo Group (Ontrack) of approximately HK$427.09 million as at 30 September 2018 ("NAV (Disposal)"), which does not need to be adjusted by the fair value of the Property (Ontrack) because as noted from the management account of PropCo (Ontrack), the carrying value of the Property (Ontrack) is equivalent to its latest market value of HK$1,270,000,000 as at 30 September 2018; and (ii) the outstanding principal amount of all the loan and indebtedness owed by the PropCo Group (Ontrack) to the Vendor (Ontrack) or its associates of approximately HK$301,483,000 as at 30 September 2018 (the "Shareholder's Loan (Disposal)"). Accordingly, the aggregate sum of the NAV (Disposal) and the Shareholder's Loan (Disposal) of the PropCo Group (Ontrack) was approximately HK$728.57 million, while the aggregate sum attributable to the disposal of 25% equity interest in the PropCo Group (Ontrack) will be approximately HK$182.14 million. As a result, the Initial Consideration (Disposal) of HK$186,800,000 represents a premium of approximately 2.56% to the aggregate sum of the NAV (Disposal) and the Shareholder's Loan (Disposal) attributable to 25% equity interest in the PropCo Group (Ontrack).

The appraised value of Property (Ontrack)

As disclosed in the Letter from the Board, the Initial Consideration (Disposal) was determined with reference to, among others, the market value of the Property (Ontrack) of HK$1,270,000,000 as at 30 September 2018 as appraised by Roma Appraisals Limited (the "Valuer (Ontrack)") engaged by the Group. In further assessing the fairness and reasonableness of the Initial Consideration (Disposal), we have reviewed the valuation report in respect of the Property (Ontrack) (the "Valuation (Ontrack)") as set out in Appendix V to the Circular. We have conducted interview with the Valuer (Ontrack) in respect of the Valuation (Ontrack).

As part of our due diligence, we have reviewed (i) the terms of the engagement letter of the Valuer (Ontrack) in performing the Valuation (Ontrack); and (ii) the relevant qualifications and track record of the Valuer (Ontrack) in performing valuation across various industries, including property valuations in Hong Kong. The Valuer (Ontrack) confirmed that it is an independent third party to the Group, the Purchaser (Ontrack) and their respective core connected persons as at the Latest Practicable Date. Upon our assessment on the scope of work, qualifications, experience and independency of the Valuer (Ontrack), we noted that the scopes of work are appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Valuation (Ontrack).

During our review, we noted that the Valuation (Ontrack) was conducted based on the assumptions that (i) the owner sells the property in the market in its existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the value of such property; and (ii) no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property and no allowance has been made for the property to be sold in one lot or to a single purchaser. The Valuer (Ontrack) advised that such assumptions are generally adopted in property valuations. We have, in such regard, conducted independent research and noted that the above assumptions have been commonly adopted in the valuations of assets including properties of other listed companies in Hong Kong.

In obtaining the appraised value of Property (Ontrack), the Valuer (Ontrack) has adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market (the "Comparables (Ontrack)") with adjustments of time, size, location and other factors as well as the cost and fees to be incurred to complete the development to reflect the quality of the completed development. Considering that the Property (Ontrack) will be developed into a block of 26-storey office and retail composite building, the Valuer (Ontrack) has identified transactions based on the criteria that the underlying properties of the Comparables (Ontrack) are (i) of similar type, being properties for retail or office uses; (ii) located in Wanchai or Causeway Bay districts; and (iii) transacted during the period from 2016 and up to 30 September 2018, being the date of the Valuation (Ontrack), which we considered to be fair and reasonable. During our review of the Comparables (Ontrack), we noted that adjustments were made on certain variables such as time of transaction, size, location, age of building and floor level of the comparable properties. As confirmed by the Valuer (Ontrack) and considering the materiality and the relevance of such variables to the subject comparable properties, the adjustments are necessary to potentially eliminate the effects of such variables to the initial unit rates, and therefore enable a more meaningful comparison among the comparables. Hence, we are of the view that the adjustment factors to the Comparables (Ontrack) are fair and reasonable. As confirmed by the Valuer (Ontrack), the Comparables (Ontrack) represent an exhaustive list of comparables having met all of the aforesaid selection criteria, excluding those outliers the unit rates of which appear to be relatively high as compared to the rest of the comparable transactions and are considered to skew the overall results. The Valuer (Ontrack) has identified a total of 8 Comparables (Ontrack), after exclusion of 4 comparables due to the significantly high unit rates after taking into account the relevant adjustments thereof. We noted that the unit rates of the excluded comparables deviated by more than 10% from the average unit rates of the Comparables (Ontrack) within the same category of property type. On this basis, we consider such comparables may skew the overall result of the valuation and therefore it is justifiably fair to exclude such comparables. It is also noted that the Valuer (Ontrack) has relied upon EPRC as the source of information on the Comparables (Ontrack). According to the official website of EPRC (*www.eprc.com.hk/*), EPRC is an electronic property database provider established in 1991 and a wholly owned subsidiary of Hong Kong Economic Times Holdings Limited (a company listed on the Stock Exchange with stock code 00423) and one of the market leaders in providing electronic property market database (which includes data on property transactions in Hong Kong and asking information) and subscription services for property agencies, property developers and surveyors, among others, with a market share of over 95%. As advised by the Valuer (Ontrack), EPRC is one of the most recognised information provider commonly used for the purpose of property valuations in Hong Kong. In light of the foregoing, we are of the view that the source of information used in arriving at the Comparables (Ontrack) is reliable and the Comparables (Ontrack) are fair and reasonable.

As advised by the Valuer (Ontrack), direct comparison approach was considered as an appropriate method in assessing the market value of the Property (Ontrack) given the readily available comparable sales evidence in the relevant markets. Considering the income approach is less appropriate for valuing the Property (Ontrack) due to, among others, the potential difficulties in assessing the future economic benefits of the Property (Ontrack) upon completion of construction, it is considered by the Valuer (Ontrack) that it is a normal market practice to conduct valuation of similar properties in Hong Kong via direct comparison approach. Based on our independent research, it is noted that direct comparison approach has been commonly adopted for valuing assets including development sites of other listed companies in Hong Kong.

As confirmed by the Valuer (Ontrack), in valuing the Property (Ontrack), it has complied with all relevant requirements set out in Chapter 5 and Practice Note 12 of the Listing Rules, the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors ("RICS") and the International Valuation Standards published by the International Valuation Standards Council. During our review of the Valuation (Ontrack) and discussion with the Valuer (Ontrack), we have not identified any major factors that cause us to cast doubt on the fairness and reasonableness of the principal bases and assumptions adopted in the Valuation (Ontrack).

Based on the above, we consider that the Valuer (Ontrack) is suitably qualified in performing the Valuation (Ontrack), and that the bases, assumptions and methodologies adopted in arriving at the appraised value of Property (Ontrack) are fair and reasonable.

(ii) The Consideration (Acquisition)

With reference to the Letter from the Board, the Consideration (Acquisition) for the Sale Shares (Equal Glory) and the Sale Loan (Equal Glory) will be equal to the amount of the Initial Consideration (Acquisition) and subject to Consideration (Acquisition) Adjustment. The Initial Consideration (Acquisition) is an amount equal to 90% of a sum, the amount of which is equal to HK$295,680,000 minus the Bank Borrowings (Equal Glory) as at Completion of the Acquisition (Equal Glory). The sum of HK$295,680,000 represents the value of the Property (Equal Glory) as agreed by the immediate parties to the Acquisition (Equal Glory). It is equivalent to 96% of the market value of the Property (Equal Glory) appraised by an independent professional valuer engaged by the Group at approximately HK$308,000,000 as at 30 September 2018. In arriving at the amount of the Initial Consideration (Acquisition), the Bank Borrowings (Equal Glory) as at Completion of the Acquisition (Equal Glory) will be deducted from such amount as they will remain as outstanding liabilities of the PropCo Group (Equal Glory) after Completion of the Acquisition (Equal Glory). Based on the outstanding principal amount of the Bank Borrowings (Equal Glory) (before interests) of HK$118,000,000 as at 30 September 2018, the Initial Consideration (Acquisition) is expected to be approximately HK$159,912,000. On Completion of the Acquisition (Equal Glory), the final amount of the Initial Consideration (Acquisition) will be ascertained based on the actual amount of the Bank Borrowings (Equal Glory) (inclusive of all unpaid interests then accrued) as at the close of business of the Completion Date accordingly.

In assessing the fairness and reasonableness of the Initial Consideration (Acquisition) for the acquisition of the Sale Shares (Equal Glory) and the Sale Loan (Equal Glory), we have primarily made reference to the aggregate sum of (i) the adjusted audited net liabilities of PropCo Group (Equal Glory) as at 30 September 2018 after adjustment of the valuation loss from the latest appraised value of the Property (Equal Glory) of HK$308,000,000 as at 30 September 2018 (the "Adjusted NAV (Acquisition)"); and (ii) the respective outstanding principal amounts of the loans and indebtedness owed by the PropCo Group (Equal Glory) to the Vendor (Equal Glory) (or its associates) and Plenty Business (or its associates) of approximately HK$192,416,000 and HK$34,272,000 as at 30 September 2018 (the "Shareholder's Loan (Acquisition)"). Based on the audited net liabilities of the PropCo Group (Equal Glory) of approximately HK$80,000 as at 30 September 2018 and the difference between the appraised value of the Property (Equal Glory) of HK$308,000,000 and its carrying value of HK$336,685,000 as at 30 September 2018, the Adjusted NAV (Acquisition) would result in a negative amount of approximately HK$28.77 million. Accordingly, the aggregate sum of the Adjusted NAV (Acquisition) and the Shareholder's Loan (Acquisition) of the PropCo Group (Equal Glory) will be approximately HK$197.92 million, while the aggregate sum attributable to the acquisition of 90% equity interest in the PropCo Group (Equal Glory) will be approximately HK$178.13 million. As a result, the Initial Consideration (Acquisition) of HK$159,912,000 represents a discount of approximately 10.23% to the aggregate sum of the Adjusted NAV (Acquisition) and the Shareholder's Loan (Acquisition) attributable to 90% equity interest in the PropCo Group (Equal Glory).

The appraised value of Property (Equal Glory)

As disclosed in the Letter from the Board, the Initial Consideration (Acquisition) was determined with reference to, among others, the market value of the Property (Equal Glory) of HK$308,000,000 as at 30 September 2018 as appraised by Knight Frank Petty Limited (the "Valuer (Equal Glory)") engaged by the Group. In further assessing the fairness and reasonableness of the Initial Consideration (Acquisition), we have reviewed the valuation report in respect of the Property (Equal Glory) (the "Valuation (Equal Glory)") as set out in Appendix IV to the Circular. We have conducted interview with the Valuer (Equal Glory) in respect of the Valuation (Equal Glory).

As part of our due diligence, we have reviewed (i) the terms of the engagement letter of the Valuer (Equal Glory) in performing the Valuation (Equal Glory); and (ii) the relevant qualifications and track record of the Valuer (Equal Glory) in performing valuation across various industries, including property valuations in Hong Kong. The Valuer (Equal Glory) confirmed that it is an independent third party to the Group, the Vendor (Equal Glory) and their respective core connected persons as at the Latest Practicable Date. Upon our assessment on the scope of work, qualifications, experience and independency of the Valuer (Equal Glory), we noted that the scopes of work are appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Valuation (Equal Glory).

During our review, we noted that the Valuation (Equal Glory) was conducted based on various key assumptions, details of which are set out in Appendix IV to the Circular. The Valuer (Equal Glory) advised that such assumptions are generally adopted in property valuations in Hong Kong. We have, in such regard, conducted independent research and noted that all of the assumptions included in the Valuation (Equal Glory) have been commonly adopted in the valuations of assets including properties of other listed companies in Hong Kong, save for the assumption that the Valuer (Equal Glory) has disregarded the building notices and orders currently registered against the Property (Equal Glory) and the effects of the defects on the value and safety of the Property (Equal Glory). As advised by the Valuer (Equal Glory) and based on their profession and experience in conducting similar valuations, given that the existing buildings erected on the Property (Equal Glory) shall be demolished before commencement of the redevelopment project, it is reasonable and appropriate to disregard such potential uncertainty and effect to the value of the Property (Equal Glory) as the rectification work for the relevant notices and orders will be addressed following demolition.

In obtaining the appraised value of Property (Equal Glory), the Valuer (Equal Glory) has adopted the market approach by making reference to recent market sales evidences as available in the market (the "Comparables (Equal Glory)") with appropriate adjustments made for any differences in the characteristics between the Property (Equal Glory) and the comparable properties. Considering that the Property (Equal Glory) is proposed to be developed into a 25-storey residential development over 2-storey of retail podium, the Valuer (Equal Glory) has identified transactions based on the criteria that the underlying properties of the Comparables (Equal Glory) are, among others, (i) construction sites under planning stage, residential properties or retail properties; (ii) located in Cheung Sha Wan or Sham Shui Po districts; and (iii) transacted during the period from 2017 and up to 30 September 2018, being the date of Valuation (Equal Glory), which we considered to be fair and reasonable. During our review of the Comparables (Equal Glory), we noted that adjustments were made on certain variables such as location, time, building age and size, etc. As confirmed by the Valuer (Equal Glory) and considering the materiality and the relevance of such variables to the subject comparable properties, the adjustments are necessary to potentially eliminate the effects of such variables to the initial unit rates, and therefore enable a more meaningful comparison among the comparables. Thus, we are of the view that the adjustment factors to the Comparables (Equal Glory) are fair and reasonable. As confirmed by the Valuer (Equal Glory), the Comparables (Equal Glory) represent an exhaustive list of comparables having met all of the aforesaid selection criteria. Considering that the Property (Equal Glory) will be developed into a 25-storey residential development over 2-storey of retail podium, being a mix of property types, the Valuer (Equal Glory) has identified two sets of the Comparables (Equal Glory), where one set consists of 4 residential units in arriving at the estimated unit rate for the residential portion of the Development Project (Equal Glory), and the other set consists of 3 retail units located on the ground floor and 3 retail units located on the upper commercial floors in arriving at the estimated unit rates for the retail portion of the Development Project (Equal Glory). It is noted that the Valuer (Equal Glory) has relied upon EPRC and Memfus Wong Property Information Centre ("MWPIC") as the source of information on the Comparables (Equal Glory). As advised by the Valuer (Equal Glory), both the EPRC and the MWPIC are recognised information providers commonly used for the purpose of property valuations in Hong Kong. As discussed in the above paragraph in respect of the Valuation (Ontrack), we consider that EPRC is a well-established and recognised property information provider and it is fair and reasonable to rely upon. According to the official website of MWPIC (*www.mwpic.com.hk/*), MWPIC, formerly known as the Property Information Centre of Sing Tao Newspaper Group, was acquired by Memfus Wong Surveyors Limited in 1991. MWPIC is a property information provider which offers, among others, price analysis of property transactions registered with the Land Registry on a daily basis, property rental analysis and the access to a database of over 1,500,000 residential and non-residential property units. In light of the aforesaid, we are of the view that the sources of information in arriving at the Comparables (Equal Glory) are up-to-date and reliable and the Comparables (Equal Glory) are fair and reasonable.

As advised by the Valuer (Equal Glory), market approach was considered as the most appropriate method in assessing the market value of the Property (Equal Glory) given that the comparable sales transactions in Hong Kong are relatively adequate and transparent. The Valuer (Equal Glory) has also considered other valuation approaches such as income approach. Considering the income approach is less appropriate for valuing the Property (Equal Glory) due to, among others, the potential difficulties in assessing the future economic benefits of the Property (Equal Glory) given the buildings erected thereon are yet to be demolished and development is yet to commence, it is considered by the Valuer (Equal Glory) that it is a normal market practice to conduct valuation of such properties by way of the market approach. As mentioned in the above paragraph in respect of the Valuation (Ontrack), we noted that market approach has been commonly adopted for valuing assets including development sites of other listed companies in Hong Kong.

As confirmed by the Valuer (Equal Glory), in valuing the Property (Equal Glory), it has complied with all relevant requirements set out in Chapter 5 and Practice Note 12 of the Listing Rules, The HKIS Valuation Standards 2017 issued by The Hong Kong Institute of Surveyors and The RICS Valuation – Global Standards 2017 issued by RICS. During our review of the Valuation (Equal Glory) and discussion with the Valuer (Equal Glory), we have not identified any major factors that cause us to cast doubt on the fairness and reasonableness of the principal bases and assumptions adopted in the Valuation (Equal Glory).

Based on the above, we consider that the Valuer (Equal Glory) is suitably qualified in performing the Valuation (Equal Glory), and that the bases, assumptions and methodologies adopted in arriving at the appraised value of the Property (Equal Glory) are fair and reasonable.

Conclusion

Noting that (i) the Initial Consideration (Disposal) was determined based on, among others, a 4% discount to the Valuation (Ontrack); and (ii) the Initial Consideration (Acquisition) was determined based on, among others, a 4% discount to the Valuation (Equal Glory), taking into consideration that the respective Initial Consideration (Disposal) and the Initial Consideration (Acquisition) will be adjusted at Completion with reference to (a) the outstanding amount of the Bank Borrowings (Ontrack)/Bank Borrowings (Equal Glory) (inclusive of all unpaid interests accrued) at Completion and (b) the net current asset or deficit value of the PropCo Group (Ontrack)/PropCo Group (Equal Glory) at Completion, we are of the view that our reference to (i) the aggregate value of the NAV (Disposal) and the Shareholder's Loan (Disposal) and (ii) the aggregate value of the Adjusted NAV (Acquisition) and the Shareholder's Loan (Acquisition), which shall be revised in accordance with any adjustment by the value of each of the net current asset or deficit value of PropCo Group (Ontrack)/PropCo Group (Equal Glory) and the Bank Borrowings (Ontrack)/Bank Borrowings (Equal Glory) at Completion, is consistent with the determination basis of the Consideration (Disposal) and the Consideration (Acquisition) after taking into account the abovementioned adjustment mechanism and therefore is fair and reasonable.

Taking into account (i) the Initial Consideration (Disposal) represents a premium of approximately 2.56% to the value of equity interests of the PropCo Group (Ontrack) to be disposed of, while the Initial Consideration (Acquisition) is at a discount of approximately 10.23% to the value of equity interests of the PropCo Group (Equal Glory) to be acquired; (ii) that the Group could share the capital commitment required for the development of Property (Ontrack) with the Purchaser (Ontrack), while continue to consolidate the results of the PropCo Group (Ontrack) into its financial statements; (iii) the gain on disposal of approximately HK$5,396,000 to be recognised in the equity of the Group; and (iv) the respective appraised values of the Property (Ontrack) and Property (Equal Glory) have been arrived at on reasonable basis taking into account the bases, assumptions and methodologies adopted thereof, we are of the view that each of the Initial Consideration (Disposal) and the Initial Consideration (Acquisition) is fair and reasonable.

(iii) The JV (Ontrack) Formation and the JV (Equal Glory) Formation

For the purpose of regulating the responsibilities and obligations of the respective shareholders of the PropCo (Ontrack) and the PropCo (Equal Glory), the JV (Ontrack) Agreement will be entered into between the Vendor (Ontrack), the Purchaser (Ontrack) and the PropCo (Ontrack), among other parties, on Completion of the Disposal (Ontrack), and the JV (Equal Glory) Agreement will be entered into between the Purchaser (Equal Glory), Plenty Business and the PropCo (Equal Glory), among other parties, on Completion of the Acquisition (Equal Glory). In this regard, we have reviewed the proposed principal terms under the JV (Ontrack) Agreement and the JV (Equal Glory) Agreement, respectively. Details of which are set out as below.

JV (Ontrack) Agreement

A. Financing

The JV (Ontrack) Agreement will provide for, among other things, the respective capital contribution commitments of the shareholders to the PropCo (Ontrack) for the Development Project (Ontrack). The development costs for the Development Project (Ontrack) are intended to be funded as to approximately 80% by bank borrowings and as to 20% by further shareholders' loans as advanced by the Vendor (Ontrack) and the Purchaser (Ontrack) on a pro rata basis in accordance with their respective shareholdings in the PropCo (Ontrack). After Completion of the Disposal (Ontrack), the total capital commitments of the shareholders of PropCo (Ontrack) to finance the development costs to complete the Development Project (Ontrack) are estimated to be approximately HK$500,000,000 of which approximately HK$375,000,000 is made by the Vendor (Ontrack) and approximately HK$125,000,000 is made by the Purchaser (Ontrack). As the Vendor (Ontrack) and the Purchaser (Ontrack) will also provide their guarantees as security to the financing bank severally on a pro rata basis for the Bank Borrowings (Ontrack), the total capital commitments on the part of the Vendor (Ontrack) and the Purchaser (Ontrack) in respect of the Development Project (Ontrack) are estimated to be approximately HK$729,000,000 and HK$243,000,000, respectively.

As at 30 September 2018, the outstanding principal amount of all the loan and indebtedness owed by the PropCo Group (Ontrack) to the Vendor (Ontrack) and its associates amounted to approximately HK$301,483,000. After Completion of the Disposal (Ontrack), the Vendor (Ontrack) and the Purchaser (Ontrack) will have interests in those outstanding loan and indebtedness owing by the PropCo Group (Ontrack) in proportion to their shareholdings in PropCo (Ontrack). As at 30 September 2018, the outstanding principal amount of the Bank Borrowings (Ontrack) (before interests) stood at approximately HK$472,000,000. The Bank Borrowings (Ontrack) are currently guaranteed by the Group. After Completion of the Disposal (Ontrack), the Vendor (Ontrack) and the Purchaser (Ontrack) are expected to provide their guarantees as security to the financing bank severally on a pro rata basis in accordance with the JV (Ontrack) Agreement. As at 30 September 2018, the PropCo Group (Ontrack) also had an unutilised loan facility for the purpose of financing the construction costs and professional fees (subject to a maximum of HK$400,000,000) in relation to the Development Project (Ontrack). Pursuant to the JV (Ontrack) Agreement, the Vendor (Ontrack) and the Purchaser (Ontrack) will be required to provide their guarantees as security to the financing bank severally on a pro rata basis in accordance with their respective shareholding interests in the PropCo (Ontrack).

B. Sharing of profit and loss

Pursuant to the proposed terms of the JV (Ontrack) Agreement, the profit and loss of the PropCo (Ontrack) will be shared amongst the Vendor (Ontrack) and the Purchaser (Ontrack), as shareholders of the PropCo (Ontrack), in proportion to their respective shareholdings in the PropCo (Ontrack).

C. Board composition

Pursuant to the proposed terms of the JV (Ontrack) Agreement, the Purchaser (Ontrack) will have the right to appoint and remove one director to the board of directors of PropCo (Ontrack), while the Vendor (Ontrack) will have the right to appoint and remove any number of directors to the board of directors of PropCo (Ontrack).

JV (Equal Glory) Agreement

A. Financing

The JV (Equal Glory) Agreement will provide for, among other things, the respective capital contribution commitments of the shareholders to the PropCo (Equal Glory) for the Development Project (Equal Glory). The development costs for the Development Project (Equal Glory) are intended to be funded as to approximately 80% by bank borrowings and as to 20% by further shareholders' loans as advanced by the Purchaser (Equal Glory) and Plenty Business on a pro rata basis in accordance with their respective shareholdings in the PropCo (Equal Glory). The total capital commitments of the shareholders of PropCo (Equal Glory) to finance the development costs to complete the Development Project (Equal Glory) are estimated to be approximately HK$200,000,000 of which approximately HK$180,000,000 is made by the Purchaser (Equal Glory) and approximately HK$20,000,000 is made by Plenty Business. As the Purchaser (Equal Glory) and Plenty Business will also provide their guarantees as security to the financing bank severally on a pro rata basis for the Bank Borrowings (Equal Glory), the total capital commitments on the part of the Purchaser (Equal Glory) and Plenty Business in respect of the Development Project (Equal Glory) are estimated to be approximately HK$286,200,000 and HK$31,800,000, respectively.

As at 30 September 2018, the outstanding shareholders' loans owed by the PropCo Group (Equal Glory) to the Vendor (Equal Glory) (or its associates) and Plenty Business (or its associates) amounted to approximately HK$192,416,000 and HK$34,272,000, respectively, which are unsecured, interest-free and have no fixed term of repayment. After Completion of the Acquisition (Equal Glory), the Purchaser (Equal Glory) and Plenty Business will have interest in those outstanding loan and indebtedness owing by PropCo Group (Equal Glory) in proportion to their shareholdings in PropCo (Equal Glory). As at 30 September 2018, the outstanding principal amount of the Bank Borrowings (Equal Glory) (before interests) amounted to approximately HK$118,000,000 which are currently guaranteed solely by Dr. Chan. Pursuant to the JV (Equal Glory) Agreement, the bank borrowings of the PropCo (Equal Glory) will be guaranteed by the Purchaser (Equal Glory) and Plenty Business severally on a pro rata basis in accordance with their respective shareholding interests in the PropCo (Equal Glory). In addition, the PropCo Group (Equal Glory) is negotiating with a bank to secure a loan facility to finance the construction costs and professional fees in relation to the Development Project (Equal Glory), which is currently expected to be secured before the Completion Date. Pursuant to the JV (Equal Glory) Agreement, the Purchaser (Equal Glory) and Plenty Business will be required to provide security to the financing bank severally on a pro rata basis in accordance with their respective shareholdings interests in the PropCo (Equal Glory).

B. Sharing of profit and loss

Pursuant to the proposed terms of the JV (Equal Glory) Agreement, the profit and loss of the PropCo (Equal Glory) will be shared amongst the Purchaser (Equal Glory) and Plenty Business, as shareholders of the PropCo (Equal Glory), in proportion to their respective shareholdings in the PropCo (Equal Glory).

C. Board composition

Pursuant to the proposed terms of the JV (Equal Glory) Agreement, Plenty Business will have the right to appoint and remove one director to the board of directors of the PropCo (Equal Glory), while the Purchaser (Equal Glory) will have the right to appoint and remove any number of directors to the board of directors of the PropCo (Equal Glory).

Market comparables analysis

In assessing the fairness and reasonableness of the proposed terms of the JV (Ontrack) Agreement and the JV (Equal Glory) Agreement, we have conducted independent research from the public domain on comparable transactions (the "Comparables") which (i) involved the formation of/capital injection into joint venture company which constituted notifiable and/or connected transactions of companies listed in Hong Kong; and (ii) were announced during the one month period prior to 29 October 2018, being the date of the Agreement and up to the Latest Practicable Date, which in our view represents a reasonable period of time to reflect the prevailing market conditions for conducting such transactions. Shareholders should note that the business, operations and prospects of the underlying joint venture companies under the Comparables may not be the same as that of the PropCo (Ontrack) and PropCo (Equal Glory). Nonetheless, we consider that the Comparables could provide a general reference as to the common market practice for conducting such transactions. To the best of our knowledge and on a best-effort basis, we have identified an exhaustive list of 21 Comparables based on our selection criteria. Set out in Table 2 below is a summary of the Comparables.

Table 2: A summary of the Comparables

Company (stock code)	Date of announcement	Whether or not the capital contribution is made in proportion to the shareholders' respective shareholdings in the joint venture companies	Whether or not the profit of the joint venture companies is distributed in proportion to the shareholders' respective shareholdings in the joint venture companies	Whether or not the shareholder with the highest shareholdings can nominate/appoint the highest number of directors to the board of directors of the joint venture companies
TSC Group Holdings Limited (206)	25/11/2018	Yes	Not disclosed	Yes *(Note)*
Wing Tai Properties Limited (369)	23/11/2018	Yes	Not disclosed	Not disclosed
Yunnan Water Investment Co., Limited – H Shares (6839)	21/11/2018	Yes	Not disclosed	Not disclosed
Beijing Capital Land Ltd. – H Shares (2868)	19/11/2018	Yes	Yes	Yes
Kasen International Holdings Limited (496)	12/11/2018	Yes	Not disclosed	No
Shougang Concord Grand (Group) Limited (730)	12/11/2018	Yes	Not disclosed	Yes
C&D International Investment Group Limited (1908)	7/11/2018	Yes	Yes	Yes
China State Construction International Holdings Limited (3311)	2/11/2018	Yes	Yes	Yes
China Electronics Optics Valley Union Holding Company Limited (798)	31/10/2018	Yes	Not disclosed	No
Zhuzhou CRRC Times Electric Co., Ltd. – H Shares (3898)	30/10/2018	Yes	Yes	No
Tesson Holdings Limited (1201)	26/10/2018	Yes	Not disclosed	No
CTEH INC. (1620) and WWPKG Holdings Company Limited (8069)	25/10/2018	Yes	Not disclosed	Yes *(Note)*
Wuling Motors Holdings Limited (305)	24/10/2018	Yes	Not disclosed	No
Huaneng Power International, Inc. – H Shares (902)	24/10/2018	Yes	Not disclosed	Yes
Haitian Energy International Limited (1659)	19/10/2018	Yes	Not disclosed	Yes
Yunnan Water Investment Co., Limited – H Shares (6839)	18/10/2018	Yes	Yes	Yes
Mason Group Holdings Limited (273)	16/10/2018	Not disclosed	Yes	Not disclosed
Deson Development International Holdings Limited (262)	15/10/2018	Yes	Not disclosed	Yes
Yunnan Water Investment Co., Limited – H Shares (6839)	12/10/2018	Yes	Yes	Yes
CIFI Holdings (Group) Co. Ltd. (884)	8/10/2018	Yes	Yes	Yes
China Merchants Land Limited (978)	8/10/2018	Yes	Yes	Yes
PropCo (Ontrack)/PropCo (Equal Glory)		**Yes**	**Yes**	**Yes**

Note:

With reference to the relevant announcement underlying the Comparable, the joint venture company is owned as to 50% by each of the shareholders. The number of directors appointed by each of the shareholders shall be equal.

As shown in Table 2 above, it is noted that the proposed principal terms of the JV (Ontrack) Agreement and the JV (Equal Glory) Agreement conformed with those of all/majority of the Comparables. Therefore, we consider that the terms of the JV (Ontrack) Agreement and the JV (Equal Glory) Agreement are normal and usual in respect of a joint venture and fair and reasonable to the respective parties.

Based on our review of the JV (Ontrack) Agreement and the JV (Equal Glory) Agreement and the comparable assessment, it is noted that (i) the entering into of each of the JV (Ontrack) Agreement and the JV (Equal Glory) Agreement would (a) reduce the capital commitment on the part of the Group in undertaking the development project at the Property (Ontrack) and share such commitment with the respective shareholders of the PropCo (Ontrack) and PropCo (Equal Glory) in accordance with each of their respective shareholdings therein and (b) allow the Group to have major control over the decision-making process of the PropCo (Ontrack) and PropCo (Equal Glory) in respect of the respective development projects; and (ii) the proposed major terms of the JV (Ontrack) Agreement and the JV (Equal Glory) Agreement are in line with recent market practice. As such, we consider that the proposed terms of the JV (Ontrack) Agreement and the JV (Equal Glory) Agreement are normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Moreover, we have reviewed other principal terms of the Transactions including but not limited to the payment terms of the Initial Consideration (Ontrack) and the Initial Consideration (Equal Glory) and the conditions precedent to the Transactions, further details of which are set out in the Letter from the Board, and we are not aware of any terms being unusual. Based on the above, we are of the view that the terms of the Transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. Possible financial effects of the Disposal (Ontrack) and Acquisition (Equal Glory)

Net assets value

Upon Completion, the PropCo (Ontrack) will remain as a 75%-owned subsidiary of the Company and the PropCo (Equal Glory) will become a 90%-owned subsidiary of the Company. As a result, the assets, liabilities and financial results of (i) the PropCo Group (Ontrack) will remain to be consolidated into the consolidated financial statements of the Group; and (ii) the PropCo Group (Equal Glory) will be consolidated into the consolidated financial statements of the Group. With reference to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to the Circular which provides a more detailed illustration of the financial effects on the Group as a result of the Acquisition (Equal Glory), the Disposal (Ontrack) and the repayment of the Company Shareholder Loan, assuming the Acquisition (Equal Glory) and the Disposal (Ontrack) (including the repayment of the Company Shareholder Loan) had taken place on 30 June 2018 such that the assets and liabilities of the PropCo Group (Equal Glory) would have been consolidated into the Group, the net assets value of the Enlarged Group would increase from approximately HK$2,244.28 million to approximately HK$2,426.21 million as at 30 June 2018.

Gearing

Pursuant to the Agreement, at Completion of the Disposal (Ontrack), the Initial Consideration (Disposal) after taking into account the Consideration (Disposal) Adjustment (if any) will be set off against the repayment of the Company Shareholder Loan in the principal amount of HK$350 million owed by the Company to Tamar Investments, while the net balance of the Company Shareholder Loan of HK$163,200,000 (before adjustment and finalisation of the amounts involved in the set-off) after such set-off will be repaid using internal resources of the Group. Accordingly, the debt level of the Group would reduce. At Completion of the Acquisition (Equal Glory), the Initial Consideration (Acquisition) after taking into account the Consideration (Acquisition) Adjustment (if any) will be settled in cash by the Group. Therefore, the debt level of the Group would not be affected as a result of the Acquisition (Equal Glory).

Working capital

Based on the Annual Report 2018, the cash and cash equivalents of the Group amounted to approximately HK$1,128.66 million as at 30 June 2018. Given that the Initial Consideration (Disposal) will be set-off against the repayment of the Company Shareholder Loan, there will be no cash proceed received from the Disposal (Ontrack). As a result of the cash settlement of (i) the Initial Consideration (Acquisition) of approximately HK$159,912,000 based on the outstanding principal amount of the Bank Borrowings (Equal Glory) (before interests) of HK$118,000,000 as at 30 September 2018 and (ii) the net balance of the Company Shareholder Loan as mentioned above, the cash balance of the Group will decrease accordingly and hence the cash flow of the Group is expected to reduce.

Notwithstanding that the liquidity of the Group will reduce as a result of the Disposal (Ontrack) and the Acquisition (Equal Glory), in view of that (i) the net assets value of the Group is expected to increase upon Completion of the Acquisition (Equal Glory) and the Disposal (Ontrack); and (ii) the earnings of the Group is expected to enhance given the generally positive outlook of the property market in Hong Kong (as further discussed in the above section headed "3. Reasons for and benefits of entering into the Transactions"), we consider that the overall financial effect on the Group as a result of the Disposal (Ontrack) and Acquisition (Equal Glory) is positive.

Shareholders should note that the above analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be as a result of the Disposal (Ontrack) and the Acquisition (Equal Glory), respectively.

RECOMMENDATIONS

Having considered the above principal factors and reasons for the Transactions, we are of the view that the Transactions are in the ordinary and usual course of business of the Group, and that the terms of the Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolution(s) to be proposed at the General Meeting to approve the Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Winnie Chow
Director

Ms. Winnie Chow is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over 9 years of experience in the finance and investment banking industry.

1. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group, together with the accompanying notes, for each of the three years ended 30 June 2016, 2017 and 2018 are disclosed in the annual reports of the Company for the financial years ended 30 June 2016 (pages 64 to 226), 30 June 2017 (pages 74 to 247) and 30 June 2018 (pages 74 to 259), respectively, and are incorporated by reference into this circular.

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

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

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

http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/1025/LTN20181025389.pdf

2. INDEBTEDNESS STATEMENT

As at the close of business on 15 October 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining the information contained in this indebtedness statement, the Enlarged Group had total outstanding loans of HK$1,295,466,000, comprising secured and guaranteed interest bearing bank loans of HK$644,000,000, unsecured and guaranteed interest bearing bank loans of HK$35,000,000, unsecured interest bearing loan from ultimate holding company of HK$352,416,000, unsecured interest-free amounts due to a controlling shareholder of HK$196,949,000, unsecured interest-free amount due to a non-controlling shareholder of HK$34,272,000, unsecured interest-free amounts due to related companies of HK$32,719,000 and finance lease obligations of HK$110,000. The aforesaid interest bearing bank loans were secured by the Enlarged Group's investment properties, certain of its leasehold land and buildings, land use right, properties under development, corporate guarantees executed by the Company and personal guarantee executed by a controlling shareholder of the Enlarged Group. As at the close of business on 15 October 2018, the Company had provided guarantees amounting to HK$1,255,892,000 with respect to bank loans to its subsidiaries. Under the guarantees, the Company would be liable to pay the banks if the banks are unable to recover the loans. As at the close of business on 15 October 2018, no provision for the Company's obligation under the guarantee contract has been made as the Directors considered that it was not probable that the repayment of the loans would be in default.

Save as aforesaid and apart from intra-group liabilities, the Enlarged Group did not, at the close of business on 15 October 2018, have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, charges or debentures, mortgages, loans or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptance (other than normal trade bills and payables), acceptance credits, or any guarantees or other material contingent liabilities.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the applicable rates of exchange prevailing at the close of business on 15 October 2018.

3. MATERIAL ADVERSE CHANGE

The Directors confirmed that there was no material adverse change in the financial or trading position of the Group since 30 June 2018 (being the date to which the latest published audited consolidated financial statements of the Group have been made up) to the Latest Practicable Date.

4. WORKING CAPITAL STATEMENT

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

5. BUSINESS REVIEW AND MANAGEMENT DISCUSSION AND ANALYSIS

Set out below are the management discussion and analysis of the Enlarged Group for the financial year ended 30 June 2018.

For the year ended 30 June 2018

	Design, manufacturing, marketing and trading of fine jewellery and diamonds 2018 *HK$'000*	Property investment 2018 *HK$'000*	Mining operation 2018 *HK$'000*	Investment 2018 *HK$'000*	Consolidated 2018 *HK$'000*
Segment revenue:					
Sales to/revenue from external parties	386,262	912	–	4,708	391,882
Segment results	7,520	490,930	(60,747)	(377)	437,326

For the financial year 2018, the Group's consolidated revenue recorded a decrease of approximately HK$235.4 million or 37.5% from last year's HK$627.3 million to HK$391.9 million. The decrease was mainly attributable to (i) suspension of the diamond polishing operations since May 2017; and (ii) absence of a one-off revenue arising from disposal of 3 floors of an investment property amounting to approximately HK$133.5 million. During the year, profit attributable to owners of the Company was HK$354.8 million. The substantial increase in profits over last year's HK$98.3 million was primarily attributable to (i) the one-off gain from the disposal of a 50% joint venture of the Group amounting to approximately HK$363.2 million; (ii) unrealized fair value gain on the investment properties of approximately HK$67.0 million; and (iii) share of profit of joint ventures of approximately HK$69.1 million, which partially offset the impairment loss on mining right amount to HK$42.0 million and estimated income tax of approximately HK$75.1 million. The basic earnings per share was HK5.19 cent (2017: HK1.44 cent).

During the year under review, the Group's revenue on trading of fine jewellery recorded a decrease of approximately HK$96.8 million or 20.0% from last year's HK$483.1 million to HK$386.3 million for the year ended 30 June 2018. The decrease in the revenue was mainly due to the suspension of the diamond polishing business in 2017. While the overall luxury market has showed signs of improvement, particularly in the United States, the luxury jewellery segment remained as a highly competitive and crowded marketplace. The traditional retailers are facing strong competition from online retailers as well as fashion brands. In the United Kingdom and Europe, the markets are stable but fragmented. The jewellery industry is experiencing further consolidation worldwide and it is expected to see more changes in the near future. Amidst all challenges, the Group managed to maintain its turnover while improving its segment result by offering higher quality products as well as working with retailers on more private label brands and collections.

During the year, the Board had been taking initiatives to co-operate with strategic partners to pursue new business opportunities with a view to diversify the business of the Group. As a result, the Group had invested in a company, which is mainly engaged in the operation of retail and trading of a branded fashion jewellery. The brand mainly penetrates in the Hong Kong and China markets which are both new territories for the Group. Our management believes that this will be a valuable addition to the long term strategy of the Group and it will make positive contribution in the future.

For property investment, the Group completed the acquisition of a piece of land located at No. 232 Wan Chai Road, Hong Kong at a total consideration of approximately HK$1,180 million. The land is a clear site with a site area of approximately 5,798 sq. ft. Up to the date of this annual report, the Group intends to redevelop the land into a premium grade office and retail composite 26-storey building with a gross floor area of approximately 86,970 sq. ft. and to hold it for long term investment purpose. The foundation work has commenced in September 2018 and the building is expected to be completed in 2021.

In view of the revitalizing property market condition in China, the Board believed it is a good opportunity for the Group to realize its investment in Shanghai. The Group has sold a 50% owned joint venture which holds the "Bauhinia Square", an eleven-floored shopping mall located in Yangpu District of Shanghai. The consideration of the disposal was approximately HK$1,305.8 million and was completed on 20 April 2018. The gain from the disposal was approximately HK$277.5 million after netting off the estimated income tax. The proceeds from the disposal will enable the Group to reduce its borrowings and to improve the working capital position of the Group for future business opportunities and investments.

Subsequent to the financial year, on 20 July 2018, the Group has entered into preliminary agreements to acquire 12 floors of Glassview Commercial Building (the "Properties") at 65 Castle Peak Road, Yuen Long, New Territories at a consideration of approximately HK$129 million, with a gross floor area of approximately 14,508 sq. ft. The Properties currently fully let and will provide a stable rental income to the Group. It is the current intention of the Group to hold the Properties for long term investment.

In the mining segment, mining operation was minimized. As all the previously reported gold resources at the Yuanling mine site had been exhausted, the Company has been developing new shaft and re-visiting the old shaft in the Yuanling mine site. Meanwhile, the Company will continue exploration at the north eastern part of Yuanling.

At 30 June 2018, the Group held an equity interest in Macarthur Minerals Limited ("MMS"), MMS is an Australian company listed on the TSX Venture Exchange in Canada. The Group holds the interest in MMS for long term investment and accounted for as a non-current asset as "available-for-sale financial assets". During the year, the fair value of MMS was determined to be impaired on the basis of significant and prolonged decline in its fair value below cost. Accordingly, impairment loss of HK$984,000 (2017: HK$620,000) was recognised in the consolidated statement of profit or loss and other comprehensive income.

During the year ended 30 June 2018, the Directors appointed an independent professional valuer, BMI Appraisals Limited, to perform a valuation with respect to Hongzhuang Gold Mine situated at Henan Province, China and impairment loss of mining right and property plant and equipment amounting to HK$41,972,000 (2017: Nil) and HK$890,000 (2017: Nil) respectively has been recognized in the consolidated statement of profit or loss and other comprehensive income.

Liquidity, financial resources and gearing

As of 30 June 2018, the Group's gearing ratio was zero (2017: 0), which is calculated on net debt divided by total equity plus net debt. Net debt is calculated as the sum of bank and other borrowings less cash and cash equivalents. The Group maintains a strong financial position with cash and cash equivalents of HK$1,128,664,000 (2017: HK$374,648,000) which were mainly denominated in Hong Kong Dollar, US Dollar, Renminbi and British Pound. Bank loans were HK$611,000,000 (2017: HK$119,000,000), which were denominated in Hong Kong Dollar. Other borrowings in respect of amounts due to related companies, loan from a controlling shareholder and loan from ultimate holding company were approximately of HK$388,535,000 (2017: HK$87,218,000). The bank loans are secured by first legal charges over the Group's investment properties, certain leasehold land and buildings, land use rights and guaranteed by corporate guarantees executed by the Company.

The substantial increase in the Group's cash and cash equivalent as at 30 June 2018 were mainly attributed to the net proceeds received from the disposal of the Groups's 50% joint venture. With the cash yet to be utilised and in line with the Group's prudent financial management, the Directors considered that the Group has sufficient working capital to meet its ongoing operational requirements.

Pledge of assets

As of 30 June 2018, the Group's investment properties, certain leasehold land and buildings and land use rights with an aggregate net carrying value of HK$1,320,921,000 (2017: HK$51,236,000) were pledged to certain banks to secure general banking facilities granted to the Group.

Capital structure

All the Group's borrowings are denominated in Hong Kong Dollar and Renminbi. Interest is determined with reference to Hong Kong Interbank Offered Rate or Prime Rate for Hong Kong Dollar borrowings, and the benchmark lending rate of the People's Bank of China for Renminbi borrowings. The Group also made use of foreign exchange forward contracts in order to minimize exchange rate risk as a result of fluctuation in British Pound. There was no change to the Group's capital structure during the year ended 30 June 2018. In light of the current financial position of the Group and provided there is no unforeseeable circumstance, the management does not anticipate the need to change the capital structure.

Contingent liabilities

As at 30 June 2018, the Company has provided guarantees to the extent of HK$611,000,000 (2017: HK$119,000,000) with respect to bank loans to its subsidiaries. Under the guarantees, the Company would be liable to pay the banks if the banks are unable to recover the loans. At the reporting date, no provision for the Company's obligation under the guarantee contract has been made as the directors considered that it was unlikely the repayment of the loans would be in default.

Number of employees, remuneration policies and share option scheme

The Group employs a total of approximately 660 employees with the majority in the PRC. The Group's remuneration to its employees is largely based on common industrial practice. The Company has adopted a share option scheme on 13 July 2010, under which, the Company may grant options to eligible persons including directors and employees. As at 30 June 2018, 120,000,000 share options were granted pursuant to the scheme since its adoption.

Exposure to financial risk and related hedges

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

6. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

In the coming year, it is anticipated that the jewellery business will continue to be very competitive and challenging. The current trade tensions between China and the United States will likely impact the overall economy. Meanwhile, the negotiations between the United Kingdom with European Union on the Brexit still remain uncertain. Amidst of these economic uncertainties, the Enlarged Group will continue to foster its relationship with key customers and strengthen its market position. The Enlarged Group is actively seeking opportunities in gaining market share through strategic investments and partnerships. Subsequent to year end date, the Enlarged Group has entered into a non-legal binding memorandum of understanding with an independent third party to acquire certain assets of a jewellery company in the United Kingdom. The Board believes that such acquisition will further expand and strength the Enlarged Group's presence and foothold in the United Kingdom market.

In property, following the disposal of Enlarged Group's 50% joint venture project located in Shanghai, the Enlarged Group will continue to reinforce knowledge to take root in the property markets and grasp more sound investment opportunities. With the recent acquisitions of 12 floors commercial properties in Yuen Long, the Enlarged Group believes it will provide a steady source of income. It is the Enlarged Group's intention to broaden its property investment portfolio, in hope to bring in additional source of income and profits to the Enlarged Group. It is hoped that Acquisition (Equal Glory) can provide the Shareholders with more favourable return in the long run amidst the weakened market for fine jewellery and diamond.

The management remains positive in the overall market outlook and will strive to expand its business and investment portfolio in order to enhance the return on equity to the Enlarged Group and its shareholders. The trading and distribution of fine jewellery will remain as the Enlarged Group's core business. It will endeavor to maintain its status as one of the leading jewellery companies in Hong Kong. The Enlarged Group has no intention for scaling down and disposal of the design, manufacturing, trading and distribution of its fine jewellery, or its property investment and development business.

The following is the text of a report received from the Company's reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CONTINENTAL HOLDINGS LIMITED

Introduction

We report on the historical financial information of Equal Glory Limited (the "Target Company") and its subsidiaries (together the "Target Group") set out on pages II-4 to II-32, which comprises the consolidated and company statement of financial position as at 30 September 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period from 14 May 2018 (date of incorporation) to 30 September 2018 (the "Relevant Period") and a summary of significant accounting policies and other explanatory information (together the "Historical Financial Information"). The Historical Financial Information set out on pages II-4 to II-32 forms an integral part of this report, which has been prepared for inclusion in the circular of Continental Holdings Limited (the "Company") dated 29 November 2018 (the "Circular") in connection with the proposed acquisition of the 90% equity interest in the Target Company by the Company (the "Proposed Acquisition").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Company and the Target Group as at 30 September 2018, and of the Target Group's financial performance and cash flows for the Relevant Period in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

BDO Limited
Certified Public Accountants
Yu Tsui Fong
Practising Certificate Number P05440

Hong Kong
29 November 2018

I. HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

The following is the Historical Financial Information of the Target Group prepared by the directors of the Company and forms an integral part of this accountants' report.

The financial statements of the Target Group for the Relevant Period ("Underlying Financial Statements"), on which the Historical Financial Information of the Target Group is based, were audited by BDO Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Hong Kong Dollars ("HK$") and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**Period from 14 May 2018 (date of incorporation) to 30 September 2018** *HK$'000*
Revenue	*6*	–
Other operating expenses		(80)
Finance costs	*7*	–
Loss before income tax	*8*	(80)
Income tax expense	*10*	–
Loss and total comprehensive income for the period		(80)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 September 2018 HK$'000
Current assets		
Properties under development	13	336,685
Other receivables	14	11,501
Cash and cash equivalents	15	5
		348,191
Current liabilities		
Accruals and other payables	16	3,583
Amounts due to shareholders	17	226,688
Bank loan	18	118,000
		348,271
Net current liabilities		(80)
NET LIABILITIES		(80)
Equity		
Share capital	19	–
Accumulated losses		(80)
CAPITAL DEFICIENCIES		(80)

STATEMENT OF FINANCIAL POSITION OF THE TARGET COMPANY

	Notes	**As at 30 September 2018** *HK$'000*
Non-current assets		
Interests in subsidiaries	*12*	164,036
Current assets		
Properties under development	*13*	172,649
Other receivables	*14*	11,501
Cash and cash equivalents	*15*	5
		184,155
Current liabilities		
Accruals and other payables	*16*	3,583
Amounts due to shareholders	*17*	226,688
Bank loan	*18*	118,000
		348,271
Net current liabilities		(164,116)
NET LIABILITIES		(80)
Equity		
Share capital	*19*	–
Accumulated losses	*20*	(80)
CAPITAL DEFICIENCIES		(80)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
Issue of ordinary shares upon incorporation	–	–	–
Loss and total comprehensive income for the period	–	(80)	(80)
At 30 September 2018	–	(80)	(80)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Period from 14 May 2018 (date of incorporation) to 30 September 2018 HK$'000
Cash flows from operating activities		
Loss before income tax and operating loss before working capital changes		(80)
Increase in properties under development		(172,791)
Increase in other receivables		(11,501)
Increase in accruals and other payables		3,583
Net cash used in operations		(180,789)
Interest paid		(640)
Net cash used in operating activities		(181,429)
Cash flows from investing activities		
Acquisition of subsidiaries	*24*	(163,254)
Net cash used in investing activities		(163,254)
Cash flows from financing activities		
New bank loan		118,000
Advance from shareholders		226,688
Net cash generated from financing activities		344,688
Net increase in cash and cash equivalents		5
Cash and cash equivalents at the beginning of period		–
Cash and cash equivalents at end of period		5
Analysis of balances of cash and cash equivalents at end of period:		
Bank balances		5

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

1. General information

Equal Glory Limited (the ''Target Company'') and its subsidiaries (collectively as the ''Target Group'') are principally engaged in property development and thus there is only one single segment. The Target Company is a limited liability company incorporated in the British Virgin Islands. The address of its principal place of business in Hong Kong is Unit M, 1/F, Kaiser Estate, Phase 3, 11 Hok Yuen Street, Hunghom, Kowloon, Hong Kong.

2. Adoption of Hong Kong Financial Reporting Standards (“HKFRSs”)

New or revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Historical Financial Information, have been issued, but are not yet effective and have not been early adopted by the Target Group.

Annual Improvement of HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3 Business Combinations, HKFRS 11 Joint Arrangement, HKFRS 12 Income Taxes and HKAS 23 Borrowing Cost[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
HK(IFRIC)-Int 23	Uncertainty Over Income Tax Treatments[1]

[1] *Effective for annual periods beginning on or after 1 January 2019*

The directors of the Target Company are in the process of making an assessment of the potential impact of these pronouncements and expect the application of these new pronouncement will not have a material impact on the financial performance and financial position of the Target Group.

3. Basis of preparation and presentation

(a) Statement of compliance

The Historical Financial Information have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKAS") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the HKICPA. The Historical Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosures provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, the Target Group has adopted all applicable new and revised HKFRSs to the Relevant Periods except for any new standards or interpretations that are not yet effective for the accounting period beginning on 1 January 2018.

(b) Basis of measurement and going concern assumption

The Historical Financial Information have been prepared under the historical cost basis.

The Target Group incurred net loss of HK$80,000 during the period ended 30 September 2018, and as of that date, the Target Group had net current liabilities and capital deficiencies of HK$80,000. The Target Company incurred net loss of HK$80,000 during the period ended 30 September 2018, and as of that date, the Target Company had net current liabilities and capital deficiencies of HK$164,116,000 and HK$80,000 respectively. The shareholders of the Target Company, have confirmed to provide sufficient financial support to the Target Group and the Target Company so as to enable the Target Group and the Target Company to continue its business for twelve months after the period ended 30 September 2018; and the shareholders do not intend to demand repayment of the debts due to them by the Target Group and the Target Company until such time when the repayment will not affect the ability of the Target Group and the Target Company to fully repay other creditors if the Proposed Acquisition is not completed, and to the completion date if the Proposed Acquisition is completed. The Company has confirmed to provide sufficient financial support to the Target Group and the Target Company so as to enable the Target Group and Target Company to meet their liabilities and obligations as and when they fall due to enable the Target Group and the Target Company to continue its business from the completion date of the Proposed Acquisition up to twelve months after period ended 30 September 2018 if the Proposed Acquisition is completed. As a result, the Historical Financial Information of the Target Group and the Target Company has been prepared on a going concern basis.

(c) Functional and presentation currency

The Historical Financial Information are presented in HK$, which is also the same as the functional currency.

4. Significant accounting policies

The significant accounting policies adopted for the preparation of the Historical Financial Information of the Target Group are set out below, which have been consistently applied to the Relevant Period.

(a) Basis of consolidation

The Historical Financial Information comprise the financial statements of the Target Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the Historical Financial Information. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

(b) Subsidiaries

A subsidiary is an investee over which the Target Company is able to exercise control. The Target Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Target Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Target Company on the basis of dividend received and receivable.

(c) Financial assets

Classification

The Target Group classifies its financial assets as measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

See note 27 for details about financial assets.

Recognition and measurement

At initial recognition, the Target Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

On initial recognition, the Target Group's financial assets are classified as measured at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Target Group changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as fair value through profit or loss:

– The financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and

– The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Impairment of financial assets

The Target Group assesses on a forward looking basis the expected credit loss ("ECL") associated with its debt instrument assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk by considering reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Target Group's experience and informed credit assessment and including forward-looking information.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

Definition of default

The Target Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Group, in full (without taking into account any collaterals held by the Target Group).

Credit-impaired financial assets

At each reporting date, the Target Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;

- the restructuring of a loan or advance by the Target Group on terms that the Target Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Write-off policy

The Target Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Target Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follow:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Target Group expects to receive); and
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated further cash flows.

Derecognition of financial assets

The Target Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

(d) Financial liabilities and equity instruments

Classification

Debt and equity instrument issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of an equity instruments and a financial liability.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognised at proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities of the Target Group are subsequently measured at amortised cost using the effective interest method.

See note 27 for details about financial liabilities.

Derecognition of financial liabilities

The Target Group derecognises financial liabilities when, and only when, the Target Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) Properties under development

The cost of properties under development comprises the acquisition cost of land, development expenditure, other direct expenses and capitalised borrowing costs *(see note 4(i))*.

Properties under development are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price in the ordinary course of business less estimated cost of completion and the estimated costs necessary to make the sale.

(f) Cash and cash equivalents

Cash and cash equivalents include cash at bank.

(g) Provisions and contingent liabilities

Provisions are recognised when the Target Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Target Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

(h) Share capital

Shares issued by the Target Company are recorded at the proceeds received, net of direct issue costs.

(i) Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are completed.

(j) Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the period.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary differences arising from initial recognition of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset is realised, provided they are enacted or substantively enacted at the reporting date.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Target Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Target Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(k) Related parties

(a) A person or a close member of that person's family is related to the Target Group if that person:

(i) has control or joint control over the Target Group;

(ii) has significant influence over the Target Group; or

(iii) is a member of key management personnel of the Target Group or its parent.

(b) An entity is related to the Target Group if any of the following conditions apply:

(i) The entity and the Target Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Target Group or an entity related to the Target Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity); or

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target Group or to the parent of the Target Group.

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. Critical accounting judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Target Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Provision for impairment of receivables

The impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the risk of default and expected credit loss rates. The Target Group adopts judgement in making these assumption and selecting inputs for computing such impairment loss, broadly based on the available customers' historical data, existing market conditions including forward looking estimates at end of reporting period.

(b) Net realisable value of properties under development

Management determines the net realisable value of properties under development by using prevailing market data such as most recent sales transactions and market valuation report available from independent qualified professional valuer. Such valuation is made based on certain assumptions, which are subject to uncertainties and might materially different from the actual result. In making the judgement, reasonable consideration has been given to the underlying assumptions that are mainly based on market conditions exiting at the reporting date. These estimates are regularly compared to actual market data and actual transactions in the market.

6. Revenue

The Target Group had no revenue during the Relevant period.

7. Finance costs

	Period from 14 May 2018 (date of incorporation) to 30 September 2018
	HK$'000
Interest charges on bank loan	640
Less: Interests capitalised in properties under development *(note 13)*	(640)
	–

Note:

Borrowing costs arise from the interest charges on the bank loan and are capitalised fully to the properties under development *(note 13)* during the Relevant Period.

8. Loss before income tax

Auditor's remuneration for the Relevant Period was borne by shareholders of the Target Company.

9. Directors' emoluments

The directors of the Target Company have not received or will not receive any fees or other emoluments in respect of their services to the Target Company during the Relevant Period.

10. Income tax expense

Hong Kong profits tax has not been provided as there are no estimated assessable profits arising in Hong Kong during the period ended 30 September 2018.

Reconciliation between income tax expense and accounting loss at application tax rate:

	Period from 14 May 2018 (date of incorporation) to 30 September 2018
	HK$'000
Loss before income tax	(80)
Tax on loss before income tax, calculated at the statutory rate of 16.5%	(13)
Tax effect of non-deductible expenses	13
Income tax expense	–

The Target Group has not recognised deferred tax assets in respect of tax losses of HK$1,586,000 due to the unpredictability of future profit streams. The tax losses are subject to Hong Kong Inland Revenue Department final assessment. The tax losses do not expire under current tax legislation.

No deferred tax has been provided in the financial statements as there is no significant temporary difference as at 30 September 2018.

11. Dividend

The directors of the Target Company do not recommend the payment of any dividend for the Relevant Period.

12. Interests in subsidiaries

	As at 30 September 2018
	HK$'000
Investment in subsidiaries	
– Unlisted shares, at cost	136,058
Due from subsidiaries	27,978
	164,036

The amounts due from subsidiaries are unsecured, interest free and have no fixed term of repayment.

Particulars of the subsidiaries as at 30 September 2018:

Name	Place of incorporation	Particulars of issued share capital	Percentage of interest held	Principal activity
Well Century Investments Limited	Hong Kong	Ordinary share of HK$1	100%	Property development
Rich Dragon Enterprises Limited	Hong Kong	Ordinary shares of HK$10,000	100%	Property development

13. Properties under development

	Target Group As at 30 September 2018	Target Company As at 30 September 2018
	HK$'000	*HK$'000*
Date of incorporation	–	–
Additions *(note)*	172,791	172,329
Acquisition of subsidiaries *(note 24)*	163,254	–
Interests capitalised *(note 7)*	640	320
Carrying amount as at 30 September 2018	336,685	172,649

Note:

On 23 May 2018, the Target Company entered into agreements with independent third party individuals to acquire all the interests in the properties located at no.7, Cheung Wah Street, Hong Kong and no.9, Cheung Wah Street, Hong Kong at an aggregate consideration before any directly attributable costs of HK$67,000,000 and HK$67,000,000 respectively. The acquisitions were completed on 25 July 2018.

As at 30 September 2018, the Target Group and the Target Company's properties under development with a carrying amount of HK$336,685,000 and HK$172,649,000 was pledged to secure a bank borrowing granted to the Target Group.

14. Other receivables

Target Group and Target Company

	As at 30 September 2018 *HK$'000*
Other receivables	11,501

15. Cash and cash equivalents

Target Group and Target Company

Cash at bank earns interest at floating rate based on daily bank deposit rate.

16. Accruals and other payables

Target Group and Target Company

	As at 30 September 2018 *HK$'000*
Accruals and other payables	3,583

17. Amounts due to shareholders

Target Group and Target Company

The amounts due are unsecured, interest free and have no fixed term of repayment.

18. Bank loan

Target Group and Target Company

The analysis of the carrying amount of bank loan is as follows:

	As at 30 September 2018 *HK$'000*
Portion of loan from bank due for repayment after one year which contain a repayable on demand clause	
– Secured and guaranteed	118,000

The bank loan was scheduled to repay as follows:

	As at 30 September 2018 *HK$'000*
Bank loan:	
Repayable in the third to fifth year	118,000

As at 30 September 2018, the bank loan was secured/guaranteed by the followings:

(i) legal charge over the properties under development of the Target Group; and

(ii) personal guarantee executed by, Mr. Chan Sing Chuk, Charles, a controlling shareholder of the Target Group.

The bank loan is denominated in HK$ with effective interest rate at 3.48% per annum as at 30 September, 2018.

19. Share capital

	Number of shares	US$'000	Translated into HK$'000
Authorised:			
Ordinary shares of United States Dollars ("US$") 1 each upon incorporation and at 30 September 2018	50,000	50	390
Issued and fully paid:			
Issuance of 1 ordinary share of US$1 each upon incorporation	1	–	–
Increase in ordinary shares*	9	–	–
At 30 September 2018	10	–	–

* *Pursuant to the resolution passed on 15 August 2018, it was resolved that 9 ordinary shares of the Target Company were issued at US$1 each.*

20. Reserves movement of the Target company

	Accumulated losses *HK$'000*
At date of incorporation	–
Loss and total comprehensive income for the period	(80)
At 30 September 2018	(80)

21. Contingent liabilities

At 30 September 2018, the Target Group did not have any contingent liabilities.

22. Capital commitments

	As at 30 September 2018 *HK$'000*
Commitments for the development and demolition of:	
Properties under development	6,841

23. Capital risk management

The Target Group's objective when managing capital are to safeguard the Target Group's ability to continue as a going concern in order to provide returns for shareholders and provide benefits for other stakeholders and to maintain a strong capital base to support the development of the operating activities of the Target Group.

In order to maintain or adjust the capital structure, the Target Group may issue new shares or apply for long-term loans from banks or arrange additional funding from its shareholders.

24. Assets acquisition via acquisition of subsidiaries

On 23 May 2018, the Target Company entered into provisional sales and purchase agreements with an independent third party (the "Seller") to acquire the entire issued share capital of Well Century Investments Limited ("Well Century") and Rich Dragon Enterprises Limited ("Rich Dragon") and all the inter-company loan owing by Well Century and Rich Dragon to the Seller at an aggregate consideration (the "Considerations") of HK$80,500,000 and HK$80,500,000 respectively. The principal asset of Well Century and Rich Dragon is a property located at no.7A, Cheung Wah Street, Hong Kong and a property located at no.9A, Cheung Wah Street, Hong Kong respectively. Having satisfied all the terms and conditions of the provisional sale and purchase agreements, the acquisition of Well Century and Rich Dragon were completed on 25 July 2018.

The Considerations were satisfied by cash. These transactions have been accounted for as acquisition of assets as these acquisitions does not meet the definition of a business combination. These transactions were accounted for as acquisition of properties under development in the ordinary course of the Target Company's property development business.

The net cash outflow arising from the acquisition of Well Century and Rich Dragon was as follows:

	HK$'000
Net cash outflow in connection with the acquisition of subsidiaries:	
Cash consideration paid	161,000
Directly attributable costs	2,254
Consideration settled in cash	163,254

25. Reconciliation of liabilities arising from financing activities

	Amounts due to shareholders *HK$'000* *(note 17)*	**Bank loan** *HK$'000* *(note 18)*
At the date of incorporation	–	–
New bank borrowing	–	118,000
Advance from shareholders	226,688	–
Total changes from financing cash flows	226,688	118,000
Other changes:		
Interest expenses	–	640
Interest paid	–	(640)
Total other changes	–	–
At 30 September 2018	226,688	118,000

26. Financial risk management

The Target Group's major financial instruments include other receivables, cash and cash equivalents, accruals and other payables, amounts due to shareholders and bank loan. Details of these financial instruments are disclosed in the respective notes. The risk associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Credit risk

The Target Group's credit risk is primarily attributable to cash and cash equivalents and other receivables.

The credit risk on cash and cash equivalents is limited because the counterparties are banks with good reputation. For other receivables, management has a credit policy in place and the exposure to this credit risk is monitored on an ongoing basis.

The Target Group has no significant concentration of credit risk.

(b) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Target Group is exposed to interest rate risk primarily arising from bank balances and bank loan. The bank loan is arranged at variable rates which expose the Target Group to cash flow interest rate risk. The interest rate and repayment term of the bank loan outstanding at 30 September 2018 are disclosed in note 18.

The Target Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Target Group's bank loan is subject to interest rate risk. However, as all the bank loan interests had been capitalised in properties under development, the change in interest rate would not affect profit or loss of the Target Group. Other than this, as the Target Group has no other significant interest bearing financial assets and financial liabilities, the Target Group's profit or loss and operating cash flows are substantially independent of changes in market interest rates.

(c) Liquidity risk

Liquidity risk related to the risk that the Target Group will not able to meet its obligation associated with its financial liabilities. In the management of the liquidity risk, the Target Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Target Group's operations and mitigate the effects of fluctuations in cash flows in the short and long term. Management monitors the utilisation of bank borrowing and ensures compliance with loan covenants.

The Target Group have obtained confirmations from the shareholders of the Target Company, that they will provide sufficient financial support to the Target Group and the Target Company so as to enable the Target Group and the Target Company to continue its business for twelve months after the period ended 30 September 2018; and the shareholders do not intend to demand repayment of the debts due to them by the Target Group and the Target Company until such time when the repayment will not affect the ability of the Target Group and the Target Company to fully repay other creditors if the Proposed Acquisition is not completed, and to the completion date if the Proposed Acquisition is completed. The Target Group and the Target Company have also obtained confirmations from the Company that it will provide sufficient financial support to the Target Group and the Target Company so as to enable the Target Group and Target Company to meet their liabilities and obligations as and when they fall due to enable the Target Group and the Target Company to continue its business from the completion date of the Proposed Acquisition up to twelve months after period ended 30 September 2018 if the Proposed Acquisition is completed.

The liquidity policies have been followed by the Target Group and the Target Company upon incorporation and are considered to have been effective in managing liquidity risk. The following table shows the remaining contractual maturities at the reporting date of the Target Group's and Target Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Target Group and the Target Company can be required to pay.

Specifically, for bank loan which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the Target Group and Target Company can be required to pay, that is if the lender was to invoke its unconditional rights to call the loan with immediate effect.

Target Group and Target Company

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand
	HK$'000	*HK$'000*	*HK$'000*
At 30 September 2018			
Accruals and other payables	3,583	3,583	3,583
Amounts due to shareholders	226,688	226,688	226,688
Bank loan	118,000	118,000	118,000
	348,271	348,271	348,271

The table that follows summaries the maturity analysis of bank loan with a repayment on demand clause based on agreed schedule repayments set out in the loan agreement. The amounts include interest payments computed using contractual rates. Taking into account the Target Group and the Target Company's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank loan will be repaid in accordance with the scheduled repayment dates set out in the loan agreement.

Target Group and Target Company

	Maturity analysis – Bank loan subject to repayment on demand clause based on schedule repayment dates				
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 30 September 2018					
Bank loan	118,000	129,553	4,106	4,106	121,341

27. Summary of financial assets and financial liabilities by category

The following table shows the carrying amount of financial assets and liabilities as defined in note 4(c) and note 4(d) respectively.

Target Group

	As at 30 September 2018 *HK$'000*
Financial assets	
Financial assets measured at amortised cost:	
– Other receivables	11,501
– Cash and cash equivalents	5
	11,506
Financial liabilities	
Financial liabilities measured at amortised cost:	
– Accruals and other payables	3,583
– Amounts due to shareholders	226,688
– Bank loan	118,000
	348,271

Target Company

	As at 30 September 2018 *HK$'000*
Financial assets	
Financial assets measured at amortised cost:	
– Other receivables	11,501
– Due from subsidiaries	27,978
– Cash and cash equivalents	5
	39,484
Financial liabilities	
Financial liabilities measured at amortised cost:	
– Accruals and other payables	3,583
– Amount due to shareholders	226,688
– Bank loan	118,000
	348,271

The directors of the Target Company consider that the carrying amounts of financial assets and financial liabilities carried at amortised cost approximate their fair values.

III. MANAGEMENT DISCUSSION AND ANALYSIS OF THE PROPCO GROUP (EQUAL GLORY)

Set out below is the management discussion and analysis of the PropCo Group (Equal Glory) for the period from 14 May 2018 (date of incorporation of the PropCo (Equal Glory)) to 30 September 2018. The PropCo (Equal Glory) was incorporated in the British Virgin Islands and it is the holding company of the PropCo Group (Equal Glory). The principal activity of the PropCo Group (Equal Glory) is property development in Hong Kong. Its only principle assets are direct and indirect interests in the properties located at No.7, 7A, 9 and 9A of Cheung Wah Street, Cheung Sha Wan, Hong Kong.

Business Review

The principal asset of the PropCo Group (Equal Glory) is a parcel of land located on the north-western side of Cheung Wah Street, at its junction with Cheung Sha Wan Road in Cheung Sha Wan, Kowloon, with a site area of approximately 3,240 sq ft (or 301 sq m) where two 5-storey tenement blocks are erected. It is the current intention of the PropCo Group (Equal Glory) to redevelop the Land into a premium grade residential building. The development is expected to be a 25-storey residential development over 2-storey of retail podium, with a gross floor area of approximately 29,160 sq ft (2,709 sq m) according to allowed plot ratio and other development specifications of the Land as prescribed by relevant government authority.

Financial Review

Immediately before the Acquisition (Equal Glory), the PropCo Group (Equal Glory) is owned as to 90% by the Vendor (Equal Glory) and 10% by Plenty Business (After the Acquisition (Equal Glory)), the PropCo Group (Equal Glory) will become a 90%-owned subsidiary in the Group.

Revenue

The PropCo Group (Equal Glory) had no revenue for the period from 14 May 2018 (date of incorporation of the PropCo (Equal Glory)) to 30 September 2018.

Operating Expenses

Operating expenses comprised of legal and professional fee and other operating expenses. Details are as follow:

	Period from 14 May 2018 (date of incorporation) to 30 September 2018
	HK$'000
Legal and professional fee	74
Other operating expenses	6
	80

Finance Costs

Finance costs are borrowing costs arise from the interest on the bank loan. An analysis of the PropCo Group (Equal Glory)'s finance costs for the period from 14 May 2018 (date of incorporation of the PropCo (Equal Glory)) to 30 September 2018 is as below.

	Period from 14 May 2018 (date of incorporation) to 30 September 2018
	HK$'000
Finance costs	640
Less: Interests capitalised in properties under development	(640)
	–

The PropCo Group (Equal Glory) has capitalised all of the interest expenses on properties under development during the period from 14 May 2018 (date of incorporation) to 30 September 2018.

Liquidity, Financial Resources and Borrowings

The gearing ratio of the PropCo Group (Equal Glory) were approximately 100% as at 30 September 2018. The gearing ratio is calculated on net debt divided by total equity plus net debt. Net debt is calculated as the sum of bank and other borrowings less cash and cash equivalents.

The amounts due to shareholders of the PropCo Group (Equal Glory) were HK$226,688,000 as at 30 September 2018.

The amount of bank loan of the PropCo Group (Equal Glory) were HK$118,000,000 as at 30 September 2018. The bank loan will mature on 25 July 2021.

The cash and cash equivalents of the PropCo Group (Equal Glory) were HK$5,000 as at 30 September 2018.

The total capital deficiencies of the PropCo Group (Equal Glory) were HK$80,000 as at 30 September 2018.

Contingent Liabilities

As at 30 September 2018, the PropCo Group (Equal Glory) did not have any significant contingent liabilities.

Capital Commitments

As at 30 September 2018, the PropCo Group (Equal Glory) had outstanding capital commitments of HK$6,841,000, which were capital commitments for the development and demolition of the properties under development.

Charge or Pledge of Assets

As at 30 September 2018, the PropCo Group (Equal Glory)'s properties under development were pledged to the bank to secure bank borrowing in the amount of HK$118,000,000. The bank loan were denominated in HK$ with effective interest rate at 3.48% per annum as at 30 September 2018.

Foreign Currency Risks

All transactions of the PropCo Group (Equal Glory) are denominated in Hong Kong dollar and the PropCo Group (Equal Glory) does not have significant exposure to foreign exchange risks.

Material Investments

On 23 May 2018, the PropCo (Equal Glory) entered into provisional sales and purchase agreements with an independent third party (the "Seller") to acquire the entire issued share capital of Well Century Investments Limited ("Well Century") and Rich Dragon Enterprises Limited ("Rich Dragon") and all the inter-company loan owing by Well Century and Rich Dragon to the Seller at an aggregate consideration of HK$80,500,000 and HK$80,500,000 respectively. The principal asset of Well Century and Rich Dragon is a property located at No.7A, Cheung Wah Street, Hong Kong and a property located at No.9A, Cheung Wah Street, Hong Kong respectively. The acquisition of Well Century and Rich Dragon were completed on 25 July 2018 on which the consideration was fully satisfied by cash. Further, the PropCo (Equal Glory) completed its acquisition of the property located at No. 7 and No.9, Cheung Wah Street Hong Kong on 25 July 2018 at HK$67,000,000 and HK$67,000,000 respectively.

Employees

During the period from 14 May 2018 (date of incorporation of the PropCo (Equal Glory)) to 30 September 2018, the PropCo Group (Equal Glory) had not employed any full-time employees.

INTRODUCTION

The following is an illustrative unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group ("Unaudited Pro Forma Financial Information"), which have been prepared in accordance with paragraph 4.29 of the Listing Rules, for the purpose of illustrating the effect of (i) the proposed acquisition of 90% equity interests in Equal Glory Limited and 90% of the shareholders' loans extended to Equal Glory Limited; (ii) the proposed disposal of 25% equity interests in Ontrack Ventures Limited and 25% of the shareholder's loan extended to Ontrack Ventures Limited; and (iii) repayment of the Company's loan from ultimate holding company (hereinafter collectively referred to as the "Proposed Transactions") on the Group for inclusion in this circular.

The Unaudited Pro Forma Financial Information has been prepared to illustrate the effects of the Proposed Transactions on the financial position of the Enlarged Group as at 30 June 2018 as if the Proposed Transactions had taken place at 30 June 2018.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purpose only, and because of its nature, it may not give a true picture of the financial position of the Enlarged Group had the Proposed Transactions been completed as at 30 June 2018, where applicable, or any future dates.

DISCLOSURE UNDER SECTION 436 OF THE HONG KONG COMPANIES ORDINANCE

The consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2018 included in the Unaudited Pro Forma Financial Information set out below in this Appendix do not constitute the Company's statutory annual consolidated financial statements for the year ended 30 June 2018 but are derived from those financial statements. Further information relating to statutory financial statements for the year ended 30 June 2018 required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

1. The Company will deliver the financial statements for the year ended 30 June 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

2. The Company's auditor has reported on the financial statements of the Company for the year ended 30 June 2018. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under either section 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

(A) Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Enlarged Group

	Consolidated statement of assets and liabilities of the Group as at 30 June 2018	Consolidated statement of assets and liabilities of the Target Group as at 30 September 2018	Pro forma adjustments						Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	*(Note 7(d))*	*(Note 7(e))*	
Non-current assets									
Property, plant and equipment	56,446	–							56,446
Land use rights	32,398	–							32,398
Investment properties	1,308,400	–							1,308,400
Mining right	623,749	–							623,749
Interests in a joint venture	14,743	–							14,743
Available-for-sale financial assets	14,385	–							14,385
Long-term receivables	–	–							–
Deferred tax assets	5,762	–							5,762
	2,055,883	–							2,055,883
Current assets									
Inventories	161,758	–							161,758
Properties under development	–	336,685		(41,005)		1,500			297,180
Trade receivables	111,737	–							111,737
Prepayments, deposits and other receivables	10,434	11,501							21,935
Financial assets at fair value through profit or loss	6,066	–							6,066
Due from a joint venture	183	–							183
Cash and cash equivalents	1,128,664	5	(167,043)			(1,500)	(163,337)	(1,500)	795,289
	1,418,842	348,191							1,394,148
Current liabilities									
Trade payables	54,922	–							54,922
Other payables and accruals	34,650	3,583					(877)		37,356
Bank loans	611,000	118,000							729,000
Obligation under finance leases	127	–							127
Due to shareholders	–	226,688		(204,019)	(22,669)				–
Due to a non-controlling shareholder	–	–			22,669				22,669
Provision for tax	2,349	–							2,349
	703,048	348,271							846,423
Net current assets/(liabilities)	715,794	(80)							547,725
Total assets less current liabilities	2,771,677	(80)							2,603,608
Non-current liabilities									
Obligation under finance leases	35	–							35
Due to related companies	33,793	–							33,793
Loan from ultimate holding company	350,000	–					(350,000)		–
Loan from a controlling shareholder	4,742	–							4,742
Deferred tax liabilities	138,824	–							138,824
	527,394	–							177,394
Net assets/(liabilities)	2,244,283	(80)							2,426,214

(B) Notes to the Unaudited Pro Forma Consolidated Assets and Liabilities of the Enlarged Group

1) The consolidated statement of assets and liabilities of the Group as at 30 June 2018 is extracted without adjustment from the published annual report of the Company for year ended 30 June 2018.

2) The consolidated statement of assets and liabilities of the Target Group as at 30 September 2018 are extracted from the Historical Financial Information of the Target Group set out in Appendix II to this circular.

3) According to the sale and purchase agreement, Radiant Achieve Limited, a wholly-owned subsidiary of the Company, will acquire 90% equity interests of Equal Glory Limited (the "Target Company") and 90% of the shareholders' loans owing by the Target Company (the "Sale Loan I") to its shareholders (the "Acquisition"). The purchase consideration of the Acquisition shall be the aggregate of (i) 90% of the difference between the agreed property value, being 96% of the fair value of the property of HK$308,000,000 as at 30 September 2018, as owned by the Target Company and its subsidiaries (the "Target Group") (the "Agreed Property Value (Equal Glory)") and the bank borrowing of the Target Group at the close of business of the completion date of this Acquisition; and (ii) the amount of 90% of the net assets value, being total consolidated assets of the Target Group (other than the property held by the Target Group) minus total consolidated liabilities of the Target Group (other than any deferred tax liabilities arising from the revaluation of the property and/or gain on subsequent disposal of the property held by the Target Group, the Sale Loan I and bank borrowing of the Target Group), (the "NAV (Equal Glory)") as set out in the pro forma completion accounts of the Target Group. For the purpose of preparing the Unaudited Pro Forma Financial Information, the purchase consideration shall be equal to HK$167,043,000, being the aggregate of 90% of the difference of the Agreed Property Value (Equal Glory) of HK$295,680,000 and the bank borrowing of HK$118,000,000 as at 30 September 2018 plus 90% of the NAV (Equal Glory) amount as at 30 September 2018 of HK$7,923,000, which can be only be determined at completion date of the Acquisition.

   Pursuant to the sale and purchase agreement, the purchase consideration will be settled in cash. Such settlement is assumed to be settled by internal resources of the Group.

4) As the Target Group is principally engaged in property development with no other associated services, the underlying set of assets acquired is not integrated in forming a business to generate revenue. Thus, the Directors are of opinion that the Acquisition does not constitute a business combination for accounting purposes and is in fact a purchase of net assets in nature under which the fair value of the consideration is the fair value of net liabilities purchased. Upon the completion of the Acquisition, the fair value of the net liabilities would be adjusted as detailed below:

	Acquiree's carrying amount	**Fair value**
	HK$'000	*HK$'000*
Properties under development*	336,685	295,680
Other receivables	11,501	11,501
Cash and cash equivalents	5	5
Accruals and other payables	(3,583)	(3,583)
Sale Loan I**	(226,688)	(226,688)
Bank loan	(118,000)	(118,000)
Non-controlling interests***	–	4,109
Net liabilities acquired	(80)	(36,976)
Purchase consideration *(note 3)*		167,043
Estimated transaction costs directly attributable to the Acquisition *(note 6)*		1,500
		168,543

* *It is the Group's intention to redevelop the acquired properties into a 25-storey residential development over 2-storey of retail podium for sale and therefore the acquired properties are classified as properties under development. This adjustment to the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group of HK$41,005,000 is to address the fair value changes of its properties under development (i.e. HK$336,685,000 minus HK$295,680,000) arising from the consideration paid for the Acquisition allocated to the underlying identifiable assets and liabilities on the basis of their relative fair values at the date of purchase.*

** *According to the sale and purchase agreement, the Group acknowledged and agreed that the Target Group may apply or have applied to the Collector of the Stamp Revenue under the Stamp Duty Ordinance (the "Collector") for the refund of the buyer's stamp duty; and the additional ad valorem stamp duty (being the difference between the ad valorem stamp duty at Scale 1 rates and that at Scale 2 rates as prescribed under the Stamp Duty Ordinance) (the "Stamp Duty Refund"), both paid by the relevant members of the Target Group in respect of its previous acquisition of the relevant interests in the Target Group's properties.*

To the extent that the Stamp Duty Refund has been refunded by the Collector and received by the Target Group before Completion, then the aforesaid amount will be used for the repayment of the Sale Loan I.

To the extent that the Stamp Duty Refund has been fully received by the Target Group after Completion, the Company shall pay to the seller of the Target Company an amount equal to 90% of the Stamp Duty Refund.

For the purpose of preparing the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group, as the application to the Collector on the Stamp Duty Refund is not yet commenced, no respective pro forma adjustment had been reflected in this regard.

*** *Non-controlling interests represent 10% of fair value of net liabilities acquired.*

Details of the net liabilities acquired are as follows:

	HK$'000
Consideration satisfied by:	
Purchase consideration settled in cash *(note 3)*	167,043
Purchase of 90% of the Sale Loan I[#]	(204,019)
Fair value of net liabilities purchased	36,976
	–

[#] *Being acquisition of 90% of the Sale Loan I of HK$226,688,000.*

5) Upon the completion of the Acquisition, the amount due to shareholder is reclassified as the amount due to a non-controlling shareholder, an independent third party, being 10% of Sale Loan I of HK$226,688,000.

6) The adjustment represents the payment of estimated transaction costs attributable to the Acquisition which would be capitalised as part of the consideration for the acquisition of the underlying assets of this transaction.

7) According to the sale and purchase agreement, Globe Deal Investments Limited, a wholly-owned subsidiary of the Company will dispose of 25% equity interests in Ontrack Ventures Limited (the "Ontrack") and 25% of the shareholder's loan owing by Ontrack and its subsidiary (the "Ontrack Group"), including principal amount and interest payables (the "Sale Loan II") to Luminous Fortune Limited, a company indirectly owned by Dr. Chan Sing Chuk, Charles, Ms. Cheng Siu Yin, Shirley and Mr. Chan Wai Lap, Victor, executive directors of the Company (the "Disposal"). The disposal consideration shall be the aggregate of (i) 25% of the difference between the agreed property value, being 96% of the fair value of the property of HK$1,270,000,000 as at 30 June 2018, as owned by the Ontrack Group (the "Agreed Property Value (Ontrack)") and the bank borrowing of the Ontrack Group at the close of business of the completion date of the Disposal and (ii) the amount of 25% of the net asset value, being total consolidated assets of the Ontrack Group (other than the property held by the Ontrack Group) minus total consolidated liabilities of the Ontrack Group (other than any deferred tax liabilities arising from the revaluation of the property and/or gain on subsequent disposal of the property held by the Ontrack Group, the Sale Loan II and bank borrowing of the Ontrack Group), (the "NAV (Ontrack)") as set out in the pro forma completion accounts of the Ontrack Group.

   For the purpose of preparing the Unaudited Prof Forma Financial Information, the disposal consideration shall be equal to HK$187,540,000, being the aggregate of 25% of the difference of the Agreed Property Value (Ontrack) of HK$1,219,200,000 and the bank borrowing of HK$472,000,000 as at 30 June 2018 plus 25% of the NAV (Ontrack) amount of HK$2,960,000 as at 30 June 2018, which can only be determined at completion date of the Disposal.

The effect on Disposal as if the Disposal had been completed on 30 June 2018 is calculated as follows:

	HK$'000
Disposal consideration	187,540
25% equity interests of the Ontrack Group disposed of as at 30 June 2018 *(note 7(a))*	(106,773)
Disposal of 25% of the Sale Loan II as at 30 June 2018 *(note 7(b))*	(75,371)
Estimated professional fees directly attributable to the Disposal *(note 7(e))*	(1,500)
Effect on the Disposal *(note 7(c))*	(3,896)

(a) It represents 25% of the net assets of the Ontrack Group of HK$427,090,000 as at 30 June 2018.

(b) It represents the disposal of 25% of the Sale Loan II of HK$301,483,000 as at 30 June 2018.

(c) Upon the disposal of 25% equity interests in the Ontrack Group, the Group retains control of the Ontrack Group which will be continued to be consolidated into the Group's financial statements. According to HKFRS 10, this is considered to be an equity transaction and the effect of such disposal will be dealt in the reserves of the Group. The effect on the Disposal may be different from the pro forma amount described above as the carrying amounts of assets and liabilities of the Ontrack Group on the actual date of Disposal will differ from their carrying amounts as at 30 June 2018. It is also subject to change as the actual professional fees and related expenses will differ from the assumed amounts of HK$1,500,000 used in the preparation of the Unaudited Pro Forma Financial Information.

(d) According to the sale and purchase agreement, it is agreed that the consideration from the Disposal will be set off against the repayment of the Company's loan principal from its ultimate holding company of HK$350,000,000 and associated interest payables of HK$877,000 (the "Company's Loan") (the "Set Off Arrangement"). According to the sale and purchase agreement, the Company is required to repay net balance of the Company's Loan after the set off and the net cash outflow is settled by cash.

Accordingly, the net cash outflow from the above mentioned Set Off Arrangement as if the Disposal had been completed on 30 June 2018 is calculated as follows:

	HK$'000
Disposal consideration to be settled under the Set Off Arrangement *(note 7(c))*	187,540
Repayment of the Company's Loan as at 30 June 2018	(350,877)
Net cash outflow arising from the Set Off Arrangement#	(163,337)

\# *The cash settlement is assumed to be settled by internal resources of the Group.*

(e) The adjustment represents the payment of estimated transaction costs attributable to the Disposal.

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

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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the directors of Continental Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Continental Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2018 and related notes as set out on pages 1 to 8 of Appendix III of the Company's circular dated 29 November 2018 (the "Circular") in connection with (i) the proposed acquisition of 90% equity interests in Equal Glory Limited and 90% of the shareholders' loans extended to Equal Glory Limited; (ii) the proposed disposal of 25% equity interests in Ontrack Ventures Limited and 25% of the shareholder's loan extended to Ontrack Ventures Limited; and (iii) repayment of the Company's loan from ultimate holding company (hereinafter collectively referred to as the "Proposed Transactions"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on page 1 of Appendix III of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Proposed Transactions on the Group's financial position as at 30 June 2018 as if the Proposed Transactions had taken place at 30 June 2018. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the Company's consolidated financial statements for the year ended 30 June 2018, on which an independent auditor's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

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

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

Reporting Accountants' Responsibilities

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

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

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

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Transactions at 30 June 2018 would have been as presented.

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

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

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

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

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

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

BDO Limited
Certified Public Accountants
Hong Kong

29 November 2018

The following is the text of a letter, and valuation certificate, prepared for the purpose of incorporation in this circular received from Knight Frank Petty Limited, an independent valuer, in connection with its valuation as at 30 September 2018 of the Property (Equal Glory).

Knight Frank 萊坊

Knight Frank Petty Limited
4/F, Shui On Centre
6-8 Harbour Road
Wanchai, Hong Kong

29 November 2018

The Board of Directors
Continental Holdings Limited
Flats M & N, 1st Floor,
Kaiser Estate, Phase III,
11 Hok Yuen Street,
Hunghom, Kowloon
Hong Kong

Dear Sirs

VALUATION IN RESPECT OF NOS. 7-9A CHEUNG WAH STREET, CHEUNG SHA WAN, KOWLOON, HONG KONG (THE "PROPERTY")

In accordance with the instructions to us from Continental Holdings Limited (hereinafter referred to as the "Company", together with its subsidiaries, hereinafter together referred to as the "Group"), to value the Property, we confirm that we have made relevant enquiries and carried out searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property in its existing state as at 30 September 2018 (the "Valuation Date") for public disclosure purposes. Our valuation is undertaken by the qualified valuer with relevant experiences as an independent valuer. Our valuation is prepared in unbiased and professional manner.

BASIS OF VALUATION

In arriving at our opinion of a market value, we followed "The HKIS Valuation Standards 2017" issued by The Hong Kong Institute of Surveyors ("HKIS") and "The RICS Valuation – Global Standards 2017" issued by The Royal Institution of Chartered Surveyors ("RICS"). Under the said standards, market value is defined as:

"the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

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

Market value is also the best price reasonably obtainable in the market on the valuation date by the seller and the most advantageous price reasonably obtainable in the market on the valuation date by the buyer. This estimate specially excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

Our valuation complies with the requirements set out in "The HKIS Valuation Standards 2017" issued by HKIS and "The RICS Valuation – Global Standards 2017" issued by RICS.

Our valuation is based on 100% of the leasehold interest of the Property.

VALUATION METHODOLOGY

In forming our opinion of market value of the Property, we have adopted the Market Approach by making reference to recent market sales evidences available in the market. Appropriate adjustments have been made for any differences in the characteristics between the Property and the comparable properties. We have assumed the Property will be completed in accordance with the proposed development scheme given by the Company and ready for immediate occupation as at the Valuation Date with all relevant approvals for the scheme have been obtained. We have also considered the cost of development including construction costs provided by the Company, finance costs, professional fees and developer's profit which duly reflects the risks associated with the development of the Property.

VALUATION ASSUMPTIONS AND CONDITIONS

Our valuation is subject to the following assumptions and conditions:–

Title Documents and Encumbrances

In our valuation, we have assumed a good and marketable title and that all documentation is satisfactorily drawn. We have also assumed that the Property is not subject to any unusual or onerous covenants, restrictions, encumbrances or outgoings. These assumptions are considered valid by the Company. The Company intends to redevelop the Property in compliance with the relevant covenants and/or restrictions to which the Property is subject (including the zoning plan and the government lease as more particularly described below). Based on the information provided by the Company, the existing tenement blocks will be demolished. The rectification work for the Notices and Orders currently registered against the Property will be addressed following the demolition of the existing tenement blocks. Therefore, we have disregarded the Notices and Orders and the effects of the defects on the value and safety of the Property.

Disposal Costs and Liabilities

No allowance has been made in our report for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale.

Source of Information

We have relied to a very considerable extent on information given by the Company. We have accepted advice given to us on such matters as proposed development scheme, construction cost estimation, statutory notice, easement, tenure, and all other relevant matters. We have not verified the correctness of any information, including their translation supplied to us concerning the property interests, whether in writing or verbally by yourselves, your representatives or by your legal or professional advisers or by any (or any apparent) occupier of the property interest or contained on the register of title. We assume that this information is complete and correct.

Inspection

We have inspected the Property on 2 October 2018 by Mr. Cyrus Fong, *MRICS MHKIS RPS(GP) RICS Registered Valuer*. Nevertheless, we have assumed in our valuations that the Property was in satisfactory exterior and interior decorative order without any unauthorized extension or structural alterations or illegal uses as at the Valuation Date, unless otherwise stated.

Identity of the Property Interest to be Valued

We have exercised reasonable care and skill to ensure that the Property is the property interest inspected by us and contained within our valuation report. If there is ambiguity as to the property address, or the extent of the property interest to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.

Property Insurance

We have valued the Property on the assumption that, in all respects, it is insurable against all usual risks including terrorism, flooding and rising water table at normal, commercially acceptable premiums.

Area Measurement

In our valuations, we have relied upon areas provided to us. We have also assumed that the measurements and dimensions shown on the documents handed to us are correct and in approximations only. We have also scaled off the floor areas from the approved building plans in accordance with the First Edition (March 1999) of the Code of Measuring Practice by the Hong Kong Institute of Surveyors with Supplement issued on 1 July 2014.

Structural and Services Condition

We have carried out visual inspection only without any structural investigation or building survey. During our limited inspection, we did not inspect any inaccessible areas. We are unable to confirm whether the Property is free from urgent or significant defects or items of disrepair or any deleterious materials have been used in the construction of the Property. Our valuation has therefore been undertaken on the basis that the Property was in satisfactory repair and condition, contains no deleterious materials and it is sound order and free from structural faults, rot, infestation or other defects, and that the services are in a satisfactory condition.

Ground Condition

We have assumed there is no unidentified adverse ground or soil conditions and that the load bearing qualities of the Property are sufficient to support the building constructed or to be constructed thereon; and that the services are suitable for any existing or future development. Our valuation is therefore prepared on the basis that no extraordinary expenses or delays will be incurred in this respect.

Environmental Issues

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the Property is unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

Compliance with Relevant Ordinances and Regulations

We have assumed that the Property was constructed, occupied and used in full compliance with, and without contravention of any ordinance, statutory requirement and notices except only where otherwise stated. We have further assumed that, for any use of the Property upon which this report is based, any and all required licences, permits, certificates, consents, approvals and authorisation have been obtained, except only where otherwise stated.

LIMITATIONS ON LIABILITY

In accordance with our standard practice, we must state that this valuation is for the use of the party to whom it is addressed and no responsibility is accepted to any third party for the while or any part of its contents. We do not accept liability to any third party or for any direct or indirect consequential losses or loss of profits as a result of this valuation.

In our valuations, Knight Frank has prepared the valuation based on information and data available to us as at the Valuation Date. While current market is influenced by various policies and mortgage regulations, increased complexity in geopolitics has also resulted in more fluctuations. It must be recognised changes in policy direction, mortgage requirements, society and geopolitics could be immediate and have sweeping impact on the real estate market apart from typical market variations. It should therefore be noted that any market violation, policy, geopolitical and social changes or other unexpected incidents after the Valuation Date may affect the value of the Property.

CURRENCY

Unless otherwise stated, all monetary figures in this valuation report will be in Hong Kong Dollars (HK$).

AREA CONVERSION

The area conversion factors in this report are taken as follows:

1 sq m = 10.764 sq ft

We enclose herewith our valuation report.

Yours faithfully
For and on behalf of
Knight Frank Petty Limited

Cyrus Fong
MRICS MHKIS RPS(GP) RICS Registered Valuer
Director, Valuation & Advisory

Thomas Lam
FRICS FHKIS RPS(GP) RICS Registered Valuer
Executive Director, Head of Valuation & Advisory

Note: Mr Thomas Lam is a qualified valuer who has over 18 years of extensive experiences in market research, valuation and consultancy in the PRC, Hong Kong, Macao and Asia Pacific region.

Mr Cyrus Fong is a qualified valuer who has over 12 years of extensive experiences in valuation of properties in in the PRC, Hong Kong, Macao and Asia Pacific region.

VALUATION

Property Interest	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2018
Nos 7-9A Cheung Wah Street, Cheung Sha Wan, Kowloon, Hong Kong Section A, B, C and the Remaining Portion of New Kowloon Inland Lot 2196, Section A, B, C and the Remaining Portion of New Kowloon Inland Lot 2197, and Section A, B, C and the Remaining Portion of Inland Lot No. 2198. (the "Lots")	Nos 7-9A Cheung Wah Street is situated on the north-western side of Cheung Wah Street, at its junction with Cheung Sha Wan Road in Cheung Sha Wan, Kowloon. It is a parcel of land with a site area of approximately 3,240 sq ft (or 301 sq m). Two 5-storey tenement blocks with a total saleable area of about 11,289 sq ft, completed in 1955, are erected on the Property. The property interests comprise the whole of Section A, B, C and the Remaining Portion of New Kowloon Inland Lot 2196, Section A, B, C and the Remaining Portion of New Kowloon Inland Lot 2197, and Section A, B, C and the Remaining Portion of Inland Lot No. 2198. The Lots are held under Government Lease for a term of 75 years renewable for 24 years commencing from 1 July 1898 and had been extended to 30 June 2047 at an annual Government Rent at 3% of the rateable value for the time being of the Property.	As advised by the Company, the existing tenement blocks erected on the Property were owner-occupied for domestic uses as at the Valuation Date. The Property is planned to be redeveloped into a high-rise composite building with a total gross floor area of approximately 28,075 sq ft.	HK$308,000,000 (Hong Kong Dollars Three Hundred and Eight Million)

Notes:

(1) Pursuant to records obtained from the Land Registry and information provided by the Company, the registered owners of the Property as at the Valuation Date are Equal Glory Limited and its wholly-owned subsidiaries, namely, Rich Dragon Enterprises Limited and Well Century Investments Limited.

(2) According to information provided by the Company, the Property was acquired by Equal Glory Limited at a total consideration of HK$295,000,000 on 25 July 2018.

(3) At the time of our recent search, the following incumbrances were registered against the Property:-

Section A of New Kowloon Inland Lot No. 2196, 2197 and 2198

a) Deed of Mutual Covenant vide memorial no. UB730065 dated 13 March 1970;

b) Order No. DR00157/K/11 by the Building Authority under Section 28(3) of the Buildings Ordinance vide memorial no. 11060100760074 dated 4 May 2011;

c) Notice No. "UMB/MB071202-003/0001" by the Building Authority under S. 30B (3) of the Buildings Ordinance vide memorial no. 18061301880462 dated 19 September 2013;

d) Notice No. "UMW/MB071202-003/0001" by the Building Authority under S. 30C (3) of the Buildings Ordinance vide memorial no. 18061301880476 dated 19 September 2013;

e) Mortgage in favour of United Overseas Bank Limited to the extent of all moneys (PT.) vide memorial no. 18081701870058 dated 25 July 2018;

f) Rental assignment in favour of United Overseas Bank Limited vide memorial no. 18081701870063 dated 25 July 2018.

Section B of New Kowloon Inland Lot No. 2196, 2197 and 2198

a) Notice no. WCMS/TD00243/02/K-U10W by the Building Authority under S.24(C)(1) of the Buildings Ordinance vide memorial no. 08060600370031 dated 14 February 2008;

b) Order No. CSD/TB/006657/13/K under Section 24(1) of the Buildings Ordinance by the Building Authority vide memorial no. 16113001320012 dated 27 October 2016;

c) Order No. CSD/TB/006658/13/K under Section 24(1) of the Buildings Ordinance by the Building Authority vide memorial no. 16113001320025 dated 27 October 2016;

d) Notice No. "UMB/MB071202-003/0004" by the Building Authority under S.30B(3) of the Buildings Ordinance vide memorial no. 18061301880506 dated 19 September 2013;

e) Notice No. "UMW/MB071202-003/0004" by the Building Authority under S.30C(3) of the Buildings Ordinance vide memorial no. 18061301880511 dated 19 September 2013;

f) Mortgage in favour of United Overseas Bank Limited to the extent of all moneys (PT.) vide memorial no. 18082801970125 dated 8 August 2018.

Section C of New Kowloon Inland Lot No. 2196, 2197 and 2198

a) Notice No. WCMS/TD00241/02/K-U10W by the Building Authority under S.24C(1) of the Buildings Ordinance vide memorial no. 08060600370018 dated 14 February 2008;

b) Mortgage in favour of United Overseas Bank Limited to the extent of all moneys (PT.) vide memorial no. 18082801970125 dated 8 August 2018;

The following deeds pending for registration:–

c) Superseding Notice no. UMB/MB071202-003/0012 under S.30B(3) of the Buildings Ordinance vide memorial no. 18092101140241 dated 3 September 2018;

d) Superseding Notice no. UMW/MB071202-003/0010 under S.30C(3) of the Buildings Ordinance vide memorial no. 18092101140254 dated 3 September 2018.

The Remaining Portion of New Kowloon Inland Lot No. 2196, 2197 and 2198

a) Order No. CSD/TB/006660/13/K under Section 24(1) of the Buildings Ordinance by the Building Authority vide memorial no. 16113001320035 dated 27 October 2016;

b) Order No. CSD/TB/006661/13/K under Section 24(1) of the Buildings Ordinance by the Building Authority vide memorial no. 16113001320040 dated 27 October 2016;

c) Order No. CSD/TB/006662/13/K under Section 24(1) of the Buildings Ordinance by the Building Authority vide memorial no. 16113001320055 dated 28 October 2016;

d) Notice No. "UMB/MB071202-003/0003" by the Building Authority under S.30B(3) of the Buildings Ordinance vide memorial no. 18061301880481 dated 19 September 2013;

e) Notice No. "UMW/MB071202-003/0003" by the Building Authority under S.30C(3) of the Buildings Ordinance vide memorial no. 18061301880491 dated 19 September 2013;

f) Mortgage in favour of United Overseas Bank Limited to the extent of all moneys (PT.) vide memorial no. 18081701870058 dated 25 July 2018;

g) Rental Assignment in favour of United Overseas Bank Limited vide memorial no. 18081701870063 25 July 2018.

(4) The Property falls within the "Residential (Group A) 8" zone on the Cheung Sha Wan Outline Zoning Plan No S/K5/37 dated 6 December 2016 as at the Valuation Date. As stipulated in the relevant explanatory notes of the Outline Zoning Plan, the use of "shops and services" are always permitted on the lowest three floors of a building.

(5) The use and development of the Property are governed by the Government Lease of New Kowloon Inland Lot No. 2196, 2197 and 2198. The whole of the documents should be noted, but the following conditions are of particular relevance:–

"…… Lessee or any other person or persons shall not nor will during the continuance of this demise use exercise or follow in or upon the said premises or any part thereof the trade or business of a Brazier Slaughterman Soap-maker Sugar-baker Fellmonger Melter of tallow Oilman Butcher Distiller Victualler or Tavern-keeper Blacksmith Nightman Scavenger or any other noisy noisome or offensive trade or business whatever without the previous licence of His said Majesty signified in writing by the Governor or other person duly authorized in that behalf……"

(6) Pursuant to the proposed development scheme provided by the Company, the Property is planned to be re-developed into a composite building with a 25-storey residential block over a 2-storey commercial podium. The proposed development is expected to be completed in Q4 2021.

(7) Pursuant to information provided by the Company, the estimated redevelopment cost is approximately HK$200,000,000 inclusive of finance and administrative cost and contingency.

(8) The estimated gross development value of the Property upon completion as at the Valuation Date is approximately HK$577,000,000.

(9) In our valuation, we have assumed the following:–

(i) the registered owners of the Property are the legal and benefit owners and are entitled to occupy, let, mortgage and redevelop the Property without any restriction.

(ii) the Property is planned to be redeveloped into a high-rise composite building. We assumed that all planning and construction permits and approvals have been obtained.

(iii) the proposed development scheme is in compliance with the relevant planning and building ordinances and guidelines.

The following is the text of a report prepared for the purpose of incorporation in this circular received from Roma Appraisals Limited, an independent valuer, in connection with its valuation as at 30 September 2018 of the property held by the Group in Hong Kong.

ROMA

22/F, China Overseas Building,
139 Hennessy Road, Wan Chai, Hong Kong
Tel (852) 2529 6878 Fax (852) 2529 6806
E-mail info@romagroup.com
http://www.romagroup.com

29 November 2018

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

Dear Sir/Madam,

Re: Property Valuation of a Development Site situated at No.232 Wan Chai Road, Hong Kong

In accordance with your instructions for us to value the property held by Continental Holdings Limited (the "Company") and/or its subsidiaries and associated companies (together with the Company referred to as the "Group") in Hong Kong, we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property as at 30 September 2018 (the "Date of Valuation") for the purpose of incorporation in the Circular of the Company dated 29 November 2018.

1. BASIS OF VALUATION

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

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

2. VALUATION METHODOLOGY

In valuing the property which is proposed to be developed, we have assumed that it will be developed and completed in accordance with the Group's development proposal provided to us. In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant markets with adjustments of time, size, location and other factors and have also taken into account the cost and fees to be incurred to complete the developments to reflect the quality of the completed development.

3. TITLE INVESTIGATION

For the property in Hong Kong, we have carried out title search at the land registry. However, we have not scrutinized all the original documents to verify ownership or to ascertain the existence of any lease amendments which may not appear on the copies handed to us.

4. VALUATION ASSUMPTIONS

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

5. SOURCE OF INFORMATION

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

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

6. VALUATION CONSIDERATION

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

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

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

In valuing the property, we have complied with the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and the RICS Valuation – Professional Standards Published by the Royal Institution of Chartered Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

7. REMARKS

Unless otherwise stated, all monetary amounts stated in our valuation are in Hong Kong Dollars ("HK$").

Our Valuation Certificate is attached.

Yours faithfully,
For and on behalf of
Roma Appraisals Limited

Frank F Wong
BA (Business Admin in Acct/Econ) MSc (Real Est)
MRICS Registered Valuer MAusIMM ACIPHE
Director

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

VALUATION CERTIFICATE

Property held by the Group in Hong Kong

Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 September 2018
A Development Site situated at No. 232 Wan Chai Road, Wan Chai, Hong Kong	The property comprises a parcel of land with a total site area of approximately 538.647 sq.m. and is under construction. As per the latest approved building plans under B.D. Submission Reference No. BD 2/3005/16 approved by the Building Authority dated 31 August 2018 provided by the Group, the property will be developed into a block of 26-storey commercial building exclusive of refuge floor on 13th Floor and mechanical floor on lower ground floor. The total planned gross floor area of the property is about 8,066.372 sq.m. for office and shop uses. As advised by the Group, the proposed development is expected to be completed in the end of 2021. The total construction cost to complete the development is estimated to be approximately of HK$406,700,000 and the total construction cost incurred as at the Date of Valuation is approximately of HK$2,305,084. The Lot is held under a Government Lease for a term of 999 years commencing from 26 December 1860.	The property is currently under construction.	HK$1,270,000,000.

Notes:

1. Pursuant to the records of Land Register, the current registered owner of the property is Pacific Gate Investment Limited vide memorial nos. 14102302360292, 14112101950092, 15061602240092, 15022301400110, 14102102680019, 16022201740185, 14102702470248, 14102002370213, 15052102480125, 14102202510280, 14102702470260, 14101602620273, 14102702470297, 14102902320232, 14102202510316, 14102002370360, 14102202510153, 14102202510160, 14102202510176, 14102202510181, 14102302360302, 14102802380191, 14102802380171, 14102702470086, 14102702470182, 14102702470090, 14102702470200, 14102702470109, 14102102680059, 15060902410175, 14102102680066, 15010202090013, 15031302610093, 14102802380226, 14102802380237, 14102802380258, 14102002370075, 14102002370068, 14102702470169, 14102002370080, 14102002370134, 14102002370127. 14102002370112, 14102202510194, 14102702470053, 14102702470070, 14102102680102, 14102102680085, 14102102680097 for the dates of instrument from 30 September 2014 to 4 February 2016.

2. According to the Offensive Trade Licence dated 16 February 2017 vide Memorial No. 17022700900038, the trade or business of Sugar-baker, Oilman (excluding petrol filling station), Butcher, Victualler or Tavern-keeper are permitted to be carried out on the Remaining Portion of Marine Lot No. 124.

3. As per the approved building plans provided by the Group, our valuation is based on the proposed development under B.D. Submission Reference No. BD 2/3005/16 approved by the Building Authority dated 31 August 2018.

4. The property is zoned as "Other Specified Uses" under the Draft Wan Chai Outline Zoning Plan No. S/H5/27 ("OZP") gazetted in August 2012.

5. The property is subject to Mortgage in favour of Hang Seng Bank Limited vide Memorial No. 17111402430406 dated 25 October 2017.

6. Our inspection was performed by Mr. Frank F. Wong, in October 2018.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("Model Code") to be notified to the Company and the Stock Exchange, were as follows:

Interests in shares of the Company

	Number of ordinary shares of the Company				Approximate percentage of all the issued shares of the Company
Name of Directors	**Personal interest**	**Corporate interest**	**Underlying interest**	**Total**	
Chan Wai Lap, Victor	2,700,000	–	30,000,000 *(Note (ii))*	32,700,000	0.48%
Chan Sing Chuk, Charles	–	5,063,395,220 *(Note (i))*	–	5,063,395,220	74.12%
Cheng Siu Yin, Shirley	–	5,063,395,220 (Note (i))	–	5,063,395,220	74.12%
Chan Ping Kuen, Derek	200,000	–	–	200,000	0.003%
Chan Wai Kei, Vicki	–	–	30,000,000 *(Note (ii))*	30,000,000	0.44%
Yam Tat Wing	2,400,000	–	20,000,000 *(Note (ii))*	22,400,000	0.33%
Wong Edward Gwon-hing	–	–	30,000,000 *(Note (ii))*	30,000,000	0.44%

Notes:

(i) Such interests are held by Tamar Investments Group Limited, which is a company owned as to 45% by Dr. Chan Sing Chuk, Charles, 45% by Ms. Cheng Siu Yin, Shirley and 10% by Mr. Chan Wai Lap, Victor. Mr. Chan Wai Lap, Victor, Dr. Chan Sing Chuk, Charles and Ms. Cheng Siu Yin, Shirley are also directors of Tamar Investments Group Limited.

(ii) These interests represent the interests in underlying shares of the Company in respect of share options granted to the Directors as further described below.

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

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

Interests in shares of associated corporation of the Company

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

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

(a) As at the Latest Practicable Date, save and except for the Transactions, none of the Directors had any interest, direct or indirect, in any assets which had been, since 30 June 2018, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

(b) None of the Directors is materially interested in any contract or arrangement subsisting at the date of this circular (except for the Agreement) which is significant in relation to the business of the Enlarged Group as a whole.

(c) As at the Latest Practicable Date, none of the Directors had entered into any service contract with any member of the Enlarged Group which is not expiring or determinable by the employer within one year without payment of compensation other than statutory compensation.

(d) As at the Latest Practicable Date, save for Dr. Chan, an executive Director who held interest and directorship in companies engaged in the same business of gold mining activities in Sichuan Province of the PRC and Indonesia, none of the Directors nor any of their respective close associates had any interest in a business apart from the business of the Group, which competed or was likely to compete, either directly or indirectly, with that of the Group.

3. MATERIAL CONTRACTS

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

– a loan agreement dated 17 July 2017 entered into between the Company as borrower and Dr. Chan as lender in relation to loan facilities in the amount of HK$50,000,000. The loans are unsecured, interest-bearing at 1.5% per annum, and repayable on 16 July 2020;

– the conditional binding preliminary agreement dated 17 July 2017 between Hillcharm Limited (as seller), Globe Deal Investments Limited (a wholly-owned subsidiary of the Company as purchaser), CSI Properties Limited and Wisdom King Investments Limited (as seller's guarantors) and Pacific Gate Investment Limited, pursuant to which Globe Deal Investments Limited has conditionally agreed to acquire, and Hillcharm Limited has conditionally agreed to sell, the entire issued share capital of Ontrack Ventures Limited and all the inter-company loan owing by Ontrack Ventures Limited to Hillcharm Limited at completion of the said agreement at an aggregate consideration of HK$1,180 million, subject to the adjustment prescribed therein;

– a loan agreement dated 25 September 2017 entered into between the Company as borrower and Tamar Investments Group Limited as lender in relation to loan facilities in the amount of HK$350,000,000. The loans are unsecured, interest-bearing at 1.5% per annum, and repayable on 24 September 2020;

– a sale and purchase agreement dated 22 January 2018 entered into between Master Gold Development Limited (a wholly-owned subsidiary of the Company) as vendor, the Company as Master Gold Development Limited's guarantor and A Glory Communications Limited as purchaser for the sale and purchase of 50% of the issued shares of Wealth Plus Developments Limited and 50% of the shareholder loans owing by Wealth Plus Developments Limited. The total amount of the consideration was approximately HK$1,308 million (before adjustment);

– a provisional sale and purchase agreement dated 23 May 2018 entered into between PropCo (Equal Glory) as the purchaser and an independent third party as the vendor in relation to Well Century Investments Limited, which holds part of the Property (Equal Glory), at an aggregate consideration of HK$80,500,000;

– a provisional sale and purchase agreement dated 23 May 2018 entered into between PropCo (Equal Glory) as the purchaser and two independent third parties as the vendors in relation to Rich Dragon Enterprises Limited, which holds part of the Property (Equal Glory), at an aggregate consideration of HK$80,500,000;

– a provisional sale and purchase agreement dated 23 May 2018 entered into between PropCo (Equal Glory) as the purchaser and an independent third party as the vendor in relation to No.9 of Cheung Wah Street, being part of the Property (Equal Glory), at an aggregate consideration of HK$67,000,000;

– a provisional sale and purchase agreement dated 23 May 2018 entered into between PropCo (Equal Glory) as the purchaser and an independent third party as the vendor in relation to No.7 of Cheung Wah Street, being part of the Property (Equal Glory), at an aggregate consideration of HK$67,000,000;

– the Agreement dated 29 October 2018 in respect of the Transactions entered into between the Vendor (Equal Glory), the Purchaser (Equal Glory) (a wholly-owned subsidiary of the Company), the Vendor (Ontrack) (a wholly-owned subsidiary of the Company), the Purchaser (Ontrack), Tamar Investments (as the guarantor for the due performance of the obligations of the Vendor (Equal Glory) and the Purchaser (Ontrack) under the Agreement) and the Company (as the guarantor for the due performance of the obligations of the Purchaser (Equal Glory) and the Vendor (Ontrack) under the Agreement). The Transactions under the Agreement involve the Disposal (Ontrack), the Acquisition (Equal Glory), the JV (Ontrack) Formation, the JV (Equal Gory) Formation and the repayment of the Company Shareholder Loan. The material terms of the Agreement are set out in the Letter from the Board in this circular; and

– the Amendment and Restatement Deed dated 2 November 2018 entered into between the Vendor (Equal Glory), the Purchaser (Equal Glory) (a wholly-owned subsidiary of the Company), the Vendor (Ontrack) (a wholly-owned subsidiary of the Company), the Purchaser (Ontrack), Tamar Investments (as the guarantor for the due performance of the obligations of the Purchaser (Ontrack)), Dr. Chan (as the guarantor for the due performance of the obligations of the Vendor (Equal Glory)) and the Company (as the guarantor for the due performance of the obligations of the Purchaser (Equal Glory) and the Vendor (Ontrack)) to amend and restate certain terms of the Agreement, the effect of which is that Tamar Investments will guarantee the performance of the Purchaser (Ontrack) whereas Dr. Chan will guarantee the performance of the Vendor (Equal Glory).

4. EXPERTS AND CONSENTS

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

Name	**Qualifications**
Lego Corporate Finance Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
BDO Limited	Certified Public Accountants
Roma Appraisals Limited	Professional valuer
Knight Frank Petty Limited	Professional valuer

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

As at the Latest Practicable Date, each of the Experts had no shareholding in any member of the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and had no direct or indirect interest in any assets which have been, since 30 June 2018, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

5. GENERAL

(a) The secretary of the Company is Mr. Hui Chun Lam. Mr. Hui is a member of CPA Australia, an associate member of the Hong Kong Institute of Certified Public Accountants and member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

(b) The registered office of the Company is situated at Flats M and N, 1/F., Kaiser Estate, Phase III, 11 Hok Yuen Street, Hunghom, Kowloon, Hong Kong.

(c) The share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

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

(e) In case of inconsistency, the English text of this circular shall prevail over the Chinese text.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (public holidays excepted) at the registered office of the Company at Flats M and N, 1/F., Kaiser Estate, Phase III, 11 Hok Yuen Street, Hunghom, Kowloon, Hong Kong for a period of 14 weekdays (public holidays excepted) from the date of this circular:

– the articles of association of the Company;

– the Letter from the Board;

– the Letter from the Independent Board Committee, the text of which is set out on pages 35 to 36 of this circular;

– the Letter from the Independent Financial Adviser, the text of which is set out on pages 37 to 68 of this circular;

– the annual reports of the Company for the years ended 30 June 2017 and 2018;

– the accountant's report on the PropCo Group (Equal Glory), the text of which is set out in Appendix I to this circular;

– the assurance report in respect of the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

– the letter and valuation certificate in respect of the Property (Equal Glory), the text of which is set out in Appendix IV to this circular;

– the letter and valuation certificate in respect of the Property (Ontrack), the text of which is set out in Appendix V to this circular;

– a copy of each of the material contracts referred to in the paragraph headed "3. Material Contracts" in this Appendix;

– the written consents referred to in the paragraph headed "4. Experts and Consents" in this Appendix; and

– this circular.

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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00513)

NOTICE IS HEREBY GIVEN that a general meeting (the "General Meeting") of Continental Holdings Limited (the "Company") will be held at Function Rooms 2 & 3, 3/F, The Mira Hong Kong, 118 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Monday, 17 December 2018 at 11:30 a.m. (or as soon as the annual general meeting of Continental Holdings Limited to be held at the same place and on the same date at 11:00 a.m. shall be concluded or adjourned) for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolutions which will be proposed as ordinary resolutions:

ORDINARY RESOLUTIONS

1. "**THAT**, subject to and conditional upon resolutions no.2 and 3 as set out in the notice of the Company dated 29 November 2018 convening a general meeting of the Company (to which this resolution forms part) being passed:

   (a) the following transactions contemplated under the Agreement (as defined in the circular dated 29 November 2018 ("Circular") to shareholders of the Company of which this notice forms part) be and are hereby approved:

      (i) the Acquisition (Equal Glory) (as defined in the Circular), whereby (1) 90% of the issued share capital of Equal Glory Limited and (2) the interests and benefits of the outstanding loan and indebtedness owing by Equal Glory Limited to Fairy Tale International Limited or its associates (representing 90% of Equal Glory Limited's loan and indebtedness owing to its shareholders or their respective associates) shall be sold to Radiant Achieve Limited (a wholly-owned subsidiary of the Company) for a total consideration estimated to be approximately HK$159,912,000 (subject to finalization and adjustment in accordance with the terms and conditions of the Agreement), on the terms and subject to the conditions of the Agreement (a copy of which marked "A" and initialed by the chairman of the meeting for the purpose of identification, was produced to the meeting), as described in the Circular; and

(ii) the JV (Equal Glory) Formation (as defined in the Circular), whereby Radiant Achieve Limited and Plenty Business Limited (holder of 10% of the issued share capital of Equal Glory Limited) shall upon completion of the Acquisition (Equal Glory) establish a corporate joint venture, Equal Glory Limited, to undertake and implement the Development Project (Equal Glory) (as defined in the Circular) on the terms and subject to the conditions of the JV (Equal Glory) Agreement (as defined and described in the Circular, a copy of the form of which has been scheduled to the Agreement); and

(b) the directors of the Company (or a duly authorized committee thereof) be and are hereby authorised to execute any other documents and deeds as may be necessary or appropriate in relation thereto and to take any such steps and actions as they may in their opinion consider to be necessary, appropriate or expedient to implement or to give effect to such transactions, subject to such non-material modifications, amendments, waivers, variations or extensions of the terms and conditions of any such agreement as they may in their opinion think fit."

2. "**THAT**, subject to and conditional upon resolutions no.1 and 3 as set out in the notice of the Company dated 29 November 2018 convening a general meeting of the Company (to which this resolution forms part) being passed:

(a) the following transactions contemplated under the Agreement (as defined in the circular dated 29 November 2018 ("Circular") to shareholders of the Company of which this notice forms part) be and are hereby approved:

(i) the Disposal (Ontrack) (as defined in the Circular), whereby (1) 25% of the issued share capital of Ontrack Ventures Limited and (2) the interests and benefits of 25% of the outstanding loan and indebtedness owing by Ontrack Ventures Limited to Globe Deal Investments Limited (a wholly-owned subsidiary of the Company) or its associates shall be sold to Luminous Fortune Limited for a total consideration estimated to be approximately HK$186,800,000 (subject to finalization and adjustment in accordance with the terms and conditions of the Agreement), on the terms and subject to the conditions of the Agreement (a copy of which marked "A" and initialed by the chairman of the meeting for the purpose of identification, was produced to the meeting), as described in the Circular; and

(ii) the JV (Ontrack) Formation (as defined in the Circular), whereby Globe Deal Investments Limited and Luminous Fortune Limited shall upon completion of the Disposal (Ontrack) establish a corporate joint venture, Ontrack Ventures Limited, to undertake and implement the Development Project (Ontrack) (as defined in the Circular) on the terms and subject to the conditions of the JV (Ontrack) Agreement (as defined and described in the Circular, a copy of the form of which has been scheduled to the Agreement); and

(b) the directors of the Company (or a duly authorized committee thereof) be and are hereby authorised to execute any other documents and deeds as may be necessary or appropriate in relation thereto and to take any such steps and actions as they may in their opinion consider to be necessary, appropriate or expedient to implement or to give effect to such transactions, subject to such non-material modifications, amendments, waivers, variations or extensions of the terms and conditions of any such agreement as they may in their opinion think fit."

3. "**THAT**, subject to and conditional upon resolutions 1 and 2 as set out in the notice of the Company dated 29 November 2018 convening a general meeting of the Company (to which this resolution forms part) being passed:

(a) the repayment of the Company Shareholder Loan (as defined in the circular dated 29 November 2018 ("Circular") to shareholders of the Company of which this notice forms part), on the terms and subject to the conditions of the Agreement (a copy of which marked "A" and initialed by the chairman of the meeting for the purpose of identification, was produced to the meeting) (including the set-off arrangement whereby the consideration payable to Globe Deal Investments Limited (a wholly-owned subsidiary of the Company) on Completion of the Disposal (Ontrack) (as defined in the Circular) shall be set off against the payment of the Company Shareholder Loan), as described in the Circular, be and are hereby approved; and

(b) the directors of the Company (or a duly authorized committee thereof) be and are hereby authorised to execute any other documents and deeds as may be necessary or appropriate in relation thereto and to take any such steps and actions as they may in their opinion consider to be necessary, appropriate or expedient to implement or to give effect to such transactions, subject to such non-material modifications, amendments, waivers, variations or extensions of the terms and conditions of such agreement as they may in their opinion think fit."

By Order of the Board
Chan Wai Lap, Victor
Chairman

Hong Kong, 29 November 2018

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

Notes:

(1) Any member of the Company entitled to attend and vote at the General Meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.

(2) Where there are joint registered holders of any share of the Company, any one of such persons may vote at the General Meeting, either personally or by proxy, in respect of such share as if he was solely entitled thereto; but if more than one of such joint holders be present at the General Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

(3) Completion and return of the form of proxy will not preclude a member from attending and voting at the General Meeting or any adjournment thereof if he so wishes. In that event, his form of proxy will be deemed to have been revoked.

(4) In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority must be delivered to the registered office of the Company at Flats M and N, 1/F., Kaiser Estate, Phase III, 11 Hok Yuen Street, Hunghom, Kowloon, Hong Kong not less than 48 hours before the time appointed for holding the General Meeting or any adjournment thereof.

(5) For determining the entitlement to attend and vote at the General Meeting, the register of members of the Company will be closed from Wednesday, 12 December 2018 to Monday, 17 December 2018, both dates inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the General Meeting, all duly completed and signed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 11 December 2018.

(6) Resolutions No. 1, 2 and 3 are inter-conditional and linked with each other by the terms of the Agreement (as defined in the circular dated 29 November 2018). Please refer to the said circular for the terms of the Agreement.