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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 ACQUISITION  
AND CONNECTED TRANSACTION  
ACQUISITION OF HONGZHUANG GOLD MINE IN THE PRC  
INVOLVING THE ISSUE OF CONSIDERATION SHARES  
AND CONVERTIBLE NOTE  
AND  
ISSUE OF NEW SHARES TO INDEPENDENT SUBSCRIBER  
AND  
RESUMPTION OF TRADING**

On 20 November 2009, the Company entered into the Sale and Purchase Agreement, pursuant to which, the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares and the Target Shareholder's Loan at a total consideration of HK\$738.0 million, which will be satisfied as to HK\$113.0 million by way of cash; as to HK\$300.0 million by way of issue of a total of 176,470,588 Consideration Shares; and as to the balance of HK\$325.0 million by way of issue of the Convertible Note. The issue price of the Consideration Share is HK\$1.7 and the initial conversion price of the Convertible Note is HK\$1.9.

The Consideration has been arrived at after arm's length negotiations between the Company and the Vendor and was determined with reference to (i) the Minimum Gold Mine Value of HK\$800.0 million; (ii) the Target Shareholder's Loan of not less than HK\$150.0 million upon Completion; and (iii) the prevailing gold price.

Prior to the Completion Date, the Vendor shall advance or procure the advance to the Target Company the Additional Shareholder's Advance of US\$10,500,400 (equivalent to approximately HK\$81,378,000). Upon Completion, the Company shall reimburse the Vendor the full amount of the Additional Shareholder's Advance made to the Target Group and outstanding at the Completion Date on dollar-for-dollar basis.

The principal asset of the Target Group is its 100% interest in Hongzhuang Gold Mine. The Gold Mine Licence covers a mining area of 5.6645 km<sup>2</sup> with an allowed production capacity of 30,000 tonnes (gold ore to be processed) per annum. Hongzhuang Gold Mine is located in Luanchuan County, Henan Province, the PRC and includes two mining areas, namely Hongzhuang (1.04 km<sup>2</sup>) and Yuanling (4.6245 km<sup>2</sup>). Based on the information from a preliminary technical report, Hongzhuang Gold Mine has indicated economic basic reserve (122b) of about 11 tonnes (metallic gold) and indicated and inferred intrinsic economic resources (332 and 333) of about 30 tonnes (metallic gold).

The executive Directors have identified a very good opportunity to ride on the trend of increase in gold price. The gold price increased from around US\$880 per oz in early 2009 to around US\$1,170 per oz recently, representing an increase of approximately 33.0%. Based on the prevailing monetary policy adopted by the Federal Reserve of the United States of America and the global macroeconomic environment, the Directors are optimistic about the prospect of gold price.

On 23 November 2009, the Company also entered into the Subscription Agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue an aggregate of 21,764,705 new Shares at a subscription price of HK\$1.7 per Subscription Share. The gross proceeds of the Subscription will be HK\$37.0 million (before expenses of approximately HK\$0.3 million). The Company intends to use the net proceeds from the Subscription to finance part of the Consideration and for general working capital of the Group.

The Directors (excluding the independent non-executive Directors whose opinion will be provided after consideration of the advice from the independent financial adviser) consider that the terms of the Sale and Purchase Agreement and the Subscription Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. Dr. Chan is a Director and controlling Shareholder who, through Tamar Investments, holds approximately 50.768% of the issued share capital of the Company as at the date of this announcement. Accordingly, the Vendor, being a company owned by Dr. Chan is a connected person of the Company and the transactions contemplated under the Sale and Purchase Agreement also constitute connected transactions for the Company under Chapter 14A of the Listing Rules and are subject to the approval of the Independent Shareholders at the EGM by way of poll. The Subscription Agreement, which is inter-conditional with the Sale and Purchase Agreement, is also subject to the approval of the Independent Shareholders at the EGM by way of poll.

The Independent Board Committee comprising all of the four independent non-executive Directors, namely Mr. Wong Kai Cheong, Mr. Yu Shiu Tin, Paul BBS, MBE, JP, Mr. Chan Ping Kuen, Derek and Mr. Sze, Irons has been established to advise and give recommendation to the Independent Shareholders on the terms of the Sale and Purchase Agreement and Subscription Agreement, and the respective transactions contemplated thereunder. Each of Mr. Wong Kai Cheong, Mr. Yu Shiu Tin, Paul BBS, MBE, JP, Mr. Chan Ping Kuen, Derek and Mr. Sze, Irons has no material interest in the Sale and Purchase Agreement, the Subscription Agreement, and the respective transactions contemplated thereunder, therefore, each of them is regarded as eligible to be a member of the Independent Board Committee. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard.

A circular containing, among other things, (i) further information on the Sale and Purchase Agreement and the Subscription Agreement, and the respective transactions contemplated thereunder; (ii) the recommendation of the Independent Board Committee and advice of the independent financial adviser regarding the terms of the Sale and Purchase Agreement and the Subscription Agreement, and the respective transactions contemplated thereunder; (iii) accountants' report of the Target Group; (iv) proforma financial information on the Group upon Completion; (v) property valuation report for the Group and the Target Group; (vi) valuation report for Hongzhuang Gold Mine; (vii) technical report on Hongzhuang Gold Mine; and (viii) notice of the EGM, will be despatched to the Shareholders as soon as practicable and in accordance with the Listing Rules.

At the request of the Company, trading in the Shares has been suspended from 9:30 a.m. on 20 November 2009 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading of the Shares from 9:30 a.m. on 1 December 2009.

The Directors are pleased to announce that the Group is expanding its business into the mining business. Through the Acquisition, the Group will own Hongzhuang Gold Mine in Henan Province, the PRC with indicated economic basic reserve (122b) of about 11 tonnes (metallic gold) and indicated and inferred intrinsic economic resources (332 and 333) of about 30 tonnes. The Directors are of the view that the Acquisition is beneficial to the Company and the Shareholders as a whole as the Group will be able to ride on the trend of increase in gold price.

To finance part of the Consideration and for general working capital of the Group, the Directors also propose to issue in aggregate 21,764,705 new Shares at HK\$1.7 per Subscription Share to raise HK\$37.0 million (before expenses of approximately HK\$0.3 million).

#### **(A) THE SALE AND PURCHASE AGREEMENT**

**Date:** 20 November 2009 (before trading hours) and supplemented by a supplemental agreement dated 30 November 2009

**Parties:**

1. The Company as purchaser
2. Benefit Well Investments Limited as vendor
3. Dr. Chan has guaranteed the due and punctual performance and observance by the Vendor of its obligations under the Sale and Purchase Agreement

The Vendor is principally engaged in investment holding and is beneficially owned by Dr. Chan who is a Director and the controlling Shareholder.

**Subject**

The Sale Shares, representing the entire issued share capital of the Target Company and the Target Shareholder's Loan. As at the date of this announcement, the Target Shareholder's Loan amounted to approximately HK\$149.4 million. The Vendor has undertaken that the amount of the Target Shareholder's Loan will not be less than HK\$150.0 million upon Completion. The Target Shareholder's Loan was provided by the Vendor to finance the operation of the Target Group.

As detailed below, the principal asset of the Target Company is its 100% interest in Hongzhuang Gold Mine in Henan Province, the PRC with indicated economic basic reserve (122b) of about 11 tonnes (metallic gold) and indicated and inferred intrinsic economic resources (332 and 333) of about 30 tonnes.

**Consideration**

HK\$738.0 million to be satisfied upon Completion in the following manner:

1. as to a sum of HK\$113.0 million by payment in cash;
2. as to a sum of HK\$300.0 million by way of issue of a total of 176,470,588 Consideration Shares to Tamar Investments (or its wholly-owned subsidiary(ies)); and
3. as to the balance of HK\$325.0 million by way of issue of the Convertible Note to Tamar Investments (or its wholly-owned subsidiary(ies)).

The Consideration has been arrived at after arm's length negotiations between the Company and the Vendor and was determined with reference to (i) the Minimum Gold Mine Value (as defined below) of HK\$800.0 million; (ii) the Target Shareholder's Loan of not less than HK\$150.0 million upon Completion; and (iii) the prevailing gold price. The Minimum Gold Mine Value is determined based on a preliminary valuation of HK\$900.0 million as at 31 October 2009 prepared by an independent valuer appointed by the Company.

The appraised values of Hongzhuang Gold Mine will be prepared by independent valuer (based on direct comparison method). A valuation report containing such information will be included in a circular to be despatched to the Shareholders in connection with the Acquisition and the Subscription.

### **Additional Shareholder's Advance**

Prior to the Completion Date, the Vendor shall advance or procure the advance to the Target Company the Additional Shareholder's Advance of US\$10,500,400 (equivalent to approximately HK\$81,378,000) to pay up in full the outstanding registered capital of Henan Multi-Resources of US\$10,500,400 (equivalent to approximately HK\$81,378,000). Upon payment of the registered capital of Henan Multi-Resources by the Additional Shareholder's Advance, the Vendor may procure Henan Multi-Resources to apply the same to settle and discharge the following amounts:

- (i) the costs in relation to the application of the New Gold Mine Licence; and
- (ii) the total sum of RMB28.8 million (equivalent to approximately HK\$32.5 million) (the "Repayable Amount") on accounts of the Target Group payable to certain companies controlled by Dr. Chan.

The unused portion of the Additional Shareholder's Advance will be applied as general working capital of Henan Multi-Resources. Upon Completion, the Company shall reimburse the Vendor the full amount of the Additional Shareholder's Advance made to the Target Group and outstanding at the Completion Date on dollar-for-dollar basis. However, if the costs to obtain the New Gold Mine Licence exceed RMB30.0 million (equivalent to approximately HK\$33.9 million), the Vendor should bear the excess amount and the reimbursement to the Vendor shall be reduced by such excess.

The Repayable Amount was previously provided by certain companies controlled by Dr. Chan for the payment of the fees in relation to the public tender of Hongzhuang Gold Mine.

### **Conditions precedent**

Completion shall be conditional upon satisfaction (or, where applicable, waiver) of a number of conditions precedent summarised below:–

- (i) the passing of all resolutions by the Independent Shareholders at a general meeting of the Company approving the entering into of the Sale and Purchase Agreement by the Company and the performance of the transactions contemplated thereunder;
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consideration Shares and the Conversion Shares;
- (iii) the New Gold Mine Licence having been issued to Henan Multi-Resources (and not revoked or otherwise rendered invalid by the authorities in the PRC);

- (iv) all existing permits in respect of the operation of the business of the Target Group remaining valid and subsisting and no notice (actual or constructive) having been received by the Vendor or any member of the Target Group that the same will be terminated, revoked, withdrawn or suspended;
- (v) all necessary statutory governmental and regulatory obligations having been complied with, and all necessary consents, approvals and waivers from the relevant statutory governmental and regulatory authorities having been obtained and continuing in force;
- (vi) the Company having received legal opinion from a PRC lawyer to be appointed by the Company and shall be in such form and substance acceptable to the Company, in respect of Henan Multi-Resources and its assets, business and operations, contracts and commitments, taxation and legal and regulatory aspects;
- (vii) the Company having obtained valuation report issued by an independent professional valuer appointed by the Company in respect of the Hongzhuang Gold Mine, which shall comply with the relevant requirements of the Listing Rules, opining on the market value of 100% interest in Hongzhuang Gold Mine as at the reference date in compliance with the Listing Rules, provided that such market value shall not be less than HK\$800.0 million (the “Minimum Gold Mine Value”);
- (viii) the Company having obtained a technical report on Hongzhuang Gold Mine issued by a technical adviser appointed by the Company, which shall comply with the relevant requirements of the Listing Rules;
- (ix) all of the conditions precedent to the completion of the Subscription Agreement having been fulfilled in accordance with its terms;
- (x) the Company notifying the Vendor in writing that it is reasonably satisfied with the due diligence review on the Target Group;
- (xi) the warranties of the Vendor in the Sale and Purchase Agreement remaining true, accurate and not misleading in all material respects;
- (xii) the Reorganisation having been completed at the sole costs and expenses of the Vendor; and
- (xiii) all necessary consent and approval to the supplemental agreement to the Sale and Purchase Agreement and all the transactions to be made thereunder having been obtained.

The Company may in its sole and absolute discretion at any time before Completion waive the above conditions precedent by notice in writing to the Vendor, but it may not waive conditions (i) to (v), (vii) to (ix) and (xii) if and to the extent that such waiver, if issued, would cause or result in any of the parties to the Sale and Purchase Agreement or any members of the Target Group breaching the Listing Rules and any other applicable law and regulations. As at the date of this announcement, condition (xii) has been fulfilled.

The Group will appoint a PRC legal adviser to advise the Group if the Target Group has obtained all necessary permits in respect of the operation of the business of the Target Group, including but not limited to business licence, business registration, mine exploration permit and the New Gold Mine Licence and, if so, whether those permits are valid and have a reasonable period to expiry.

If any of the conditions precedent has not been fulfilled (or, where applicable, waived) on or before six months from the date of the Sale and Purchase Agreement, either party to the Sale and Purchase Agreement shall be entitled to rescind the Sale and Purchase Agreement by giving written notice to the other parties. If condition precedent (iii), concerning the issue of the New Gold Mine Licence, shall not be fulfilled by the date falling six months after the date of the Sale and Purchase Agreement (and it is the only unfulfilled condition precedent then), the long stop date shall be automatically extended for three more months (or such shorter period as agreed by the Vendor and the Company in writing). If such condition precedent shall still remain unfulfilled by such extended long stop date, and provided that satisfactory evidence is provided to demonstrate that the Vendor has taken all commercially reasonable steps to procure issuance of the New Gold Mine Licence and the delay in issuance of such licence is not attributable to the default of the Vendor or the Target Group, the Company may in its sole discretion (but not obligation) further extend the long stop date for up to three more months by written notice to the Vendor.

### **Convertible Note**

Principal terms of the Convertible Note are set out below:

Aggregate principal amount: HK\$325.0 million

Conversion price: HK\$1.9 per Conversion Share, subject to adjustments for, among other things, share consolidation, share sub-division, capitalization of profits or reserves, capital distribution, rights issue, grant of options, warrants or other rights to subscribe for or purchase any Shares.

Coupon rate: 1.5% per annum, payable in arrears on 30 June in each year

Conversion period: The holder of the Convertible Note shall have the right to convert at any time prior to the date of maturity in whole or in part of the principal amount of the Convertible Note into the Conversion Shares.

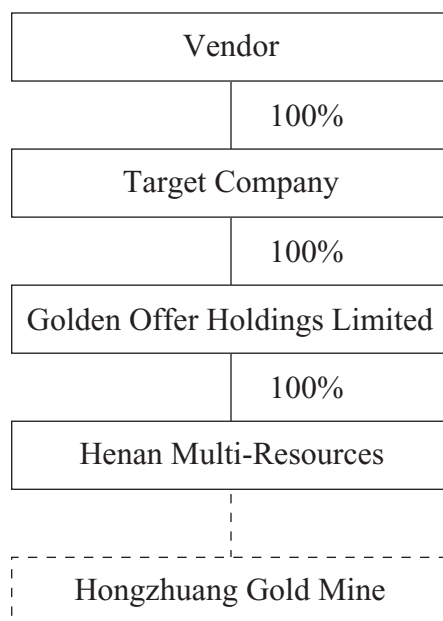
Maturity: Third anniversary of the date of issue of the Convertible Note. If and to the extent that there shall be any outstanding principal amount of the Convertible Note at the date of maturity, the Convertible Note is deemed to be automatically converted into the Conversion Shares.

- Early redemption: At any time after the date of the issue of the Convertible Note and before the fifth business day before the date of maturity, the Company may redeem all or part of the Convertible Note at a price being equal to 100% of the face value of the part of principal amount of the Convertible Note proposed to be redeemed together with interest accrued thereon up to and excluding the date of redemption.
- Ranking: The Convertible Note should rank *pari passu* with all other present and future unsecured and unsubordinated obligations of the Company.
- Transferability: The Convertible Note may be assigned or transferred to any third party, subject only to compliance with the Listing Rules and all applicable laws and regulations.
- Listing: No application will be made for the listing of the Convertible Note on the Stock Exchange or any other stock exchange. An application will be made by the Company for the listing of, and permission to deal in, the Conversion Shares.

The terms of the Convertible Note (including the initial conversion price of HK\$1.9 and the coupon rate of 1.5% per annum) have been arrived at after arm's length negotiations between the Company and the Vendor and were determined with reference to, among other things, (i) current borrowing rate of the Company; (ii) the unsecured nature of the Convertible Note; (iii) the principal of the Convertible Note will only be repaid at the option of the Company; (iv) the unlisted nature of the Convertible Note; (v) the borrowing rate of the Company if an additional debt financing of HK\$325.0 million (being the principal of the Convertible Note) is required by the Group; and (vi) the prevailing Share price. Accordingly, the Directors (excluding the independent non-executive Directors whose opinion will be provided after the consideration of the advice from the independent financial adviser) consider that the terms of the Convertible Note are fair and reasonable.

## INFORMATION ON THE TARGET GROUP

Set out below is the shareholding structure of the Target Group as at the date of this announcement:



Immediately before the completion of the Reorganisation, both the Target Company and Golden Offer Holdings Limited were held directly by the Vendor. As at the date of this announcement, the Reorganisation has been completed. The Target Company is a company incorporated in the BVI on 16 November 2007 and is principally engaged in investment holding. Save for the Reorganisation, the Target Company has no other significant operation and has not recorded significant turnover nor profit/loss since its incorporation. As at 30 June 2009, the Target Company had a net asset value of approximately HK\$11,458. Set out below is the unaudited consolidated financial information of Golden Offer Holdings Limited and Henan Multi-Resources for the period from 5 June 2007 (date of incorporation of Golden Offer Holdings Limited) to 30 June 2008, year ended 30 June 2009 and three months ended 30 September 2009:

	<b>For the three months ended 30 September 2009</b>	<b>For the year ended 30 June 2009</b>	<b>For the period from 5 June 2007 (date of incorporation of Golden Offer Holdings Limited) to 30 June 2008</b>
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Turnover	6,091	–	–
Loss before taxation	(27,295)	(8,348)	(36,315)
Loss for the year	(27,295)	(8,348)	(36,315)

The turnover recorded by Henan Multi-Resources for the three months ended 30 September 2009 mainly relates to the sale of intermediate products from various trial production runs. Hongzhuang Gold Mine is under trial production stage and is currently preparing for the planned expansion to increase production capacity. Key activities before full scale operations include further strengthening of the human resources, preparing various feasibility studies, applying for the New Gold Mine License, and further conducting exploration, trial and pilot experimental production etc.

As at 30 September 2009, the unaudited consolidated net asset value of Golden Offer Holdings Limited and Henan Multi-Resources was approximately HK\$70.3 million.

The principal asset of the Target Group is its 100% interest in Hongzhuang Gold Mine. The Gold Mine Licence is for a period from August 2009 to September 2010 and covers a mining area of 5.6645 km<sup>2</sup> with an allowed production capacity of 30,000 tonnes (gold ore to be processed) per annum. Hongzhuang Gold Mine is located in Luanchuan County, Henan Province, the PRC and includes two mining areas, namely Hongzhuang (1.04 km<sup>2</sup>) and Yuanling (4.6245 km<sup>2</sup>). Based on the information from a preliminary technical report, Hongzhuang Gold Mine has indicated economic basic reserve (122b) of about 11 tonnes (metallic gold) and indicated and inferred intrinsic economic resources (332 and 333) of about 30 tonnes (metallic gold).

*Note:* the resource estimates are disclosed based on the PRC National Standard – Solid Reserve and Resources Classification System (中國國家標準－固體礦產資源／儲量分類)(GB/T17766-1999) (the “Standard”).

As extracted from the Standard:

- (i) Indicated economic basic reserve (122b): The extractable part of the indicated economic basic reserve. It refers to the lot of land where more detailed investigation and feasibility study have been conducted. The result of the feasibility report is that the mining is economical and the measured quantity of reserve is relatively reliable. But that does not take into account any quantities which may be lost in the process of design and mining.
- (ii) Indicated intrinsic economic resources (332): It refers to the lot of lands where more detailed investigation has been conducted. The geological reliability is indicated. A summary research has only been done for the feasibility assessment. The economic significance is in the submarginal economic area. The reliability of the measured quantity of resources is relatively high, while the reliability of feasibility assessment is low.
- (iii) Inferred intrinsic economic resources (333): It refers to the lot of lands where only preliminary evaluation has been conducted. The geological reliability is inferred. The quantity of resources is calculated only by limited data with low reliability. A summary research has only been done for the feasibility assessment. The economic significance is in the submarginal economic area. The reliability of feasibility assessment is low.

In addition, according to the preliminary technical report, the extraction ratio is approximately 0.00057%, i.e. approximately 175,438.6 tonnes of gold ore is required to refine into one tonne of metallic gold.

Henan Multi-Resources has an experienced management team to oversee its operation. All members of its management team have appropriate qualifications and relevant experience in the mining industry. On the basis that (i) upon Completion, the entire management team of Henan Multi-Resources will be retained by the Group; (ii) Dr. Chan has been involved in mining operations

for years; and (iii) the Group may further engage appropriate experts to join the management team of its mining operation, the Directors consider that the Group has sufficient knowledge and expertise in operating Hongzunang Gold Mine. The total planned investment amount for the Group on Hongzhuang Gold Mine is expected to be approximately HK\$300.0 million (in addition to the Consideration, but including the fees for the New Gold Mine Licence) over an investment horizon of around five years and is expected to be financed by internal resources, equity financing and/or debt financing. Save and except for the entering into of the Sale and Purchase Agreement, the Company has not made any commitment on its investment in Hongzhuang Gold Mine.

Hongzhuang Gold Mine was acquired by Henan Multi-Resources through a public tender at approximately RMB78 million (including 2% bidding commission) (equivalent to approximately HK\$88.14 million).

The Vendor undertakes to use all commercially reasonable efforts to procure Henan Multi-Resources to process and complete the application to the relevant government authorities in the PRC for issuance of the New Gold Mine Licence in compliance with the following parameters and conditions:

- (i) the term shall not be less than five years (from the date of issue, which is expected to be first half of 2010);
- (ii) the geographical scope and location of the mining permit area shall include the existing gold mining area and exploration area designated in the Gold Mine Licence; and
- (iii) on such other terms as reasonably acceptable to the Company.

The management of Henan Multi-Resources has confirmed that it does not foresee any difficulties for Henan Multi-Resources to obtain the New Gold Mine Licence.

A technical report will be prepared by an independent technical adviser appointed by the Company, based on the findings up to November 2009, and will be included in a circular to be despatched to the Shareholders.

## **REASONS FOR AND BENEFIT OF THE ACQUISITION**

The Group is currently principally engaged in (i) design, manufacturing, marketing and trading of fine jewellery and diamonds; and (ii) property investment.

The executive Directors have identified a very good opportunity to ride on the trend of increase in gold price. The gold price increased from around US\$880 per oz in early 2009 to around US\$1,170 per oz recently, representing an increase of approximately 33.0%. Based on the prevailing monetary policy adopted by the Federal Reserve of the United States of America and the global macroeconomic environment, the Directors are optimistic on the prospect of gold price.

Upon Completion, the financial results of the Target Group will be consolidated into the Group's financial statements.

Upon Completion, the Group will engage in three different business sectors, namely, (i) design, manufacturing, marketing and trading of fine jewellery and diamonds; (ii) property investment; and (iii) mining operations. The Directors (i) have no plan to divest any existing business of the Group; (ii) have no intention to make significant changes in its business; and (iii) have not entered into any agreement, arrangement, understanding or negotiation about any further acquisition of assets (other than the Acquisition).

The Directors (excluding the independent non-executive Directors whose opinion will be provided after consideration of the advice from the independent financial adviser) consider that the terms of the Acquisition is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## **RISK FACTORS FOR THE ACQUISITION**

The Acquisition will increase the level of risk exposure of the Group. Shareholders should be aware of the risk factors set out below, which may not be exhaustive, when considering the Acquisition.

### **(i) Fluctuation in the price and demand of gold**

The price of gold in the PRC is highly dependent on its price in the international market, which has been very volatile in recent years. The Directors consider that there are many factors which may influence the price and demand of gold in the international market, including but not limited to the stability of the international economic situations and the fluctuation of the global political and social conditions which are beyond the control of the Group.

### **(ii) Uncertainties in exploration**

The actual amounts of gold resources in Hongzhuang Gold Mine may vary from the estimations, and there is no assurance that the exploration works to be performed by Henan Multi-Resources can lead to discovery of economically feasible resources.

### **(iii) Government regulations**

The mining industry is subject to various government policies and regulations, including but not limited to, exploitation, development, taxation, labour standards, vocational health and safety, waste treatment, environment monitoring, protection and control, operational management and other matters. Any changes to those policies may increase the operating costs of Henan Multi-Resources and hence, adversely affect the operating results of the Group.

### **(iv) Valuation of Hongzhuang Gold Mine**

The valuation of Hongzhuang Gold Mine will involve various assumptions and therefore the valuation may or may not effectively reflect the true value of Hongzhuang Gold Mine.

**(v) New business for the Group**

The Acquisition constitutes an investment in a new business sector to the Group. Although the Group will have an experienced management team to oversee the operation of the Target Group immediately upon the Completion, the Group may still not be able to control the related operational risks of this new business.

**(vi) Significant and continuous capital investment**

The mining business requires significant and continuous capital investment. Mining projects may not be completed as planned or scheduled, may exceed the original budgets and may not achieve the intended economic results or commercial viability. Thus, the actual capital investment for operation and development of Henan Multi-Resources may significantly exceed the Group's budgets because of factors beyond the Company's control.

**(B) SUBSCRIPTION AGREEMENT**

**Date:** 23 November 2009

**Parties:** Company, as issuer  
All Max Holdings Limited, as subscriber

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, All Max Holdings Limited and its ultimate beneficial owner (being Mr. Ronald Kee-Young Chao ("Mr. Chao")) are third parties independent of the Company and its connected persons.

**Subscription**

The Subscriber has agreed to subscribe for an aggregate of 21,764,705 new Shares at a subscription price of HK\$1.7 per Subscription Share.

**Conditions precedent**

Completion of the Subscription is conditional upon fulfilment of the following conditions:

- (i) the passing of resolution by the Independent Shareholders at a general meeting of the Company approving the Subscription Agreement and the transactions contemplated thereunder;
- (ii) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject only to conditions to which the Company does not reasonably object) approval for the listing of and permission to deal in the Subscription Shares; and

(iii) all conditions precedent to completion of the Sale and Purchase Agreement having been fulfilled or, where applicable, waived (other than any conditions which require the fulfilment of the conditions under the Subscription Agreement) and the Sale and Purchase Agreement is not terminated, amended or modified in any material respect.

The gross proceeds of the Subscription will be HK\$37.0 million (before expenses of approximately HK\$0.3 million). The Company intends to use the net proceeds from the Subscription to finance part of the Consideration and for general working capital of the Group.

The Subscription is inter-conditional to the Acquisition primarily because the Group requires to have a secured funding to finance part of the Consideration. The Directors (excluding the independent non-executive Directors whose opinion will be provided after the consideration of the advice from the independent financial adviser) consider that it is the best alternative for the Company to finance part of the Consideration by way of the Subscription as it will enhance the capital base of the Company and is relatively efficient when compare with other fund raising alternatives. Mr. Chao was procured by Dr. Chan to solicit for the subscription of the Shares as Mr. Chao was a prospective investor for a minority stake in Hongzhuang Gold Mine.

### **(C) CONSIDERATION SHARES, CONVERSION SHARES AND SUBSCRIPTION SHARES**

The Consideration Shares and Subscription Shares will be issued at HK\$1.7 per Share which represents (*Note*):

- (i) a discount of approximately 15.0% to the closing price of HK\$2.00 per Share on the Last Trading Date as quoted on the Stock Exchange on the date of this announcement;
- (ii) a discount of approximately 2.3% to the average closing price per Share of approximately HK\$1.74 for the last ten trading days up to and including the Last Trading Date;
- (iii) a premium of approximately 3.7% over the average closing price per Share of approximately HK\$1.64 for the last twenty-one trading days up to and including the Last Trading Date (i.e. from the next trading date subsequent to the publication of the Company's 2008/09 result up to and including the Last Trading Date); and
- (iv) a discount of approximately 44.1% to the audited consolidated net assets value attributable to equity holders of the Company per Share of approximately HK\$3.04 as at 30 June 2009 (as calculated by the equity attributable to equity holders of the Company of approximately HK\$1,045.9 million as at 30 June 2009, the proposed special dividend of approximately HK\$93.8 million and the number of outstanding Shares of 312,830,334 as at 30 June 2009, as extracted from the Company's 2008/09 annual report).

The Conversion Shares will be issued at HK\$1.9 per Share which represents (*Note*):

- (i) a discount of approximately 5.0% to the closing price of HK\$2.0 per Share on the Last Trading Date as quoted on the Stock Exchange on the date of this announcement;

- (ii) a premium of approximately 9.2% over the average closing price per Share of approximately HK\$1.74 for the last ten trading days up to and including the Last Trading Date;
- (iii) a premium of approximately 15.9% over the average closing price per Share of approximately HK\$1.64 for the last twenty-one trading days up to and including the Last Trading Date (i.e. from the next trading date subsequent to the publication of the Company's 2008/09 result up to and including the Last Trading Date); and
- (iv) a discount of approximately 37.5% to the audited consolidated net assets value attributable to equity holders of the Company per Share of approximately HK\$3.04 as at 30 June 2009 (as calculated by the equity attributable to equity holders of the Company of approximately HK\$1,045.9 million as at 30 June 2009, the proposed special dividend of approximately HK\$93.8 million and the number of outstanding Shares of 312,830,334 as at 30 June 2009, as extracted from the Company's 2008/09 annual report).

*Note:* previous closing price of the Shares has been adjusted as ex-special and ex-final dividends on 25 November 2009. The above calculations are performed on such basis.

When allotted and issued, the Consideration Shares and Subscription Shares will represent approximately:

- (i) 63.4% of the existing issued share capital of the Company;
- (ii) 38.8% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares and Subscription Shares; and
- (iii) 29.1% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares, Subscription Shares and Conversion Shares.

When allotted and issued, the Conversion Shares will represent approximately:

- (i) 54.7% of the existing issued share capital of the Company; and
- (ii) 25.1% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares, Subscription Shares and Conversion Shares.

The Consideration Shares, Conversion Shares and Subscription Shares are to be issued by the Company under specific mandates. The Consideration Shares, Conversion Shares and Subscription Shares, when issued and allotted, will rank *pari passu* in all respects with all the Shares then in issue. Since the Consideration Shares, Conversion Shares and Subscription Shares will be issued after 1 December 2009, being the record date of final dividend and special dividend for the year ended 30 June 2009, the holders of the Consideration Shares, Conversion Shares and Subscription Shares will not be entitled to the final dividend and special dividend for the year ended 30 June 2009.

An application will be made to the Stock Exchange by the Company for the listing of, and permission to deal in, the Consideration Shares, Conversion Shares and Subscription Shares.

The Directors (excluding the independent non-executive Directors whose opinion will be provided after the consideration of the advice from the independent financial adviser) consider that the terms of issue of the Consideration Shares, Conversion Shares and Subscription Shares are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Save for the proposed issue of the Consideration Shares, Convertible Note and Subscription Shares, the Company did not have any fund raising activities during the past 12 months.

#### (D) SHAREHOLDING STRUCTURE

Set out below are the shareholding structures of the Company (i) as at the date of this announcement; (ii) immediately upon the Completion and completion of the Subscription, but before the conversion of the Convertible Note; and (iii) immediately upon the Completion, completion of the Subscription and after the full conversion of the Convertible Note at the initial conversion price.

	As at the date of this announcement		Immediately upon the Completion and completion of the Subscription, but before the conversion of the Convertible Note		Immediately upon the Completion, completion of the Subscription and after the full conversion of the Convertible Note at the initial conversion price	
Tamar Investments	158,816,303	50.768%	335,286,891	65.605%	506,339,522	74.230%
Chu Wai Kok, a Director	8,000	0.003%	8,000	0.002%	8,000	0.001%
Chan Ping Kuen, a Director	20,000	0.006%	20,000	0.004%	20,000	0.003%
Subscriber	–	0.000%	21,764,705	4.259%	21,764,705	3.191%
Other Shareholders	153,986,031	49.223%	153,986,031	30.130%	153,986,031	22.575%
Total	<u>312,830,334</u>	<u>100%</u>	<u>511,065,627</u>	<u>100%</u>	<u>682,118,258</u>	<u>100%</u>

## **(E) LISTING RULES IMPLICATIONS**

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. Dr. Chan is a Director and controlling Shareholder who, through Tamar Investments, holds approximately 50.768% of the issued share capital of the Company as at the date of this announcement. Accordingly, the Vendor, being a company owned by Dr. Chan is a connected person of the Company and the transactions contemplated under the Sale and Purchase Agreement also constitute connected transactions for the Company under Chapter 14A of the Listing Rules and are subject to the approval of the Independent Shareholders at the EGM by way of poll. The Subscription Agreement, which is inter-conditional with the Sale and Purchase Agreement, is also subject to the approval of the Independent Shareholders at the EGM by way of poll.

The Independent Board Committee comprising all of the four independent non-executive Directors, namely Mr. Wong Kai Cheong, Mr. Yu Shiu Tin, Paul BBS, MBE, JP, Mr. Chan Ping Kuen, Derek and Mr. Sze, Irons has been established to advise and give recommendation to the Independent Shareholders on the terms of the Sale and Purchase Agreement and Subscription Agreement, and the respective transactions contemplated thereunder. Each of Mr. Wong Kai Cheong, Mr. Yu Shiu Tin, Paul BBS, MBE, JP, Mr. Chan Ping Kuen, Derek and Mr. Sze, Irons has no material interest in the Sale and Purchase Agreement, the Subscription Agreement, and the respective transactions contemplated thereunder, therefore, each of them is regarded as eligible to be a member of the Independent Board Committee. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard.

A circular containing, among other things, (i) further information on the Sale and Purchase Agreement and the Subscription Agreement, and the respective transactions contemplated thereunder; (ii) the recommendation of the Independent Board Committee and advice of the independent financial adviser regarding the terms of the Sale and Purchase Agreement and the Subscription Agreement, and the respective transactions contemplated thereunder; (iii) accountants' report of the Target Group; (iv) proforma financial information on the Group upon Completion; (v) property valuation report for the Group and the Target Group; (vi) valuation report for Hongzhuang Gold Mine; (vii) technical report on Hongzhuang Gold Mine; and (viii) notice of the EGM, will be despatched to the Shareholders as soon as practicable and in accordance with the Listing Rules.

## **(F) RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares has been suspended from 9:30 a.m. on 20 November 2009 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading of the Shares from 9:30 a.m. on 1 December 2009.

## **(G) DEFINITIONS**

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

“Acquisition”	the acquisition of the Sale Shares and the Target Shareholder’s Loan pursuant to the Sale and Purchase Agreement
“Additional Shareholder’s Advance”	the current outstanding portion of the registered capital of Henan Multi-Resources of US\$10,500,400 (equivalent to approximately HK\$81,378,000)
“BVI”	the British Virgin Islands
“Company”	Continental Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“Completion”	completion of the transactions contemplated under the Sale and Purchase Agreement
“Completion Date”	date of Completion
“Consideration”	the consideration of HK\$738.0 million payable by the Company for the Sale Shares and Target Shareholder’s Loan under the Sale and Purchase Agreement
“Consideration Share(s)”	new Shares to be issued by the Company to satisfy part of the Consideration
“Conversion Shares”	new Shares to be issued upon the conversion of the Convertible Note at an initial conversion price of HK\$1.9 per Share (subject to adjustment)
“Convertible Note”	the convertible note to be issued to Tamar Investments (or its wholly-owned subsidiary(ies)) on Completion to satisfy part of the Consideration
“Director(s)”	director(s) of the Company
“Dr. Chan”	Dr. Chan Sing Chuk, Charles, BBS, JP, Chairman and Director

“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the terms of the Sale and Purchase Agreement and the Subscription Agreement, and the respective transactions contemplated thereunder
“Gold Mine Licence”	the existing mining licence of Hongzhuang Gold Mine issued to Henan Multi-Resources
“Group”	Company and its subsidiaries
“Henan Multi-Resources”	河南八方礦業有限公司 (“Henan Multi-Resources Mining Company, Limited”*), which is a wholly foreign owned enterprise established in the PRC and is a wholly owned subsidiary of Golden Offer Holdings Limited
“Hongzhuang Gold Mine”	the two mining areas, namely “Hongzhuang Mine” and “Yuanling Mine” both located at the Luanchuan County, Henan Province, the PRC, and are owned by Henan Mutli-Resources
“Independent Board Committee”	the independent board committee of the Company formed by all the independent non-executive Directors to advise the Independent Shareholders on the terms of the Sale and Purchase Agreement and the Subscription Agreement, and the respective transactions contemplated thereunder
“Independent Shareholders”	Shareholders (other than Dr. Chan and his family members and their respective associates) who are not required to abstain from voting at the EGM
“Last Trading Date”	19 November 2009, being the last trading date of the Shares before the issue of this announcement
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“New Gold Mine Licence”	the mining licence of Hongzhuang Gold Mine to be issued to Henan Multi-Resources
“PRC”	the People’s Republic of China

“Reorganisation”	the transfer of the entire issued share capital of (and the outstanding shareholder’s loan due from) Golden Offer Holdings Limited from the Vendor to the Target Company, such that Golden Offer Holdings Limited will become a wholly owned subsidiary of the Target Company and the Target Company will become a subsidiary of the Vendor
“Sale and Purchase Agreement”	the agreement to acquire the Sale Shares and the Target Shareholder’s Loan entered into amongst the Company, the Vendor and Dr. Chan on 20 November 2009 and supplemented by a supplemental agreement entered into by the same parties on 30 November 2009
“Sale Shares”	the entire issued and fully paid-up share capital of the Target Company at Completion
“Share(s)”	share(s) in the Company of HK\$0.1 each
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	All Max Holdings Limited, a company incorporated in Hong Kong with limited liability
“Subscription”	the subscription of the Subscription Shares by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the agreement to subscribe the Subscription Shares entered into between the Company (as issuer) and the Subscriber (as subscriber) on 23 November 2009
“Subscription Share(s)”	new Share(s) to be issued by the Company pursuant to the Subscription Agreement
“Tamar Investments”	Tamar Investments Group Limited, a company incorporated in the BVI with limited liabilities and is wholly owned by Dr. Chan and Ms. Cheng Siu Yin, Shirley, a Director
“Target Company”	Big Bonus Limited, a company incorporated in the BVI with limited liability and a wholly owned subsidiary of the Vendor as at the date of this announcement
“Target Group”	the Target Company and its subsidiaries

“Target Shareholder’s Loan”	the entire loan owed by the Target Company to the Vendor as at the Completion Date, which is unsecured and interest free and has no fixed repayment date, other than the Additional Shareholder’s Advance made by the Vendor
“Vendor”	Benefit Well Investments Limited, a company incorporated in the BVI with limited liability, and is owned by Dr. Chan
“km <sup>2</sup> ”	square kilometers
“sq.m.”	square meters

By Order of the Board  
**Chan Sing Chuk, Charles**  
*Chairman*

Hong Kong, 30 November 2009

*As at the date of this announcement, Dr. Chan, 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.*

*For illustration purpose only, amounts denominated in RMB have been converted into HK\$ at a rate of RMB1 = HK\$1.13 and amounts denominated in US\$ have been converted into HK\$ at a rate of US\$1 = HK\$7.75.*

\* *The unofficial English translations or transliterations of Chinese names are for identification purpose only*