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

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CONTINENTAL
HOLDINGS LIMITED

恒和珠寶集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00513)

VERY SUBSTANTIAL DISPOSAL AND NOTICE OF EXTRAORDINARY GENERAL MEETING

A letter from the board of directors of Continental Holdings Limited is set out on pages 4 to 12 of this circular.

A notice convening the extraordinary 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 Tuesday, 29 November 2016 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 on pages 70 to 71 of this circular. A form of proxy for use at the extraordinary general meeting is enclosed with this circular. If you are not able to attend the extraordinary general meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon 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 extraordinary 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 extraordinary general meeting should you so wish.

28 October 2016

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DEFINITIONS

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

“Adjustment”	adjustment to be made to the Consideration in accordance with the terms of the Agreement
“Agreement”	the conditional sale and purchase agreement dated 19 September 2016 entered into among the Vendor, the Purchaser and the Company in relation to the Disposal
“Board”	the board of Directors
“Company”	Continental Holdings Limited (Stock Code: 00513), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Agreement
“Completion Date”	the date on which Completion is to take place in accordance with the terms and conditions of the Agreement
“Conditions”	the conditions precedent to Completion as set out under the paragraph headed “5. Conditions precedent” in the Letter from the Board in this circular
“Consideration”	the aggregate consideration payable by the Purchaser to the Vendor for the Sale Share and the Sale Loans under the Agreement
“Directors”	the directors of the Company
“Disposal”	the proposed disposal of the Sale Share and the Sale Loans by the Vendor to the Purchaser pursuant to the terms and conditions of the Agreement

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be held at Function Rooms 2 & 3, 3/F, The Mira Hong Kong, 118 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Tuesday, 29 November 2016 at 11:30 a.m. (or as soon as the annual general meeting of the Company 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
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	25 October 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	the date falling 90 days after the date of the Agreement
“PRC”	the People’s Republic of China
“Pre-Sold Floors”	3 floors of the Property which have been pre-sold before the date of the Agreement
“Project Company”	Well Friendship Investment Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Property”	a newly-built 29-storey commercial building located in Sheung Wan, Hong Kong
“Purchaser”	City Prosperity Investment Limited, a company incorporated in the British Virgin Islands with limited liability, being the purchaser under the Agreement
“Remaining Group”	the Group without the Project Company after the Disposal

DEFINITIONS

“RMB”	Renminbi, the lawful currency of the PRC from time to time
“Sale Loans”	all the inter-company loans owing by the Project Company to the Group as at Completion
“Sale Share”	1 share in the Project Company, representing the entire issued share capital of the Project Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
“Shareholders”	shareholders of the Company
“sq. m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“U.S.”	the United States of America
“Vendor”	Precious Palace International Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company

For the purpose of this circular, the translation of RMB into HK\$ is converted at prevailing rate. The exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been or may be exchanged at this or any other rates at all.

LETTER FROM THE BOARD



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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00513)

Executive Directors:

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

Registered office:

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

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

28 October 2016

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

The Board announced that on 19 September 2016 (after trading hours), the Vendor (a wholly-owned subsidiary of the Company), the Purchaser and the Company (as guarantor of the Vendor) entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Share (being the entire issued share capital of the Project Company) and the Sale Loans (being all the inter-company loans owing by the Project Company to the Group at Completion) at an aggregate consideration of HK\$1,133.5 million, subject to the Adjustment.

LETTER FROM THE BOARD

As some of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal exceed 75%, the Disposal constitutes a very substantial disposal for the Company and is subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The purpose of this circular is to give you further information of the Disposal, a valuation report on the Property, other information as required under the Listing Rules and the notice of the EGM at which resolution will be proposed to consider and, if thought fit, approve the Agreement and the transaction contemplated thereunder.

THE AGREEMENT

A summary of the principal terms of the Agreement is as follows:

1. Date

19 September 2016

2. Parties

Vendor: Precious Palace International Limited, a wholly-owned subsidiary of the Company.

Purchaser: City Prosperity Investment Limited, a company incorporated in the British Virgin Islands with limited liability. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, the principal activity of the Purchaser is property investment and it and its ultimate beneficial owner (namely, AEW Value Investors Asia II, L.P., a private equity real estate fund) are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

Vendor's Guarantor: The Company. The Company was joined as a party to the Agreement to guarantee the performance of the Vendor's obligations under the Agreement.

LETTER FROM THE BOARD

3. Assets to be disposed of

Pursuant to the Agreement, the assets to be disposed of by the Vendor comprise the Sale Share (being the entire issued share capital of the Project Company beneficially owned by the Vendor) and the Sale Loans (being all the inter-company loans owing by the Project Company to the Group at Completion).

The principal asset of the Project Company is the Property which is a 29-storey commercial building located in Sheung Wan, Hong Kong with a total gross floor area of approximately 4,515 sq. m. The construction of the Property has been completed and the occupation permit in respect of the Property was issued on 23 September 2016.

4. Consideration and Adjustment

The Consideration under the Agreement is HK\$1,133.5 million (subject to the Adjustment) which shall be satisfied in cash by the Purchaser to the Vendor in the following manner:

- (a) a deposit of HK\$113.35 million has been paid by the Purchaser shortly after signing of the Agreement; and
- (b) the balance of the Consideration (subject to the Adjustment) shall be paid by the Purchaser to the Vendor or such other person or persons as may be directed by the Vendor on Completion.

Prior to the entering into of the Agreement, the Project Company had entered into binding agreements for sale and purchase of 3 floors of the Property. Pursuant to the Agreement, if sale and purchase of these Pre-Sold Floors takes place before the Completion Date, the Consideration shall be reduced by HK\$44.5 million for each Pre-Sold Floor completed. Further, the Consideration shall be adjusted with reference to the net current asset/deficit value of the Project Company as at the Completion Date but the value of the Property and the Sale Loans shall not be an adjusting item.

The Consideration (together with the Adjustment, if any) was arrived at after arm's length negotiation between the Vendor and the Purchaser with reference to the market value of the Property of approximately HK\$1,210 million as at 30 June 2016 as valued by an independent property valuer engaged by the Group and the net current asset/deficit value of the Project Company. While the Consideration represents a slight discount of approximately 6.3% to the market value of the Property as at 30 June 2016, the Directors consider that it is fair and reasonable and in the interest of the Company and its shareholders as a whole as it

LETTER FROM THE BOARD

was the best price then obtainable by the Group in the market amidst the fluctuating property market and the volatility of the global economy and also with the least obligations imposed on the Group with respect to the Pre-Sold Floors.

5. Conditions precedent

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

- (a) the Property receiving an occupation permit from the relevant authority;
- (b) the rectification of any defects in respect of the Property identified by the Purchaser's representative following an inspection by the Purchaser's representative after the date of the Agreement;
- (c) approval of the Disposal by the Shareholders in accordance with the Listing Rules;
- (d) removal of all debris and preparation of the floor for carpeting on each floor of the Property (other than the Pre-Sold Floors);
- (e) cleaning of the units of the Property and preparation of the condition of the Property for handover; and
- (f) an undertaking provided by Tamar Investments Group Limited, which held approximately 74.12% of all the issued shares of the Company as at the Latest Practicable Date, to the Purchaser that it shall vote in favour of the Disposal at the EGM.

At any time before satisfaction, the Purchaser may waive all or any of the Conditions (other than the Condition set out in (c) above).

If any of the Conditions is not satisfied or (where applicable) waived on or before the Long Stop Date, or any fact comes to the attention of the Purchaser which would prevent any of the Conditions from being satisfied on or before the Long Stop Date, the Purchaser may by written notice to the Vendor elect to rescind the Agreement 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, but without prejudice to the accrued rights and obligations of the parties before that termination.

LETTER FROM THE BOARD

As at the Latest Practicable Date, none of the Conditions has been satisfied except Conditions (a) and (d).

6. Completion

Completion shall take place on the later of (a) 2 months following the date on which the occupation permit in respect of the Property is issued or (b) on the 5th business day following the date on which all the other Conditions have either been duly fulfilled or (where applicable) waived.

Upon Completion, the Company will cease to have any interest in the Project Company and the assets, liabilities and results of the Project Company will cease to be consolidated with those of the Group.

INFORMATION ON THE PROJECT COMPANY

The Project Company was incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company. The Project Company is principally engaged in holding and development of the Property. A summary of the unaudited financial information of the Project Company for the two years ended 30 June 2016 is set out below:

	For the years ended 30 June	
	2016	2015
	<i>HK\$ million</i>	<i>HK\$ million</i>
Net profit before taxation and extraordinary items	11	333
Net profit after taxation and extraordinary items	11	333

No revenue has been recorded in the accounts of the Project Company as the Project Company has only completed construction of the Property recently. The profit as recorded in the accounts of the Project Company arose only as a result of change in fair value of investment property. The unaudited net asset value of the Project Company as at 30 June 2016 amounted to approximately HK\$498 million.

REASONS FOR, AND BENEFITS OF, THE DISPOSAL

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.

LETTER FROM THE BOARD

Having considered the revitalizing property market condition and the Consideration offered by the Purchaser, the Directors consider that the Disposal is a good opportunity for the Group to realize its investment. The proceeds from the Disposal will enable the Group to reduce its borrowings and to improve the working capital position of the Group for future opportunities that may arise.

Given that the terms of the Agreement were negotiated on an arm's length basis with reference to market value of the Property, the Directors are of the view that the terms of the Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Assuming completion of the Pre-Sold Floors takes place after the Completion and there is no adjustment to the Consideration of HK\$1,133.5 million, the Group is expected to record an estimated net gain from the Disposal of approximately HK\$78.6 million. Such net gain is derived after deducting (i) the unaudited net asset value of approximately HK\$497.8 million of the Project Company as at 30 June 2016; (ii) the inter-company loans of approximately HK\$232.0 million and bank loan of approximately HK\$275.4 million owed by the Project Company which are required to be discharged by the Vendor pursuant to the terms of the Agreement; (iii) the partial payments of approximately HK\$37.7 million received by the Project Company in respect of the Pre-Sold Floors which have been expended on the development of the Property; and (iv) the estimated expenses of approximately HK\$12.0 million in relation to the Disposal. However, the actual amount of net gain from the Disposal can only be determined at Completion.

The Company intends to use the net sale proceeds from the Disposal as follows:

- (i) as to approximately 25% for releasing the existing mortgage on the Property;
- (ii) as to approximately 20% for repaying part of the loans owing by the Group to its controlling shareholders and company controlled or related to its controlling shareholders;
- (iii) as to approximately 15% for repaying other bank borrowings of the Group; and
- (iv) as to approximately 40% for general working capital of the Group.

LETTER FROM THE BOARD

RECONCILIATION STATEMENT OF THE PROPERTY

A reconciliation of the carrying amount of the Property classified as “Investment property” and “Property under development” as at 30 June 2016 of approximately HK\$472.9 million and HK\$576.8 million respectively as disclosed in the “Unaudited pro forma financial information of the Remaining Group” in Appendix IV to this circular, and the valuation of the Property as at 30 September 2016 set out in Appendix V to this circular is as follows:

	Investment property HK\$'000	Property under development HK\$'000	Total HK\$'000
Carrying amount of the Property as at 30 June 2016	472,930 <i>(Note)</i>	576,843	1,049,773
Difference between the carrying amount and fair value of property under development	—	<u>160,437</u>	<u>160,437</u>
Market value of the Property as at 30 June 2016	472,930	737,280	1,210,210
Additional cost incurred and bank loan interest capitalized from 1 July 2016 up to 30 September 2016	2,052	3,947	5,999
Revaluation	(8,312)	—	(8,312)
Difference between the carrying amount and fair value of property under development	—	<u>(11,127)</u>	<u>(11,127)</u>
Market value of the Property as at 30 September 2016	<u>466,670</u>	<u>730,100</u>	<u>1,196,770</u>

Note:

The carrying amount of the investment property as at 30 June 2016 included fair value gain of approximately HK\$11,112,000 for the year ended 30 June 2016.

LETTER FROM THE BOARD

FINANCIAL EFFECTS OF THE DISPOSAL ON THE REMAINING GROUP

Assets and liabilities

The audited consolidated total assets and total liabilities of the Group as at 30 June 2016 were approximately HK\$2,955 million and HK\$1,231 million respectively. Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix IV to this circular, assuming Completion had taken place on 30 June 2016, the unaudited pro forma consolidated total assets and total liabilities of the Remaining Group would be approximately HK\$2,708 million and HK\$906 million respectively and the unaudited pro forma consolidated shareholders' fund of the Remaining Group would be approximately HK\$1,803 million.

Loss for the year

For the year ended 30 June 2016, the Group recorded an audited loss for the year of approximately HK\$175.7 million. Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix IV to this circular, assuming Completion had taken place on 1 July 2015, the unaudited pro forma consolidated loss of the Remaining Group for the year ended 30 June 2016 would be approximately HK\$21 million.

LISTING RULES IMPLICATIONS

As some of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal exceed 75%, the Disposal constitutes a very substantial disposal for the Company and is subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, none of the Shareholders has any interest in the Disposal and therefore, no Shareholder is required to abstain from voting on the resolution to be proposed at the EGM to approve the Disposal contemplated under the Agreement.

Tamar Investments Group Limited, the controlling Shareholder which holds approximately 74.12% of all the issued shares of the Company, will undertake to vote not less than 50% of the issued Shares of the Company in favour of the resolution to be proposed at the EGM to approve the Agreement and the transaction contemplated thereunder.

LETTER FROM THE BOARD

EGM

A notice of the EGM to be held at Function Rooms 2 & 3, 3/F, The Mira Hong Kong, 118 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Tuesday, 29 November 2016 at 11:30 a.m. (or as soon as the annual general meeting of the Company 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 on pages 70 to 71 of this circular.

In accordance with Rule 13.39(4) of the Listing Rules, the vote of the Shareholders at the EGM will be taken by poll.

A form of proxy for use at the EGM is enclosed with this circular. If you are not able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon 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 less than 48 hours before the time appointed for the holding of the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

RECOMMENDATION

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

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board
Chan Sing Chuk, Charles
Chairman

1. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group, together with the accompanying notes, for each of the three years ended 30 June 2014, 2015 and 2016 are disclosed in the annual reports of the Company for the financial years ended 30 June 2014 (pages 59 to 242), 30 June 2015 (pages 70 to 238) and 30 June 2016 (pages 64 to 226) 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/2015/1022/LTN20151022168.pdf>

<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/1021/LTN20141021155.pdf>

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 August 2016, for the purpose of this indebtedness statement prior to the printing of this circular, the Group had total outstanding borrowings of approximately HK\$877,178,000, comprising secured interest-bearing bank loans of approximately HK\$509,200,000, unsecured interest-bearing bank loan of approximately HK\$66,575,000, unsecured interest-bearing and interest-free loans from a controlling shareholder of approximately HK\$127,000,000 and HK\$4,645,000 respectively, unsecured interest-bearing and interest-free amounts due to related companies of approximately HK\$90,000,000 and HK\$78,750,000 respectively and finance lease obligation of approximately HK\$1,008,000. The aforesaid interest-bearing bank loans were secured by the Group's properties under development, investment property, certain of its leasehold land and buildings, land use right and corporate guarantees executed by the Company. As at the close of business on 31 August 2016, the Company has provided guarantees amounting to HK\$1,147,730,000 with respect to bank loans to its subsidiaries and a wholly-owned subsidiary of a joint venture of the Group. Under the guarantees, the Company would be liable to pay the banks if the banks are unable to recover the loans. As at the Latest Practicable Date, no provision for the Company's obligation under the guarantee contract has been made as the Directors considered that it was not probable that the repayment of the loans would be in default.

Save as aforesaid and apart from intra-group liabilities, the Group did not, at the close of the business on 31 August 2016, have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, charges or debentures, mortgages, loans or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptance (other than normal trade bills and payables), acceptance credits, or any guarantees or other material contingent liabilities.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the applicable rates of exchange prevailing at the close of business on 31 August 2016.

3. MATERIAL ADVERSE CHANGE

The Directors confirmed that there was no material adverse changes in the financial or trading position of the Group since 30 June 2016 (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 current investment plan of the Group and the financial resources presently available including the internally generated funds, the currently available facilities and the net sale proceeds from the Disposal, the Group has sufficient working capital for its normal business for at least the next 12 months from the date of this circular.

5. FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

It is expected that the Europeans will be more cautious towards spending on luxury products such as jewellery and diamonds and the U.S. markets will similarly be challenging. The slow down of China economic growth will also hinder global economic recovery and adverse market environment shall persist. Although the market sentiment remained weak under slow economic growth, the Remaining Group would actively explore market and business opportunities and focus to reinforce the Remaining Group's market presence in jewellery business. The Remaining Group would optimise internal resources and strengthen cost control policies to enhance overall profitability. Going forward, the Remaining Group will continue to seek for suitable investment opportunity in order to generate further profits and better returns to the shareholders.

Set out below is the unaudited financial information of the Project Company which comprises the unaudited statements of financial position of the Project Company as at 30 June 2014, 2015 and 2016 and the unaudited statements of profit or loss and other comprehensive income, unaudited statements of cash flows and unaudited statements of changes in equity for the years ended 30 June 2014, 2015 and 2016 and certain explanatory notes (altogether referred to as “Unaudited Financial Information”).

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

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

A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the reporting accountant to obtain assurance that the reporting accountant would become aware of all significant matters that might be identified in an audit. Accordingly, the reporting accountant does not express an audit opinion. Based on the review, nothing has come to their attention that causes them to believe that the Unaudited Financial Information is not prepared, in all material respects, in accordance with the basis of preparation as set out in note 2 to the Unaudited Financial Information.

UNAUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME OF THE PROJECT COMPANY

	For the year ended 30 June		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	–	–	–
Administrative expenses	(18)	(41)	(529)
Change in fair value of investment property	14,544	333,454	11,112
Finance costs	–	–	–
Profit before income tax	14,526	333,413	10,583
Income tax expense	–	–	–
Profit for the year	14,526	333,413	10,583
Other comprehensive income for the year	–	–	–
Total comprehensive income for the year	<u>14,526</u>	<u>333,413</u>	<u>10,583</u>

UNAUDITED STATEMENTS OF FINANCIAL POSITION OF THE PROJECT COMPANY

	As at 30 June		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current asset			
Investment property	581,000	446,040	472,930
Current assets			
Property under development	–	546,497	576,843
Prepayments and other receivables	–	21,639	4,326
Due from immediate holding company	7	7	7
Cash and cash equivalents	53	73	591
	<u>60</u>	<u>568,216</u>	<u>581,767</u>
Current liabilities			
Account payables	(5,636)	(38,083)	(8,926)
Accruals, other payables and deposits received	(39)	(31,175)	(40,580)
Due to a fellow subsidiary	(35,287)	(43,387)	(49,797)
Bank loan	(204,100)	(232,200)	(275,400)
	<u>(245,062)</u>	<u>(344,845)</u>	<u>(374,703)</u>
Net current (liabilities)/assets	<u>(245,002)</u>	<u>223,371</u>	<u>207,064</u>
Non-current liability			
Due to an intermediate holding company	(182,188)	(182,188)	(182,188)
Net assets	<u>153,810</u>	<u>487,223</u>	<u>497,806</u>
EQUITY			
Share capital	–	–	–
Retained profits	153,810	487,223	497,806
Total equity	<u>153,810</u>	<u>487,223</u>	<u>497,806</u>

UNAUDITED STATEMENTS OF CASH FLOWS OF THE PROJECT COMPANY

	For the year ended 30 June		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities			
Profit before income tax	14,526	333,413	10,583
Adjustment for:			
Change in fair value of investment property	(14,544)	(333,454)	(11,112)
Operating loss before working capital changes	(18)	(41)	(529)
Additions to property under development	–	(37,747)	(26,810)
(Increase)/Decrease in prepayments and other receivables	–	(21,639)	17,313
Increase/(Decrease) in account payables	5,565	32,447	(29,157)
(Decrease)/Increase in accruals, other payables and deposits received	(1,646)	31,136	9,405
<i>Cash generated from/ (used in) operations</i>	3,901	4,156	(29,778)
Interest expenses	(4,262)	(4,637)	(5,375)
<i>Net cash used in operating activities</i>	(361)	(481)	(35,153)
Cash flows from investing activities			
Additions to investment property	(18,694)	(35,699)	(13,939)
<i>Net cash used in investing activities</i>	(18,694)	(35,699)	(13,939)
Cash flows from financing activities			
Proceeds from new bank loan	11,600	28,100	43,200
Increase in amount due to a fellow subsidiary	7,495	8,100	6,410
<i>Net cash generated from financing activities</i>	19,095	36,200	49,610

	For the year ended 30 June		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net increase in cash and cash equivalents	40	20	518
Cash and cash equivalents at beginning of year	<u>13</u>	<u>53</u>	<u>73</u>
Cash and cash equivalents at the end of year	<u><u>53</u></u>	<u><u>73</u></u>	<u><u>591</u></u>
Analysis of balances of cash and cash equivalents			
Bank balances	<u><u>53</u></u>	<u><u>73</u></u>	<u><u>591</u></u>

UNAUDITED STATEMENTS OF CHANGES IN EQUITY OF THE PROJECT COMPANY

	Share capital <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 July 2013	–	139,284	139,284
Profit for the year	–	14,526	14,526
Other comprehensive income	–	–	–
Total comprehensive income for the year	–	14,526	14,526
Balance at 30 June 2014 and 1 July 2014	–	153,810	153,810
Profit for the year	–	333,413	333,413
Other comprehensive income	–	–	–
Total comprehensive income for the year	–	333,413	333,413
Balance at 30 June 2015 and 1 July 2015	–	487,223	487,223
Profit for the year	–	10,583	10,583
Other comprehensive income	–	–	–
Total comprehensive income for the year	–	10,583	10,583
Balance at 30 June 2016	–	497,806	497,806

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

The Project Company is a limited liability company incorporated and domiciled in Hong Kong. The Project Company is principally engaged in property investment.

On 19 September 2016, Precious Palace International Limited, a wholly-owned subsidiary of the Company as vendor and the Company, as the guarantor of the Vendor's obligations, entered into the Agreement with the Purchaser. Pursuant to the Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire issued share capital of the Project Company, and all inter-company loans at an aggregate consideration of HK\$1,133,500,000 (subject to certain adjustments upon completion of disposal) (the "Disposal"). Upon completion of the Disposal, the Project Company will cease to be a subsidiary of the Company.

2. Basis of Preparation of the Unaudited Financial Information

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

The amounts included in the Unaudited Financial Information have been recognised and measured in accordance with the relevant accounting policies of the Company adopted in the preparation of the consolidated financial statements of the Group for the three years ended 30 June 2014, 2015 and 2016, which conform with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. The Unaudited Financial Information has been prepared under the historical cost convention except for investment property, which is stated at fair value. The Unaudited Financial Information is presented in HK\$ and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

The Unaudited Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in HKAS 1 (Revised) “Presentation of Financial Statements” nor a set of condensed financial statements as defined in HKAS 34 “Interim Financial Reporting” issued by the HKICPA.

As the Project Company is not a public company, it is not required to deliver its financial statements to the Registrar of Companies, and has not done so.

The Project Company’s auditor has reported on the stand alone financial statements of the Project Company for the years ended 30 June 2014, 2015 and 2016. The auditor’s reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance, Cap. 622 (or under their equivalent requirements in section 141 of the predecessor Hong Kong Companies Ordinance, Cap. 32).

BUSINESS REVIEW AND MANAGEMENT DISCUSSION AND ANALYSIS

Following the Disposal, the Remaining Group will continue to carry out its existing businesses. Set out below are the management discussion and analysis of the Remaining Group for each of the three financial years ended 30 June 2014, 2015 and 2016.

For the year ended 30 June 2016***Segmental information***

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

The 50% joint venture development project located in Yangpu District of Shanghai – “Bauhinia Square” was completed in December 2015. It is an eleven-floored shopping mall with total gross floor area of approximately 97,265 sq.m. and over 500 parking spaces. Since its opening in February 2016, it has attracted a good mixture of retail, food and beverage, lifestyle tenants. Over 95% of its retail space is currently occupied and leased out. Bauhinia Square with the underground subway connected directly to its basement, consists of a 7 theatre cinema, a full scale supermarket, a food court and a KTV.

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

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

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

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

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

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

Liquidity, financial resources and gearing

As of 30 June 2016, the Remaining Group had a gearing ratio of 0.36, which is calculated on net debt divided by total equity plus net debt. Net debt is calculated as the sum of bank and other borrowings less cash and cash equivalents. Total cash and cash equivalents were HK\$45,041,000 which were mainly denominated in Hong Kong Dollar, US Dollar, Renminbi and British Pound. Bank loans were HK\$296,148,000, which were mainly denominated in Hong Kong Dollar. Other borrowings in respect of amounts due to related companies and loan from a controlling shareholder were approximately of HK\$299,760,000. The bank loans are secured by first legal charges over the Remaining Group's certain leasehold land and buildings, land use right and guaranteed by corporate guarantees executed by the Company.

Pledge of assets

As of 30 June 2016, the Remaining Group's certain leasehold land and buildings and land use right with an aggregate net carrying value of HK\$15,477,000 were pledged to certain banks to secure general banking facilities granted to the Remaining Group.

Capital structure

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

Contingent liabilities

The Company has provided guarantees to the extent of HK\$296,148,000 with respect to bank loans to its subsidiaries (excluding the Project Company). Guarantee to the extent of RMB371,537,000 (equivalent to approximately to HK\$433,769,000) was also given by the Company in favour of a bank in respect of the term loan facilities granted to a subsidiary of a joint venture of the Company. 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 Remaining Group employs a total of approximately 968 employees with the majority in the PRC. The Remaining Group's remuneration to its employees is largely based on common industrial practice. The Company has adopted a share option scheme on 13 July 2010, under which, the Company may grant options to eligible persons including directors and employees.

Exposure to financial risk and related hedges

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

For the year ended 30 June 2015

Segmental information

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

As for property investment, the Remaining Group has a 50% interest through a joint venture holding two parcels of land with a total area of approximately 18,101 sq.m. and total gross floor area of approximately 98,881 sq.m. in Yangpu District of Shanghai (上海楊浦區). The land parcels are being developed into an eleven-floored shopping mall with over 500 parking spaces. The superstructure and the interior decoration of the property – “Bauhinia Square” are completed. Leasing activities are very promising with strong momentum, majority of the units are leased out and the Remaining Group expects a close to full occupancy for the shopping mall. Selective tenants have started moving in since August 2015 and soft opening is targeted by the end of the year.

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

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

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

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

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

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

Liquidity, financial resources and gearing

As of 30 June 2015, the Remaining Group had a gearing ratio of 0.25, which is calculated on net debt divided by total equity plus net debt. Net debt is calculated as the sum of bank and other borrowings less cash and cash equivalents. Total cash and cash equivalents were HK\$55,568,000 which were mainly denominated in Hong Kong Dollar, US Dollar, Renminbi and British Pound. Bank loans were HK\$236,434,000, which were mainly denominated in Hong Kong Dollar and Renminbi. Other borrowings in respect of amounts due to related companies and loan from a controlling shareholder were approximately of HK\$238,320,000. The bank loans are secured by first legal charges over the Remaining Group's certain leasehold land and buildings, land use right and guaranteed by corporate guarantees executed by the Company.

Pledge of assets

As of 30 June 2015, the Remaining Group's certain leasehold land and buildings and land use right with an aggregate net carrying value of HK\$17,734,000 were pledged to certain banks to secure general banking facilities granted to the Remaining Group.

Capital structure

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

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

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

Investment in a company engaged in diamond related business

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

Contingent liabilities

The Company has provided guarantees amounting to HK\$236,434,000 with respect to bank loans to its subsidiaries (excluding the Project Company). Guarantee to the extent of RMB335,000,000 (equivalent to approximately to HK\$423,809,000) was also given by the Company in favour of a bank in respect of a term loan facility granted to a subsidiary of a joint venture of the Company. 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 Remaining Group employs a total of approximately 1,013 employees with the majority in the PRC. The Remaining Group’s remuneration to its employees is largely based on common industrial practice. The Company has adopted a share option scheme on 13 July 2010, under which, the Company may grant options to eligible persons including directors and employees.

Exposure to financial risk and related hedges

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

For the year ended 30 June 2014

Segmental information

During the year under review, the Remaining Group's revenue on trading of fine jewellery and diamond business recorded a decrease by approximately HK\$87.5 million or 9.3% from approximately HK\$936.1 million for the year ended 30 June 2013 to approximately HK\$848.6 million for 2014. Such decrease was mainly due to a drop in its business of diamond polishing. While the U.S. economy is starting to pick up, the jewellery segment is still slowly progressing. Private label brands continue to be the key growth segment, and the Remaining Group is working closely with retailers in this area. Meanwhile, the Remaining Group is also expanding its retail network in China. This year, the Remaining Group added two Continental Diamond boutiques in Guangdong province, and an additional 15 points of sales across China promoting its silver jewellery brand. Going forward, it is hoped this can contribute to the Remaining Group more in the near future.

As for property investment, the Remaining Group has a 50% interest through a joint venture holding two parcels of land with a total area of approximately 18,101 sq. m. and total gross floor area of approximately 98,881 sq. m. in Yangpu District of Shanghai (上海楊浦區) in the PRC. The land parcels will be developed into an eleven-floored shopping mall with over 500 parking spaces. The superstructure of the property – Bauhinia Mall is completed and the interior decoration is in progress. Leasing activities are in good progress and the estimated completion is targeted in 2015.

In mining, trial production continued in the Hongzhuang Gold Mine. Even though all the previously reported gold resources in the Yuanling mine field had been exhausted, the residue ore successfully recovered was sufficient to support the continuation of the trial production. This residue ore was not included in previous reports and there is no official estimation on its potential. Despite such, exploration has commenced at the north eastern part of Yuanling site. A potential new vein with promising grades had been identified during the program. Further exploration to increase the geological confidence and feasibility studies will continue.

At 30 June 2014, the Remaining Group held an equity interest in MMS. MMS is an Australian company listed on the Toronto Stock Exchange in Canada. The Remaining Group holds the interest in MMS for long term investment and accounted for as a non-current asset as "available-for-sale financial assets".

During the year, the fair value of MMS was determined to be impaired on the basis of significant and prolonged decline in its fair value below cost. Accordingly, impairment loss of HK\$2,077,000 was recognized in the consolidated statement of profit or loss and other comprehensive income. The impairment loss was considered to be an exceptional item and did not have any effect on the Remaining Group's cash flows in the financial year.

Liquidity, financial resources and gearing

As of 30 June 2014, the Remaining Group had a gearing ratio of 0.17, which is calculated on net debt divided by total equity plus net debt. Net debt is calculated as the sum of bank and other borrowings less cash and cash equivalents. Total cash and cash equivalents were HK\$78,071,000 which were mainly denominated in Hong Kong Dollar, US Dollar and British Pound. Bank loans were HK\$207,026,000 which were mainly denominated in Hong Kong Dollar and Renminbi. Other borrowings in respect of convertible notes, amounts due to related companies and loan from a controlling shareholder were approximately HK\$179,065,000. The bank loans are secured by first legal charges over the Remaining Group's certain leasehold land and buildings, certain land use rights and guaranteed by corporate guarantees executed by the Company.

Among the total bank loan of HK\$207,026,000 classified as current liabilities, certain bank loans of HK\$4,601,000 are contractually due for repayment after twelve months from the reporting date.

Pledge of assets

As of 30 June 2014, the Remaining Group's certain leasehold land and buildings and land use rights with an aggregate net carrying value of HK\$19,579,000 were pledged to certain banks to secure general banking facilities granted to the Remaining Group.

Capital structure

All the Remaining Group's borrowings are denominated in Hong Kong Dollar and Renminbi. Interest is determined on the basis of Hong Kong Interbank Offering 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 Remaining Group also made use of foreign exchange forward contracts in order to minimise exchange rate risk as a result of fluctuation in British Pound. There was no change to the Remaining Group's capital structure during the year ended 30 June 2014.

Contingent liabilities

The Company has provided guarantees amounting to HK\$297,500,000 with respect to bank loans to its subsidiaries (excluding the Project Company). A guarantee to the extent of RMB235,000,000 (equivalent to approximately to HK\$295,912,000) was given by the Company in favour of a bank in respect of a term loan facility granted to a subsidiary of a joint venture of the Company.

Number of employees, remuneration policies and share option schemes

The Remaining Group employs a total of approximately 1,035 employees with the majority in the PRC. The Remaining Group's remuneration to its employees is largely based on common industrial practice. The Company has adopted a share option scheme on 13 July 2010, under which, the Company may grant options to eligible persons including directors and employees.

Exposure to financial risk and related hedges

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

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

The unaudited pro forma financial information of Continental Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) excluding Well Friendship Investment Limited (the “Project Company”) (the “Remaining Group”) (the “Unaudited Pro Forma Financial Information”) presented below is prepared to illustrate (a) the financial position of the Remaining Group as if the Disposal had been completed on 30 June 2016 and (b) the results and cash flows of the Remaining Group for the year ended 30 June 2016 as if the Disposal had been completed on 1 July 2015. This Unaudited Pro Forma Financial Information has been prepared for illustrative purpose only, and because of its hypothetical nature, it may not purport to present the true picture of (i) the financial position of the Remaining Group as at 30 June 2016 or at any future date had the Disposal been completed on 30 June 2016; or (ii) the results and cash flows of the Remaining Group for the year ended 30 June 2016 or for any future period had the Disposal been completed on 1 July 2015.

The Unaudited Pro Forma Financial Information is prepared based on the audited consolidated statement of financial position of the Group as at 30 June 2016, the audited consolidated statement of profit or loss and other comprehensive income and audited consolidated statement of cash flows of the Group for the year ended 30 June 2016 as extracted from the audited consolidated financial statements of the Group for the year ended 30 June 2016 as set out in the published annual report of the Company for the year ended 30 June 2016, after giving effect to the pro forma adjustments described in the notes to the Unaudited Pro Forma Financial Information and is prepared in accordance with Rules 4.29 and 14.68(2)(a)(ii) of the Listing Rules.

Disclosure under section 436 of the Hong Kong Companies Ordinance

The audited consolidated statement of financial position of the Group as at 30 June 2016 and the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 30 June 2016 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 2016 but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

1. The Company will deliver the financial statements for the year ended 30 June 2016 to the Registrar of Companies in due course 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 these financial statements of the Company for the year ended 30 June 2016. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under either sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

APPENDIX IV
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP**
(A) Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining Group

	Audited consolidated statement of financial position of the Group as at 30 June 2016 HK\$'000 (Note 1)	Pro forma adjustments HK\$'000 (Note 2)		HK\$'000 (Note 3)	Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 June 2016 HK\$'000
Non-current assets					
Property, plant and equipment	94,431				94,431
Land use rights	34,687				34,687
Investment property	472,930	(472,930)			–
Mining right	656,334				656,334
Interests in associates	–				–
Interests in joint ventures	708,636				708,636
Available-for-sale financial assets	22,393				22,393
Long-term receivables	–				–
Deferred tax assets	5,762				5,762
	1,995,173				1,522,243
Current assets					
Property under development	576,843	(576,843)			–
Inventories	221,799				221,799
Trade receivables	93,231				93,231
Prepayments, deposits and other receivables	17,478	(4,326)			13,152
Financial assets at fair value through profit or loss	4,222				4,222
Derivative financial instruments	99				99
Due from immediate holding company	–	(7)	7		–
Due from an associate	–				–
Due from joint ventures	167				167
Cash and cash equivalents	45,632	(591)	808,357		853,398
	959,471				1,186,068

APPENDIX IV

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

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

	Audited consolidated statement of financial position of the Group as at 30 June 2016 HK\$'000 (Note 1)	Pro forma adjustments		Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 June 2016 HK\$'000
		HK\$'000 (Note 2)	HK\$'000 (Note 3)	
Current liabilities				
Trade payables	(126,705)	8,926		(117,779)
Other payables and accruals	(75,948)	40,580		(35,368)
Bank loans	(571,548)	275,400		(296,148)
Obligation under finance leases	(379)			(379)
Due to related companies	(2,744)			(2,744)
Due to a fellow subsidiary	–	49,797	(49,797)	–
Financial guarantee liabilities	(3,411)			(3,411)
Provision for tax	(2,298)			(2,298)
	<u>(783,033)</u>			<u>(458,127)</u>
Net current assets	<u>176,438</u>			<u>727,941</u>
Total assets less current liabilities	<u>2,171,611</u>			<u>2,250,184</u>
Non-current liabilities				
Obligation under finance leases	(691)			(691)
Due to related companies	(165,346)			(165,346)
Due to an intermediate holding company	–	182,188	(182,188)	–
Financial guarantee liabilities	(2,245)			(2,245)
Loan from a controlling shareholder	(131,670)			(131,670)
Deferred tax liabilities	(147,718)			(147,718)
	<u>(447,670)</u>			<u>(447,670)</u>
Net assets	<u><u>1,723,941</u></u>			<u><u>1,802,514</u></u>

APPENDIX IV**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP****(A) Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining
Group (Continued)**

	Audited consolidated statement of financial position of the Group as at 30 June 2016	Pro forma adjustments		Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 June 2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note 1)	(Note 2)	(Note 3)	
EQUITY				
Share capital	560,673			560,673
Reserves	1,169,424		78,573	1,247,997
Equity attributable to the owners of the Company	1,730,097			1,808,670
Non-controlling interests	(6,156)			(6,156)
Total equity	1,723,941			1,802,514

APPENDIX IV

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

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

	Audited consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 30 June 2016	Pro forma adjustments		Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Remaining Group for the year ended 30 June 2016
	HK\$'000 (Note 1)	HK\$'000 (Note 5)	HK\$'000 (Note 6)	HK\$'000
Revenue	552,575			552,575
Cost of sales	(465,581)			(465,581)
Gross profit	86,994			86,994
Selling and distribution costs	(22,855)			(22,855)
Administrative expenses	(103,583)	529		(103,054)
Other operating income	7,112			7,112
Change in fair value of investment property	11,112	(11,112)		–
Gain on disposal of a subsidiary	–		165,440	165,440
Impairment loss on available-for-sale financial assets	(457)			(457)
Impairment loss on mining right	(36,417)			(36,417)
Impairment loss on property, plant and equipment	(944)			(944)
Income arising from amortising the financial guarantee liabilities	3,167			3,167
Share-based compensation	(2,390)			(2,390)
Finance costs	(16,017)			(16,017)
Share of results of joint ventures	(111,777)			(111,777)
Loss before income tax	(186,055)			(31,198)
Income tax credit	10,363			10,363
Loss for the year	(175,692)			(20,835)

APPENDIX IV

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

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

	Audited consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 30 June 2016 HK\$'000 (Note 1)	Pro forma adjustments HK\$'000 (Note 5)		HK\$'000 (Note 6)	Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Remaining Group for the year ended 30 June 2016 HK\$'000
Other comprehensive income, net of tax					
Items that may be subsequently reclassified to profit or loss:					
Change in fair value of available-for- sale financial assets	1,341				1,341
Reclassification from equity to profit or loss on impairment of available-for- sale financial assets	457				457
Exchange differences on translation of foreign operations, associates and joint ventures	(110,258)				(110,258)
Other comprehensive income for the year, net of tax	<u>(108,460)</u>				<u>(108,460)</u>
Total comprehensive income for the year	<u><u>(284,152)</u></u>				<u><u>(129,295)</u></u>

APPENDIX IV

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

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

	Audited consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 30 June 2016 HK\$'000 (Note 1)	Pro forma adjustments HK\$'000 (Note 5) HK\$'000 (Note 6)		Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Remaining Group for the year ended 30 June 2016 HK\$'000
Loss for the year attributable to:				
Owners of the Company	(175,666)			(20,809)
Non-controlling interests	<u>(26)</u>			<u>(26)</u>
	<u>(175,692)</u>			<u>(20,835)</u>
Total comprehensive income for the year attributable to:				
Owners of the Company	(284,126)			(129,269)
Non-controlling interests	<u>(26)</u>			<u>(26)</u>
	<u><u>(284,152)</u></u>			<u><u>(129,295)</u></u>
	<i>HK cent</i>			<i>HK cent</i>
Loss per share attributable to the owners of the Company				
– Basic	(2.57)			(0.30)
– Diluted	<u>(2.57)</u>			<u>(0.30)</u>

APPENDIX IV

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

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

	Audited consolidated statement of cash flows of the Group for the year ended 30 June 2016		Pro forma adjustments		Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 30 June 2016	
	HK\$'000 (Note 1)	HK\$'000 (Note 6)	HK\$'000 (Note 7)	HK\$'000 (Note 8)	HK\$'000 (Note 9)	HK\$'000
Cash flows from operating activities						
Loss before income tax	(186,055)	165,440	(10,583)			(31,198)
Adjustments for:						
Finance costs	16,017					16,017
Share of results of joint ventures	111,777					111,777
Share-based compensation	2,390					2,390
Depreciation of property, plant and equipment	7,722					7,722
Amortisation of land use rights	1,366					1,366
Amortisation of mining right	705					705
Provision for inventories	5,955					5,955
Reversal of provision for trade receivables	(543)					(543)
Impairment loss on available-for-sale financial assets	457					457
Loss on disposal of property, plant and equipment	6					6
Gain on disposal of a subsidiary	–	(165,440)				(165,440)
Gain on debt extinguishment arising from recognition of amount due to a related company	(2,222)					(2,222)
Write-off of property, plant and equipment	163					163
Impairment loss on mining right	36,417					36,417
Impairment loss on property, plant and equipment	944					944
Impairment loss on amount due from a joint venture	150					150
Write-off of prepayments, deposits and other receivables	468					468
Income arising from amortising the financial guarantee liabilities	(3,167)					(3,167)
Change in fair value of investment property	(11,112)		11,112			–
Fair value gain on derivative financial instruments	(202)					(202)
Unrealised foreign exchange loss	10,363					10,363

APPENDIX IV

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

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

	Audited consolidated statement of cash flows of the Group for the year ended 30 June 2016		Pro forma adjustments		Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 30 June 2016	
	HK\$'000 (Note 1)	HK\$'000 (Note 6)	HK\$'000 (Note 7)	HK\$'000 (Note 8)	HK\$'000 (Note 9)	HK\$'000
Operating loss before working capital changes	(8,401)					(7,872)
Increase in inventories	(13,716)					(13,716)
Decrease in trade receivables	21,333					21,333
Decrease in prepayments, deposits and other receivables	21,719		(17,313)		20,081	24,487
Decrease in financial assets at fair value through profit or loss	1,804					1,804
Additions to property under development	(26,810)		26,810			–
Increase in amounts due from joint ventures	(162)					(162)
Decrease in trade and other payables and accruals	(4,874)		(9,405)		(20,081)	(5,203)
			29,157			
Decrease in amounts due to related companies	(117)					(117)
Changes in derivative financial instruments	87					87
Cash (used in)/generated from operations	(9,137)					20,641
Interest paid	(15,927)		5,375			(10,552)
PRC enterprise income tax paid	(121)					(121)
Hong Kong profits tax paid	(848)					(848)
Net cash (used in)/generated from operating activities	(26,033)					9,120

APPENDIX IV
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP**
**(C) Unaudited Pro Forma Consolidated Statement of Cash Flows of the Remaining Group
(Continued)**

	Audited	Pro forma adjustments				Unaudited
	consolidated statement of cash flows of the Group for the year ended 30 June 2016 HK\$'000 (Note 1)	HK\$'000 (Note 6)	HK\$'000 (Note 7)	HK\$'000 (Note 8)	HK\$'000 (Note 9)	pro forma consolidated statement of cash flows of the Remaining Group for the year ended 30 June 2016 HK\$'000
Cash flows from investing activities						
Additions to property, plant and equipment	(6,897)					(6,897)
Additions to property under development classified as investment property	(13,939)		13,939			–
Proceeds from disposal of a subsidiary	–			1,110,431		1,110,431
Proceeds from disposal of property, plant and equipment	2					2
Increase in loans to a joint venture	(134,440)					(134,440)
Net cash (used in)/generated from investing activities	(155,274)					969,096
Cash flow from financing activities						
Repayment to a controlling shareholder	(21,000)					(21,000)
Advance from a related company	90,000					90,000
Repayment of obligation under finance leases	(421)					(421)
New bank loans	164,200		(43,200)			121,000
Repayment of bank loans	(61,179)	(232,200)				(293,379)
Changes of amounts due to the Remaining Group	–		(6,410)	6,410		–
Net cash generated from/ (used in) financing activities	171,600					(103,800)
Net (decrease)/increase in cash and cash equivalents	(9,707)					874,416
Cash and cash equivalents at beginning of year	55,641		(73)			55,568
Effect of foreign exchange rate changes, net	(302)					(302)
Cash and cash equivalents at end of year	45,632					929,682

(D) Notes to the Unaudited Pro Forma Financial Information

- 1) The audited consolidated statement of financial position of the Group as at 30 June 2016, the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 30 June 2016 are extracted without adjustment from the published annual report of the Company for the year ended 30 June 2016.
- 2) The adjustment reflects the exclusion of assets and liabilities of the Project Company as at 30 June 2016 as if the Disposal had been completed on 30 June 2016. The amounts are extracted from the Unaudited Financial Information of the Project Company set out in Appendix II to this circular.
- 3) The adjustment represents the pro forma gain on Disposal as if the Disposal had been completed on 30 June 2016, which is calculated as follows:

	HK\$'000
Cash consideration (note 3(a))	1,095,757
Repayment of bank loan in connection to the Disposal (note 3(b))	(275,400)
Estimated professional fees directly attributable to the Disposal	(12,000)
Net cash consideration	<u>808,357</u>
Net assets of the Project Company as at 30 June 2016 (extracted from the Unaudited Financial Information)	(497,806)
Disposal of the inter-company loans as at 30 June 2016 (note 3(c))	<u>(231,978)</u>
Estimated gain on Disposal of the Project Company (note 3(d))	<u><u>78,573</u></u>

- (a) In accordance with the Agreement, the Group agreed to dispose of its entire equity interest in the Project Company, together with the inter-company loans of the Project Company at an aggregate consideration of HK\$1,133,500,000 subject to certain adjustments on certain assets and liabilities and the reduction of a total consideration of HK\$133,500,000 upon the completion of the sale of the Pre-Sold Floors as at the completion date of the Disposal. For the purpose of preparing the Unaudited Pro Forma Financial Information, it is assumed that the sale of the Pre-Sold Floors had been completed and the respective deposits made by the relevant purchasers of HK\$40,050,000 recognised as other payables as at 30 June 2016 and the amount of HK\$2,307,000 of the monies which were placed under an escrow account recognised as other receivables as at 30 June 2016 will be deducted from the aforesaid aggregate consideration which resulted in a net cash consideration of HK\$1,095,757,000. In addition, for the purpose of preparing the Unaudited Pro Forma Financial Information, it is assumed that there is no adjustment relating to the change of certain assets and liabilities as at the completion date of the Disposal according to the Agreement.

(D) Notes to the Unaudited Pro Forma Financial Information (Continued)

- (b) It is assumed that the repayment of the bank loan of HK\$275,400,000 in full in respect of the release of the pledge for the Property out of the proceeds received from the Disposal as at 30 June 2016.
 - (c) The disposal of inter-company loans of HK\$231,978,000 represents the aggregate of the amount due from immediate holding company of HK\$7,000, the amount due to a fellow subsidiary of HK\$49,797,000 and the amount due to an intermediate holding company of HK\$182,188,000 as at 30 June 2016.
 - (d) The final gain or loss on the Disposal may be different from the pro forma amount described above as the carrying amounts of assets and liabilities of the Project Company on the actual date of Disposal will differ from their carrying amounts as at 30 June 2016. It is also subject to change as the actual professional fees and related expenses will differ from the assumed amounts of HK\$12,000,000 used in the preparation of the Unaudited Pro Forma Financial Information.
- 4) For the purpose of preparing the Unaudited Pro Forma Financial Information, upon completion of the Disposal, it is assumed that the gain from the Disposal is of a capital nature and not subject to Hong Kong profits tax.
 - 5) The adjustment is to exclude each line item of the Project Company that has been incorporated in the consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 30 June 2016 as if the Disposal had been completed on 1 July 2015. The amounts are extracted from the Unaudited Financial Information of the Project Company set out in Appendix II to this circular.

(D) Notes to the Unaudited Pro Forma Financial Information (Continued)

- 6) The adjustments reflects the recognition of the pro forma gain arising from the Disposal as if the Disposal had been completed on 1 July 2015:

	HK\$'000
Cash consideration (note 6(a))	1,122,431
Repayment of bank loan in connection to the Disposal (note 6(b))	(232,200)
Estimated professional fees directly attributable to the Disposal	(12,000)
	878,231
Net assets of the Project Company as at 1 July 2015 (extracted from the Unaudited Financial Information)	(487,223)
Inter-company loans as at 1 July 2015 (note 6(c))	(225,568)
Estimated gain on Disposal of the Project Company (note 6(d))	165,440

- (a) In accordance with the Agreement, the Group agreed to dispose of its entire equity interest in the Project Company, together with the inter-company loans of the Project Company at an aggregate consideration of HK\$1,133,500,000 subject to certain adjustments on certain assets and liabilities and the reduction of a total consideration of HK\$133,500,000 upon the completion of the sale of the Pre-Sold Floors as at the completion date of the disposal. For the purpose of preparing the Unaudited Pro Forma Financial Information, it is assumed that the sale of the Pre-Sold Floors had been completed and the respective deposits made by the relevant purchasers of HK\$31,150,000 recognised as other payables as at 1 July 2015 and the amount of HK\$20,081,000 of the monies which were placed under an escrow account recognised as other receivables as at 1 July 2015 will be deducted from the aforesaid aggregate consideration which resulted in a net cash consideration of HK\$1,122,431,000. In addition, for the purpose of preparing the Unaudited Pro Forma Financial Information, it is assumed that there is no adjustment relating to the change of certain assets and liabilities as at the completion date of the Disposal according to the Agreement.
- (b) It is assumed that the repayment of the bank loan of HK\$232,200,000 in full in respect of the release of the pledge for the Property out of the proceeds received from the Disposal as at 1 July 2015.

(D) Notes to the Unaudited Pro Forma Financial Information (Continued)

- (c) The disposal of inter-company loans of HK\$225,568,000 represents the aggregate of the amount due from immediate holding company of HK\$7,000, the amount due to a fellow subsidiary of HK\$43,387,000 and the amount due to an intermediate holding company of HK\$182,188,000 as at 1 July 2015.
- (d) The final gain or loss on the Disposal may be different from the pro forma amount described above as the carrying amounts of assets and liabilities of the Project Company on the actual date of Disposal will differ from their carrying amounts as at 1 July 2015. It is also subject to change as the actual professional fees and related expenses will differ from the assumed amounts of HK\$12,000,000 used in the preparation of the Unaudited Pro Forma Financial Information.
- 7) The adjustment is to exclude the cash flows from the Project Company incorporated in the consolidated statement of cash flows of the Group for the year ended 30 June 2016 as if the Disposal had been completed on 1 July 2015. The amounts are extracted from the financial information of the Project Company set out in Appendix II to this circular.
- 8) These adjustments including (a) net cash inflow of HK\$1,110,431,000 represents the cash consideration of HK\$1,133,500,000 less the respective deposits made by the relevant purchasers of the Pre-Sold Floors of HK\$31,150,000 recognised as other payables as at 1 July 2015 and the amount of HK\$20,081,000 of the monies which were placed under an escrow account recognised as other receivables as at 1 July 2015 and the estimated professional fee and other expenses directly attributable to the Disposal of HK\$12,000,000; and (b) the exclusion of the advances to the Project Company made by the Remaining Group during the year ended 30 June 2016, as if the Disposal had been completed on 1 July 2015.

(D) Notes to the Unaudited Pro Forma Financial Information (Continued)

- 9) The adjustment is to reflect the deposits of the Pre-Sold Floors to purchasers of the monies of HK\$20,081,000 as recognised under other receivables has been used to adjust against the deposits received of HK\$31,150,000 relating to the deposits of the Pre-Sold Floors.

- 10) The above adjustments are not expected to have a continuing effect on the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group.

**REPORTING ACCOUNTANT’S REPORT ON THE UNAUDITED PRO FORMA
FINANCIAL INFORMATION OF THE REMAINING GROUP**

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



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

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Continental Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) prepared by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2016, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 30 June 2016 and related notes as set out on pages 34 to 48 of the circular (the “Circular”) issued by the Company dated 28 October 2016 in connection to the proposed disposal of entire issued share capital of Well Friendship Investment Limited and assignment of the inter-company loans extended to Well Friendship Investment Limited (the “Proposed Disposal”). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on page 34 of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Proposed Disposal on the Group's financial position as at 30 June 2016 and the Group's financial performance and cash flows for the year ended 30 June 2016 as if the Proposed Disposal had taken place at 30 June 2016 and 1 July 2015, respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the directors of the Company from the Company's consolidated financial statements for the year ended 30 June 2016, on which an independent auditor's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

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

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

Reporting Accountant's 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 accountant plans and performs 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 transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Disposal at 30 June 2016 or 1 July 2015 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 of the Company 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 accountant’s judgement, having regard to the reporting accountant’s understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

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

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

Opinion

In our opinion:

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

BDO Limited

Certified Public Accountants

Hong Kong

28 October 2016

The following is the text of a letter and the valuation certificate prepared for the purpose of incorporation in this circular received from LCH (Asia-Pacific) Surveyors Limited, an independent professional surveyor, in connection with its valuation as at 30 September 2016 of the property interests to be disposed by the Group



The readers are reminded that the report which follows has been prepared in accordance with the reporting guidelines set by the HKIS Valuation Standards on Properties, 2012 Edition (the “HKIS Standards”) and published by The Hong Kong Institute of Surveyors (the “HKIS”) which entitles the valuer to make assumptions which may on further investigation, for instance by the readers’ legal representative, prove to be inaccurate. Any exception is clearly stated below. Headings are inserted for convenient reference only and have no effect in limiting or extending the language of the paragraphs to which they refer. Translations of terms in English or in Chinese are for readers’ identification purpose only and have no legal status or implication on the report. Piecemeal reference to this report is considered to be inappropriate and no responsibility is assumed from our part for such piecemeal reference. It is emphasised that the findings or conclusion of value presented below are based on the documents and facts known to us at the Latest Practicable Date of this circular. If additional documents and facts are made available, we reserve the right to amend this report and its conclusions.

17th Floor
Champion Building
Nos. 287-291 Des Voeux Road
Central
Hong Kong

28 October 2016

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

Dear Sirs,

In accordance with the instructions given by the present management of Continental Holdings Limited (hereinafter referred to as the “Instructing Party”) to us to value a designated *real property* (same as the word *property* in this report) in which the Continental Holdings Limited (hereinafter referred to as the “Company”) and its subsidiaries (collectively, hereinafter together with the Company referred to as the “Group”) have interests in Hong Kong, we confirm that we have conducted inspection, made relevant enquiries and obtained such further information as we consider necessary to support our findings and our opinion of value of the property as at 30 September 2016 (hereinafter referred to as the “Valuation Date”) for the Instructing Party’s internal management purpose.

We understand that the Instructing Party will incorporate our work product (i.e. this letter and the valuation certificate) as part of its business due diligence in relation to the property, We have not been engaged to make specific sales or purchase recommendations, or give opinion for financing arrangement. We further understand that the use of our work product will not supplant other due diligence, which the Instructing Party should conduct in reaching its business decisions regarding the property valued. Our work is designed solely to provide information that will give the Instructing Party a reference to form part of its internal due diligence process, and our work should not be the only factor to be referenced by the Instructing Party. Our findings and conclusion of value of the property interest are documented in a valuation report and submitted to the Instructing Party at today's date (hereinafter referred to as the "Report Date").

At the request of the Instructing Party, we prepared this summary report (including this letter and the valuation certificate) to summarise our findings and conclusion of value as documented in the valuation report for the purpose of inclusion in this circular at the Report Date for the Company's shareholders' reference. Terms used herein without definition shall have the same meanings as in the valuation report, and the assumptions and caveats adopted in the valuation report also apply to this summary report.

BASIS OF VALUATION AND ASSUMPTIONS

According to the HKIS Standards, there are two valuation bases in valuing a property, namely market value basis and valuation bases other than market value. Our valuation of the property is on market value basis.

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".

Unless otherwise stated, our valuation of the property has been made on the assumptions that, as at the Valuation Date,

1. the legally interested party in the property has free and uninterrupted rights to assign its relevant property interest for the whole of the unexpired terms as granted, and any premium payable have already been fully paid; and
2. the legally interested party in the property sells its relevant property interest in the market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which could serve to increase the value of the property interest.

Should any of the above not be the case, it will have adverse impact to the value as reported.

APPROACH TO VALUE

The property, which was completed and under final stage of internal decoration as at the Valuation Date, has obtained the occupation permit in September 2016. We have valued the property on market value basis assuming sale with vacant possession by using the Sales Comparison Approach and taken into the account of the cost to complete (as advised by the appointed personnel of the Company). This approach considers the sales, listing or offerings of similar or substitute properties and related market data establishes a value estimate by processes involving comparison. The underlying assumption of this approach is that an investor will pay no more for a property than he or she would have to pay for a similar property of comparable utility. In our valuation, we have not taken into account of bulk discount.

Unless otherwise stated, we have not carried out any valuation on possible alternative development options and the related economics do not come within the scope of our work product.

MATTERS THAT MIGHT AFFECT THE VALUE REPORTED

For the sake of valuation, we have adopted the areas as shown in the copies of the documents as provided and no further verification work has been conducted. Should it be established subsequently that the adopted areas were not the latest approved, we reserve the rights to revise our report and the valuation accordingly.

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

Unless otherwise stated, in our valuation, we have assumed that the property is able to be sold and purchased in the market without any legal impediment (especially from the regulators). Should this not be the case, it will affect the reported value significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability is assumed.

Unless otherwise stated, as at the Latest Practicable Date of this circular, we were unable to identify any adverse news against the property which may affect the reported value in our work product. Thus, we are not in the position to report and comment on its impact (if any) to the property. However, should it be established subsequently that such news did exist at the Valuation Date, we reserve the right to adjust the value reported herein.

ESTABLISHMENT OF TITLES

Based on the purpose of this engagement and the market value basis of valuation, the Instructing Party or the appointed personnel of the Company provided us the necessary copies of documents to support that the legally interested party in the property has free and uninterrupted rights to transfer, to mortgage or to let the property at its existing use (in this instance, an absolute title) free of all encumbrances and any premiums payable have already been paid in full or outstanding procedures have been completed. However, our procedures to value, as agreed with the Instructing Party, did not require us to conduct legal due diligence on the legality and formality on the way that the legally interested party obtained the property from the relevant authorities. We agreed with the Instructing Party that this should be the responsibility of the legal advisor to the Instructing Party. Thus, no responsibility or liability is assumed from our part to the origin and continuity of the titles to the property.

In our report, we have assumed that the legally interested party in the property has obtained all the approval and/or endorsement from the relevant authorities, and that there would have no legal impediment (especially from the regulators) for the legally interested party to continue the ownership in the property. Should this not be the case, it will affect our findings and conclusion of value in this report significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability is assumed.

We have not been provided with copies of the title documents relating to the property. However, we have caused searches to be made at the Land Registry of Hong Kong regarding the property. We are not legal professional and we are unable to ascertain the title and encumbrances (if any) registered against the property. All documents and leases have been used as reference only. No responsibility or liability is assumed.

INSPECTION AND INVESTIGATION OF THE PROPERTY

We have inspected the exterior, where possible, the interior of the property in respect of which we have been provided with such information as we have requested for the purpose of our valuation. The property was inspected by Sr Elsa Ng in August 2016. We have not inspected those parts of the property which were covered, unexposed or inaccessible and such parts have been assumed to be in a reasonable condition. We cannot express an opinion about or advise upon the condition of uninspected parts and the attached certificate should not be taken as making any implied representation or statement about such parts. No building survey, structural survey, investigation or examination has been made, but in the course of our inspection we did not note any serious defects in the property valued. 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 to the services (if any) and we are unable to identify those services either covered, unexposed or inaccessible.

We have not carried out on-site measurements to verify the correctness of the floor areas of the property, but have assumed that the floor areas shown on the documents and official floor plans handed to us are correct. All dimensions, measurements and areas are approximations.

Our engagement and the agreed procedures to value the property did not include an independent land survey to verify the legal boundaries of the property. We need to state that we are not in the land survey profession, therefore, we are not in the position to verify or ascertain the correctness of the legal boundaries of such property that appeared on the documents handed to us. No responsibility from our part is assumed. The Instructing Party or interested party in the property should conduct their own legal boundaries due diligence work.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous materials have been used in the construction of the property, or have since been incorporated into the property, and we are therefore unable to report that the property is free from risk in this respect and therefore we have not considered such factor in our valuation.

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the property and which may draw our attention to any contamination or the possibility of any such contamination. In undertaking our work, we have assumed that no contaminative or potentially contaminative uses have ever been carried out in the property. We have not carried out any investigation into past or present uses, either of the property or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the property from these uses or sites, and have therefore assumed that none exists. However, should it be established subsequently that contamination, seepage or pollution exists at the property or on any neighbouring land, or that the premises have been or are being put to a contaminative use, this might reduce the value now reported.

SOURCES OF INFORMATION AND ITS VERIFICATION

In the course of our work, we have provided with copies of the documents regarding the property, and the copies have been referenced without further verifying with the relevant bodies and/or authorities. Our procedures to value did not require us to conduct any searches or inspect the original documents to verify the ownership or to verify any amendment which may not appear on the copies handed to us. We need to state that we are not legal professional, therefore, we are not in the position to advise and comment on the legality and effectiveness of the documents provided by the Instructing Party or the appointed personnel of the Company.

We have relied solely on the information provided by the Instructing Party or the appointed personnel of the Company without further verification and have fully accepted advice given to us on such matters as planning approvals or statutory notices, locations, titles, easements, tenure, occupation, site and floor areas and all other relevant matters.

Our valuation has been made only based on the advice and information made available to us. While a limited scope of general inquiries had been made to the local property market practitioners, we are not in a position to verify and ascertain the correctness of the advice given by the relevant personnel. No responsibility or liability is assumed.

Information furnished by others, upon which all or portions of our work product are based, is believed to be reliable but has not been verified in all cases. Our procedures to value or work do not constitute an audit, review, or compilation of the information provided. Thus, no warranty is made nor liability assumed for the accuracy of any data, advice, opinions, or estimates identified as being furnished by others which have been used in formulating our work product.

When we adopted the work products from other professions, external data providers and/or the Instructing Party or the appointed personnel of the Company in our valuation, the assumptions and caveats adopted by them in arriving at their figures also applied in our valuation. The procedures we have taken do not require us to examine all the evidences, like an auditor, in reaching at our opinion. As we have not performed an audit, we are not expressing an audit opinion in our valuation.

We are unable to accept any responsibility for the information that has not been supplied to us by the Instructing Party or the appointed personnel of the Company. Also, we have sought and received confirmation from the Instructing Party or the appointed personnel of the Company that no material factors have been omitted from the information supplied. Our analysis and valuation are based upon full disclosure between us and the Instructing Party of material and latent facts that may affect our work.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Instructing Party or the appointed personnel of the Company. We consider that we have been provided with sufficient information to reach an informed view, and have had no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary amounts are in Hong Kong dollars (“HK\$”).

LIMITING CONDITIONS IN THIS SUMMARY REPORT

Our findings and conclusion of value of the property in this report are valid only for the stated purpose and only for the Valuation Date and for the sole use of the Instructing Party. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this summary report, and we accept no responsibility whatsoever to any other person.

Our valuation has been made on the assumption that no unauthorised alteration, extension or addition has been made to the property, and that the construction followed the latest approved building plans. The inspection and the use of this report do not purport to be a building survey of the property. We have also assumed that the property is free of rot and inherent danger or unsuitable materials and techniques.

No responsibility is taken for changes in market conditions and government policy, and no obligation is assumed to revise the summary report to reflect events or conditions, which occur or make known to us subsequent to the date hereof.

Neither the whole nor any part of this summary report or any reference made hereto may be included in any published documents, circular or statement, or published in any way, without our written approval of the form and context in which it may appear. Nonetheless, we consent to the publication of this summary report in this circular to the Company's shareholders' reference.

Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the charges paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

The Instructing Party and the Company are required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our work product except to the extent any such losses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

STATEMENTS

This summary report is prepared in line with the requirements contained in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as well as the reporting guidelines contained in the HKIS Standards. The valuation has been undertaken by us, acting as external valuer, qualified for the purpose of the valuation.

We retain a copy of this summary report together with the data provided by the Instructing Party for the purpose of this valuation, and these data and documents will, according to the Laws of Hong Kong, be kept for a period of 6 years from the date it provided and to be destroyed thereafter. We considered these records confidential, and we do not permit access to them by anyone, with the exception for law enforcement authorities or court order, without the Instructing Party's authorisation and prior arrangement made with us. Moreover, we will add the Company's information into our client list for our future reference.

The analysis or valuation of the property depends solely on the assumptions made in this report and not all of which can be easily quantified or ascertained exactly. Should some or all of the assumptions prove to be inaccurate at a later date, it will affect the reported value significantly.

We hereby certify that the fee for this service is not contingent upon our conclusion of value and we have no significant interest in the property, the Group or the value reported.

The valuation certificate is attached.

Yours faithfully,
For and on behalf of
LCH (Asia-Pacific) Surveyors Limited

Elsa Ng Hung Mui
B.Sc. M.Sc. RPS(GP)
Executive Director

Ms. Elsa Ng Hung Mui is a Registered Professional Surveyor who has been conducting valuation of real estate properties in Hong Kong, Macau and mainland China since 1994. She is also a valuer on the List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the HKIS.

VALUATION CERTIFICATE

Property owned by the Group in Hong Kong and valued on Market Value basis

Property	Description and tenure	Particulars of occupancy	Amount of valuation in its existing state attributable to the Group as at 30 September 2016
A commercial development known as Continental Place No. 238 Des Voeux Road Central Hong Kong	The property comprises a composite development known as Continental Place erecting on 4 parcels of adjoining land having a total site area of approximately 3,249.32 sq.ft. (301.87 sq.m.).	As inspected and confirmed by the Instructing Party and the appointed personnel of the Company, the property was completed and under final stage of internal decoration works as at the Valuation Date.	HK\$1,196,770,000 (100% interest) (See Note 6 below) (HONG KONG DOLLARS
Inland Lot No. 1867, Inland Lot No. 1869, the Remaining Portion of Inland Lot No. 1871 and the Extension thereto and the Remaining Portion of Inland Lot No. 1872 and the Extension thereto (the "Lot")	The property is of 29-storey in height with the 3rd Floor designated for restaurant purpose. The 4th, 5th and 31st Floors are designated for mechanic purposes. Each floor is for commercial usage and each floor equipped with two lavatories. The development is served by 3 passenger lifts with one designated for the lowest 4 floors.		ONE BILLION ONE HUNDRED NINETY SIX MILLION SEVEN HUNDRED AND SEVENTY THOUSAND ONLY)
	The property obtained the Occupation Permit in September 2016. The total gross floor area of the development is approximately 48,699 sq.ft. (4,524.25 sq.m.).		
	The Property is located at business district of Sheung Wan dominated with commercial buildings.		
	The Lot is held under a Government Lease for a term of 999 years commencing from 26 December 1866.		
	The current annual Government Rent payable for the Lot is HK\$1,046.		

Notes:

1. The registered owner of the property is Well Friendship Investment Limited, a wholly-owned subsidiary of the Company, vide Assignment dated 31 July 2008 and registered in the Urban Land Registry by Memorial No. 08082802470231 on 28 August 2008.
2. The property is subject to the following Encumbrances:
 - (i) Debenture and Mortgage in favour of the Hong Kong and Shanghai Banking Corporation Limited dated 4 February 2009 and registered under Memorial No. 09022702470281 on 27 February 2009.
 - (ii) Assignment of Rentals and Sales Proceeds in favour of the Hong Kong and Shanghai Banking Corporation Limited dated 4 February 2009 and registered under Memorial No. 09022702470294 on 27 February 2009.
 - (iii) Statutory Declaration of Hui Po On Patrick dated 25 November 2014 and registered under Memorial No. 14112501970019 on 25 November 2014.
3. Each of 12th Floor, 16th Floor and 19th Floor is subject to respective Agreement of Sale and Purchase at a consideration of HK\$44,500,000 per each floor and registered as Memorial Nos. 15020200220036, 14122400830029 and 14122400880093, respectively, in the Land Registry.
4. The property is zoned as "Commercial" under the Draft Sai Ying Pun and Sheung Wan Outline Zoning Plan No. S/H3/28 dated 12 October 2012.
5. In our valuation, we have assessed the market value of the property based on the approved building plans provided by the Group.
6. According to the information provided by the Group, the cost to complete the property was estimated as HK\$14,854,460 as at the Valuation Date. In our valuation, we have deducted this amount from the assessed market value of the property.
7. For information purpose, our opinion of value of the property on market value basis for the Company's accounts reporting purpose as at 30 June 2016 was at HK\$1,210,210,000.
8. For internal management purpose, we are instructed to allocate the assessed market value to property held for future investment and held for future sale at the Valuation Date. The values are summarised as follows:-

	Market Value as at 30 June 2016 (HK\$)	Market Value as at 30 September 2016 (HK\$)
Portion of the Property held for future investment:		
Floors: G/F – 3/F and 27/F – 30/F	472,930,000	466,670,000
Portion of the Property held for future sale:		
Floors: 6/F – 26/F (Missing floors: 13/F – 14/F and 24/F)	737,280,000	730,100,000
Total:	<u>1,210,210,000</u>	<u>1,196,770,000</u>

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF DIRECTORS' INTERESTS

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

Interests in shares of the Company

Name of Directors	Number of ordinary shares of the Company			Total	Approximate percentage of all the issued shares of the Company
	Personal interest	Corporate interest	Underlying interest		
Chan Sing Chuk, Charles	–	5,063,395,220 <i>(Note (i))</i>	–	5,063,395,220	74.12%
Cheng Siu Yin, Shirley	–	5,063,395,220 <i>(Note (i))</i>	–	5,063,395,220	74.12%
Chan Wai Kei, Vicki	–	–	20,000,000 <i>(Note (ii))</i>	20,000,000	0.29%
Chan Wai Lap, Victor	2,700,000	–	20,000,000 <i>(Note (ii))</i>	22,700,000	0.33%
Wong Edward Gwon-hing	–	–	20,000,000 <i>(Note (ii))</i>	20,000,000	0.29%

Name of Directors	Number of ordinary shares of the Company			Total	Approximate percentage of all the issued shares of the Company
	Personal interest	Corporate interest	Underlying interest		
Yam Tat Wing	2,400,000	–	10,000,000 (Note (ii))	12,400,000	0.18%
Chan Ping Kuen, Derek	200,000	–	–	200,000	0.003%

Notes:

- (i) Such interests are held by Tamar Investments Group Limited, which is a company wholly owned by Dr. Chan Sing Chuk, Charles and Ms. Cheng Siu Yin, Shirley. 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 Grantee	Number of options outstanding as at the Latest Practicable Date	Date of grant	Exercisable period	Exercise price
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
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
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
Yam Tat Wing	10,000,000	7 July 2015	7 July 2015 to 6 July 2025	HK\$0.245

Interests in shares of associated corporation of the Company

Name of associated corporation	Name of Directors	Nature of interest	Number of share	Percentage of all the issued shares of the associated corporation
Tamar Investments Group Limited	Chan Sing Chuk, Charles	Personal	1	50.00%
	Cheng Siu Yin, Shirley	Personal	1	50.00%

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

- (b) As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been, since 30 June 2016, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (c) None of the Directors is materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group as a whole.
- (d) As at the Latest Practicable Date, none of the Directors had entered into any service contracts with any member of the Group which is not expiring or determinable by the employer within one year without payment of compensation other than statutory compensation

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

3. LITIGATION

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

4. MATERIAL CONTRACTS

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

- (a) on 8 July 2015, 13 November 2015 and 13 May 2016, Master Gold Development Limited (a wholly-owned subsidiary of the Company), as the lender entered into facility agreements with Wealth Plus Developments Limited (a joint venture of the Group), as the borrower, for providing facilities of up to HK\$50,000,000, HK\$61,500,000 and HK\$37,000,000 respectively. The facilities will be used as working capital for the development of the joint venture's property development project in Shanghai;
- (b) on 30 October 2014, 11 March 2016 and 9 September 2016, the Company, Shanghai Haijin Real Estate Co., Ltd.* (the "**JV Subsidiary**"), Wealth Plus Developments Limited, Hang Seng Bank (China) Limited (the "**Bank**"), Early Light Industrial Company Limited and A Glory Communications Limited entered into facility agreements in relation to the provisions of term loan facilities by the Bank to the JV Subsidiary, whereby the Company had given guarantees of RMB100,000,000 (equivalent to approximately HK\$126,510,000), RMB55,000,000 (equivalent to approximately HK\$64,213,000) and RMB386,650,000 (equivalent to approximately HK\$448,514,000) respectively in favour of the Bank;
- (c) on 5 December 2014, 10 December 2014 and 8 January 2015, 3 formal sale and purchase agreements were signed by the Project Company for the sale of the Pre-Sold Floors with a total consideration of HK\$133.5 million;

* *The unofficial English translation or transliteration of Chinese name is for identification purpose only*

(d) on 3 August 2015 and 2 October 2015, Propway Limited, a company beneficially owned by Ms. Cheng Siu Yin, Shirley, an executive Director, as the lender and the Company, as the borrower entered into facility agreements, for providing facilities in the amount of HK\$30,000,000 and HK\$60,000,000 respectively to the Company. The facilities are unsecured, with interest-bearing at 2.1% and 2.4% per annum and repayable on 30 July 2016 and 30 September 2016 respectively. On 1 June 2016, Propway Limited and the Company entered into supplemental facility agreements to extend the repayment date of the facilities to 30 July 2017 and 30 September 2017 respectively;

(e) the Agreement.

5. EXPERTS AND CONSENTS

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

Name	Qualifications
BDO Limited	Certified Public Accountants
LCH (Asia-Pacific) Surveyors Limited	Professional valuer

Each of BDO Limited and LCH (Asia-Pacific) Surveyors Limited 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 BDO Limited and LCH (Asia-Pacific) Surveyors Limited had no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and had no direct or indirect interest in any assets which have been, since 30 June 2016, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

6. GENERAL

- (a) The secretary of the Company is Mr. Hui Chun Lam. Mr. Hui is a member of CPA Australia, an associate member of the Hong Kong Institute of Certified Public Accountants and member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (b) The registered office of the Company is situated at Flats M and N, 1/F., Kaiser Estate, Phase III, 11 Hok Yuen Street, Hunghom, Kowloon, Hong Kong.
- (c) The share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) In case of inconsistency, the English text of this circular shall prevail over the Chinese text.

7. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the articles of association of the Company;
- (b) the annual reports of the Company for the three years ended 30 June 2014, 2015 and 2016;
- (c) the report from BDO Limited on the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix IV to this circular;

- (d) the valuation report prepared by LCH (Asia-Pacific) Surveyors Limited in relation to the Property, the text of which is set out in Appendix V to this circular;
- (e) a copy of each of the material contracts referred to in the paragraph headed “4. Material Contracts” in this Appendix;
- (f) the written consents referred to in the paragraph headed “5. Experts and Consents” in this Appendix; and
- (g) this circular.

NOTICE OF EGM



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 an extraordinary general meeting (the “**EGM**”) 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 Tuesday, 29 November 2016 at 11:30 a.m. (or as soon as the annual general meeting of the Company 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 resolution:

ORDINARY RESOLUTION

“THAT

- (a) the conditional sale and purchase agreement dated 19 September 2016 (the “**Agreement**”) entered into between Precious Palace International Limited as vendor, City Prosperity Investment Limited as purchaser and the Company as the vendor’s guarantor (a copy of which has been produced to the meeting marked “A” and initialed by the chairman of the meeting for the purpose of identification) in relation to the sale and purchase of the entire issued share capital of Well Friendship Investment Limited, and all the inter-company loans owing by Well Friendship Investment Limited to the Company and its subsidiaries at completion at an aggregate consideration of HK\$1,133.5 million (subject to adjustment in accordance with the terms and conditions of the Agreement) and the transaction contemplated thereunder be and are hereby approved, ratified and confirmed; and
- (b) any one director of the Company be and is hereby authorised to execute all other documents and to do all other acts and things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in and completion of the Agreement, and take such action as he/she may in his/her opinion consider to

NOTICE OF EGM

be necessary, desirable or expedient to implement and give effect to the Agreement and any other transactions contemplated under the Agreement, and to agree to such variation, amendment or waiver or matter relating thereto (including any variation, amendment or waiver of such documents or any terms thereof) as is/are in his/her opinion in the interest of the Company and its shareholders as a whole.”

By Order of the Board
Chan Sing Chuk, Charles
Chairman

Hong Kong, 28 October 2016

Registered office:

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

Notes:

- (1) Any member of the Company entitled to attend and vote at the EGM 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 EGM, 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 EGM 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 EGM 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 thereof must be delivered to the registered office of the Company at Flats M and N, 1/F., Kaiser Estate, Phase III, 11 Hok Yuen Street, Hungghom, Kowloon, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
- (5) As at the date hereof, Dr. Chan Sing Chuk, Charles, *BBS, JP*, Ms. Cheng Siu Yin, Shirley, Ms. Chan Wai Kei, Vicki, Mr. Chan Wai Lap, Victor, Mr. Wong Edward Gwon-hing and Mr. Yam Tat Wing are the executive directors of the Company and Mr. Yu Shiu Tin, Paul, *BBS, MBE, JP*, Mr. Chan Ping Kuen, Derek, Mr. Sze Irons, *BBS, JP* and Mr. Cheung Chi Fai, Frank are the independent non-executive directors of the Company.