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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**  
**RESUMPTION OF TRADING**

**VERY SUBSTANTIAL DISPOSAL**

On 16 June 2009 (after trading hours), the Vendor, a wholly-owned subsidiary of the Company, and the Purchaser entered into the Provisional Agreement for the sale and purchase of the Property at a consideration of HK\$838,000,000.

The Disposal constitutes a very substantial disposal for the Company and is subject to approval by the Shareholders pursuant to the Listing Rules. A circular containing, among others, details of the Disposal and further information of the Group, together with the notice of EGM will be despatched to the Shareholders as soon as practicable.

**SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Main Board of the Stock Exchange was suspended with effect from 9:30 a.m. on 17 June 2009 pending the release of this announcement. Application for the resumption of trading in the Shares on the Main Board of the Stock Exchange with effect from 9:30 a.m. on 19 June 2009 has been made by the Company.

**THE PROVISIONAL AGREEMENT**

**Date:** 16 June 2009 (after trading hours)

**Parties:**

Vendor: Crystal Gain Developments Limited, a wholly-owned subsidiary of the Company

Purchaser: Winvote Century Limited. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the principal activity of the Purchaser is property investment and (ii) the Purchaser, its beneficial owner (Gainful Overseas Ltd., a company incorporated in the BVI) and its ultimate beneficial owner(s) are independent third parties of the Group and their respective connected persons.

**Subject matter**

Continental Diamond Plaza located at Nos. 523, 525, 527 Hennessy Road, Hong Kong, which is a non-residential property. The Purchaser agrees to purchase the Property on an "as is" basis and subject to the existing tenancies and lettings and the management agreement as set out in the schedules to the Provisional Agreement.

The Vendor shall give, show and prove title to the Property in accordance with section 13 and section 13A of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong).

Based on the current information available to the Company, the occupancy rate of the Property is 100%. The Property is of non-residential use and mainly comprises retail shops and restaurants. The duration of the tenancy agreements for the Property is generally three years. As at the date of this announcement, the Company does not occupy any part of the Property.

**Consideration**

The consideration of HK\$838,000,000 for the Property shall be payable by the Purchaser to the Vendor in the following manner:

- (1) an initial deposit in the sum of HK\$10,000,000 was paid to the Vendor's solicitors upon signing of the Provisional Agreement;
- (2) a further deposit in the sum of HK\$30,000,000 shall be paid to the Vendor's solicitors on or before 19 June 2009;
- (3) further deposit and part payment of 10% of the Consideration (less the HK\$40,000,000 paid aforesaid) shall be paid to the Vendor's solicitors on or before 8 July 2009 (before 5:00 p.m.);
- (4) the balance of the Consideration equivalent to HK\$754,200,000 shall be paid to the Vendor upon completion of the Disposal; and
- (5) the deposits payable under (1), (2) and (3) above shall be paid to the Vendor's solicitors as stakeholders who may release the same to the Vendor provided that the balance of the Consideration is sufficient to discharge the existing legal charge/mortgage (if any) and that the conditions precedent to the Provisional Agreement are fulfilled on or before 15 August 2009.

## **Basis of determining the Consideration**

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser, taking into account the recent market conditions of the property market in Hong Kong (including the recent surge in property price) and a valuation of the Property at HK\$683,000,000 as at 31 December 2008 made by Chung, Chan & Associates, an independent qualified property valuer. A full valuation report on the Property will be prepared for inclusion in the circular as required by the Listing Rules.

## **Failure to perform**

In the event the Purchaser shall fail to perform any of the terms of the Provisional Agreement or complete the sale and purchase in accordance with the Provisional Agreement, the Vendor may terminate the Provisional Agreement by notice in writing to the Purchaser whereupon all deposits paid shall be forfeited to the Vendor as and for agreed liquidated damages.

In the event the Vendor shall fail to perform any of the terms contained in the Provisional Agreement or complete the sale and purchase in accordance with the terms of the Provisional Agreement, the Purchaser may, in addition to and without prejudice to its rights to terminate the Provisional Agreement and/or claim damages, seek specific performance against the Vendor.

## **Conditions precedent**

Completion of the sale and purchase of the Property is subject to and conditional upon fulfillment of the following conditions on or before 15 August 2009:

- (1) the approval being obtained from the Shareholders to the entering into and implementation of the transactions contemplated under the Provisional Agreement at an extraordinary general meeting of the Company; and
- (2) all necessary consents and approvals, being obtained by the Company in compliance with the Listing Rules.

In the event of non-fulfillment of the conditions above on or before 15 August 2009, the Provisional Agreement shall become void and of no further effect and the parties shall forthwith at its respective own costs enter into a cancellation agreement of the Provisional Agreement and all deposits paid shall be refunded to the Purchaser (together with interest thereon at the prime lending rate from time to time quoted by The Hongkong and Shanghai Banking Corporation Limited) and the Purchaser shall deliver to the Vendor the registered agreement(s) to enable the Vendor to complete the chain of title to the Property in exchange for the Vendor's counterpart of the said agreements whereupon the parties shall have no further liability against each other.

## **Completion**

The formal agreement for sale and purchase shall be executed on or before 8 July 2009 (before 5:00 p.m.) and completion of the Disposal shall take place on or before 16 October 2009 (before 5:00 p.m.).

## **INFORMATION ON THE GROUP**

The Group is principally engaged in the design, manufacturing, marketing and trading of fine jewellery and diamonds. The Group also maintains an investment portfolio including property investment and other investment.

## **POSSIBLE FINANCIAL EFFECT OF THE DISPOSAL**

Based on the book value of the Property (being HK\$683,000,000 as at 31 December 2008), it is expected that the Company will realise a gain from the Disposal of approximately HK\$155,000,000 (not taking into account the agency fees and other professional fees to be incurred) being the difference between the Consideration and the book value of the Property as at 31 December 2008.

The net profit before taxation attributable to the Property for the financial years ended 30 June 2007 and 2008 were approximately HK\$248,100,000 and HK\$47,600,000 respectively. The net profit after taxation attributable to the Property for the financial years ended 30 June 2007 and 2008 were approximately HK\$204,700,000 and HK\$43,300,000 respectively.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

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

The Directors (including independent non-executive Directors) consider that the Provisional Agreement is entered into after arm's length negotiations and the terms therein are in accordance with the normal practice in the property market and the Disposal is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **USE OF PROCEEDS**

The Company intends to use part of the net sale proceeds from the Disposal to repay certain bank borrowings and release the related mortgage on the Property and the remaining balance will be used for general working capital.

## **GENERAL**

The Disposal constitutes a very substantial disposal for the Company and is subject to approval by the Shareholders pursuant to the Listing Rules. A circular containing, among others, details of the Disposal and further information of the Group, together with the notice of EGM will be despatched to the Shareholders as soon as practicable.

The Directors shall seek the approval of the Shareholders on the Disposal and the transactions contemplated thereunder at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain from voting for the approval of the Disposal at the EGM.

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Main Board of the Stock Exchange was suspended with effect from 9:30 a.m. on 17 June 2009 pending the release of this announcement. Application for the resumption of trading in the Shares on the Main Board of the Stock Exchange with effect from 9:30 a.m. on 19 June 2009 has been made by the Company.

## **DEFINITIONS**

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

<b>“Board”</b>	the board of Directors
<b>“BVI”</b>	British Virgin Islands
<b>“Company”</b>	Continental Holdings Limited (恒和珠寶集團有限公司), a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange
<b>“connected person(s)”</b>	has the meaning ascribed to it under the Listing Rules
<b>“Consideration”</b>	the total consideration payable by the Purchaser to the Vendor for the Disposal
<b>“Director(s)”</b>	the director(s) of the Company
<b>“Disposal”</b>	the disposal of the Property by the Vendor to the Purchaser
<b>“EGM”</b>	an extraordinary general meeting of the Company to be convened for the purpose of the Shareholders considering, and if thought fit, approving the Disposal
<b>“Group”</b>	collectively, the Company and its subsidiaries from time to time
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the People's Republic of China
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange
<b>“Property”</b>	Continental Diamond Plaza located at Nos. 523, 525, 527 Hennessy Road, Hong Kong

“Provisional Agreement”	the provisional agreement for sale and purchase dated 16 June 2009 entered into between the Vendor and the Purchaser in relation to the Disposal
“Purchaser”	Winvote Century Limited, a company incorporated in Hong Kong
“Shareholders”	holders of Shares
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Crystal Gain Developments Limited, a company incorporated in the BVI and a wholly-owned subsidiary of the Company
“%”	per cent.

By order of the Board  
**Continental Holdings Limited**  
**Chan Sing Chuk, Charles**  
*Chairman*

Hong Kong, 18 June 2009

*As at the date of this announcement, Dr. Chan Sing Chuk, Charles BBS, JP, Ms. Cheng Siu Yin, Shirley, Ms. Chan Wai Kei, Vicki and Mr. Chan Wai Lap, Victor are executive Directors, Mr. Chu Wai Kok is a non-executive Director, Mr. Wong Kai Cheong, Mr. Yu Shiu Tin, Paul BBS, MBE, JP, Mr. Chan Ping Kuen, Derek and Mr. Sze, Irons are independent non-executive Directors.*

(In the event of inconsistency, the English text shall prevail over the Chinese text)