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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)

PROPOSED SUBDIVISION OF SHARES

AND

CHANGE OF BOARD LOT SIZE

THE SUPPLEMENTAL SALE AND PURCHASE AGREEMENT

AND

THE SUPPLEMENTAL SUBSCRIPTION AGREEMENT

PROPOSED SUBDIVISION OF SHARES AND CHANGE OF BOARD LOT SIZE

The Board proposes that each of the existing issued and unissued Shares of par value of HK\$0.10 each in the share capital of the Company be subdivided into ten Subdivided Shares of par value of HK\$0.01 each.

The Share Subdivision is conditional upon the passing of an ordinary resolution by the Shareholders at the EGM and the Listing Committee granting the listing of, and permission to deal in, the Subdivided Shares.

The Shares are currently traded in board lots of 2,000 Shares. Upon the Share Subdivision becoming effective, the Subdivided Shares will be traded in board lots of 10,000 Subdivided Shares.

A circular containing, among other matters, details of the Share Subdivision, the trading arrangements in respect of the Subdivided Shares, and the procedure for the free exchange of the Existing Share Certificates together with a notice of the EGM, will be despatched to the Shareholders as soon as practicable.

THE SUPPLEMENTAL SALE AND PURCHASE AGREEMENT AND THE SUPPLEMENTAL SUBSCRIPTION AGREEMENT

Reference is made to the circular of the Company dated 25 January 2010 in relation to, among other things, the Sale and Purchase Agreement and the Subscription Agreement.

The Company and the Vendor entered into the Supplemental Sale and Purchase Agreement on 29 April 2010 for the purpose of confirming that in the event the Share Subdivision shall become effective before completion of the Sale and Purchase Agreement, the number of Consideration Shares to be issued will be increased from 176,470,588 to 1,764,705,880 and the conversion price of the Convertible Note will be reduced from HK\$1.90 per Conversion Share to HK\$0.19 per Conversion Share.

The Company and All Max Holdings Limited entered into the Supplemental Subscription Agreement on 30 April 2010 for the purpose of confirming that in the event the Share Subdivision shall become effective before completion of the Subscription Agreement, the number of Subscription Shares to be issued will be increased from 21,764,705 to 217,647,050 and the subscription price be reduced from HK\$1.70 per Subscription Share to HK\$0.17 per Subscription Share.

Other than the amendments as set out in the Supplemental Sale and Purchase Agreement and the Supplemental Subscription Agreement, all other terms of the Sale and Purchase Agreement and of the Subscription Agreement shall remain unchanged and continue to be in force and effect in all respects, respectively.

PROPOSED SUBDIVISION OF SHARES AND CHANGE OF BOARD LOT SIZE

The Board proposes that each of the existing issued and unissued Shares of par value of HK\$0.10 each in the share capital of the Company be subdivided into ten Subdivided Shares of par value of HK\$0.01 each. The Share Subdivision will become effective upon the fulfillment of the conditions set out in paragraph headed "Conditions of the Share Subdivision" below.

The Shares are currently traded in board lots of 2,000 Shares. Upon the Share Subdivision becoming effective, the Subdivided Shares will be traded in board lots of 10,000 Subdivided Shares. Based on the closing price of HK\$3.74 per Share as quoted on the Stock Exchange as at the date of this announcement, the prevailing board lot value is HK\$7,480 in the board lot size of 2,000 Shares and, based on the theoretical adjusted closing price of the Subdivided Shares with reference to the closing price of HK\$3.74 per Share as at the date of this announcement, the new estimated board lot value would be HK\$3,740 in the new board lot size of 10,000 Subdivided Shares.

The Share Subdivision and the change of board lot size will not result in any changes in the relevant rights of the Shareholders. The Share Subdivision will not result in any odd lots other than those already exist.

SHARE CAPITAL STRUCTURE OF THE COMPANY

As at the date hereof, the authorised share capital of the Company is HK\$350,000,000 divided into 3,500,000,000 Shares, of which 312,830,334 Shares are in issue and fully paid. Upon the Share Subdivision becoming effective, the authorised share capital of the Company will be HK\$350,000,000 divided into 35,000,000,000 Subdivided Shares, of which 3,128,303,340 Subdivided Shares will be in issue and fully paid, assuming that no further Shares are issued or repurchased after the date hereof.

Upon the Share Subdivision becoming effective, the Subdivided Shares will rank pari passu in all respects with each other and the Share Subdivision will not result in any change in relevant rights of the Shareholders.

CONDITIONS OF THE SHARE SUBDIVISION

The Share Subdivision is conditional upon:

- a) the passing of an ordinary resolution by the Shareholders at the EGM for approving the Share Subdivision; and
- b) the Listing Committee granting the listing of, and permission to deal in, the Subdivided Shares.

REASONS FOR THE SHARE SUBDIVISION AND CHANGE OF BOARD LOT SIZE

The proposed Share Subdivision will reduce the nominal value and trading price of each Share and increase the total number of Shares in issue. The Directors are of the view that the increase in number of the shares of the Company as a result of the Share Subdivision and the estimated decrease in board lot value as a result of the change of board lot size will improve the liquidity in the trading of the Subdivided Shares, thereby enabling the Company to attract more investors and broaden its Shareholders' base.

Other than the expenses incurred by the Company in relation to the Share Subdivision, the Share Subdivision will not, by itself, alter the underlying assets, business operations, management or financial position of the Company or the proportionate interest of the Shareholders. The Board considers the Share Subdivision and change of board lot size to be in the interests of the Company and its Shareholders as a whole.

EXPECTED TIMETABLE

The expected timetable relating to the Share Subdivision and the associated trading arrangement are as follows:

	Time	Date
Latest time for lodging forms of proxy for the EGM	10:00 a.m.	Sunday, 16 May 2010
EGM	10:00 a.m.	Tuesday, 18 May 2010
Publication of poll results of the EGM		Tuesday, 18 May 2010

The following events are conditional on the fulfilment of the conditions for the implementation of the Share Subdivision as set out in the section headed “Conditions of the Share Subdivision” in this announcement.

Effective date of the Share Subdivision		Wednesday, 19 May 2010
Dealings in the Subdivided Shares commence	9:30 a.m.	Wednesday, 19 May 2010
Original counter for trading in existing Shares in board lots of 2,000 Shares temporarily closes	9:30 a.m.	Wednesday, 19 May 2010
Temporary counter for trading in board lots of 20,000 Subdivided Shares (in the form of Existing Share Certificates) opens	9:30 a.m.	Wednesday, 19 May 2010
First day of free exchange of Existing Share Certificates for the New Share Certificates		Wednesday, 19 May 2010
Original counter for trading in Subdivided Shares in board lots of 10,000 Subdivided Shares (in the form of New Share Certificates) re-opens	9:30 a.m.	Wednesday, 2 June 2010
Parallel trading in Subdivided Shares (in the form of New Share Certificates and Existing Share Certificates) commences	9:30 a.m.	Wednesday, 2 June 2010
Temporary counter for trading in board lots of 20,000 Subdivided Shares (in the form of Existing Share Certificates) closes	4:00 p.m.	Wednesday, 23 June 2010
Parallel trading in Subdivided Shares (in the form of New Share Certificates and Existing Share Certificates) ends	4:00 p.m.	Wednesday, 23 June 2010
Last day for free exchange of Existing Share Certificates for New Share Certificates		Friday, 25 June 2010

Note: All times and dates refer to Hong Kong local times and dates.

EXCHANGE OF SHARE CERTIFICATES

The Existing Share Certificates will only be valid for delivery, trading and settlement purposes for the period up to 4:00 p.m. on Wednesday, 23 June 2010 and thereafter will not be accepted for delivery, trading and settlement purposes. However, the Existing Share Certificates will continue to be good evidence of legal title to the Subdivided Shares on the basis of one Share for ten Subdivided Shares and will be exchanged free of charge for the New Share Certificates for Subdivided Shares between 9:00 a.m. and 4:30 p.m. on any business day from Wednesday, 19 May 2010 to Friday, 25 June 2010 (both dates inclusive), and on payment of a prescribed fee of HK\$2.50 (or such higher amount as may, from time to time, be allowed by the Stock Exchange) for each Existing Share Certificate cancelled or each New Share Certificate issued, whichever number of share certificates cancelled or issued is higher, between 9:00 a.m. and 4:30 p.m. on any business day after Friday, 25 June 2010 at the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong. It is expected that the New Share Certificates will be available for collection within a period of 10 Business Days after the submission of the Existing Share Certificates. The New Share Certificates will be red in colour so as to be distinguished from the Existing Share Certificates which are brown in colour.

GENERAL

An application will be made to the Stock Exchange for the approval for the listing of, and permission to deal in, the Subdivided Shares.

As no Shareholder has material interest in the Share Subdivision, no Shareholder is required to abstain from voting in respect of the proposed resolution to approve the Share Subdivision at the EGM.

A circular containing, amongst other things, further information on the Share Subdivision, the trading arrangements in respect of the Subdivided Shares, and the procedure for the free exchange of the Existing Share Certificates together with a notice convening the EGM, will be despatched to the Shareholders as soon as practicable.

ADJUSTMENT TO WARRANTS AND THE SHARES ISSUABLE

As at the date of this announcement, Warrants to subscribe up to an aggregate amount of HK\$86,250,000 for 50,000,000 Shares granted by the Company are outstanding. In accordance with the terms of the instruments constituting the Warrants, the Share Subdivision will result in adjustment to the exercise price of shares issuable under such Warrants from HK\$1.725 per share to HK\$0.173 per share. Warrants holders will be notified of the adjusted exercise price in respect of shares issuable under their outstanding Warrants in due course.

THE SUPPLEMENTAL SALE AND PURCHASE AGREEMENT AND THE SUPPLEMENTAL SUBSCRIPTION AGREEMENT AND ADJUSTMENTS TO CONSIDERATION SHARES, SUBSCRIPTION SHARES, CONVERTIBLE NOTE AND THE SHARES ISSUABLE

Reference is made to the circular of the Company dated 25 January 2010 in relation to, among other things, the Sale and Purchase Agreement and the Subscription Agreement. On completion of the transactions contemplated under the Sale and Purchase Agreement, 176,470,588 Consideration Shares and the Convertible Note with principal amount of HK\$325.0 million will be issued to Tamar Investments Group Limited (or its wholly-owned subsidiary(ies)), and 21,764,705 Subscription Shares will be issued to All Max Holdings Limited.

The Company and the Vendor entered into the Supplemental Sale and Purchase Agreement on 29 April 2010 for the purpose of confirming that in the event the Share Subdivision shall become effective before completion of the Sale and Purchase Agreement, the number of Consideration Shares to be issued will be increased from 176,470,588 to 1,764,705,880 and the conversion price of the Convertible Note will be reduced from HK\$1.90 per Conversion Share to HK\$0.19 per Conversion Share.

The Company and All Max Holdings Limited entered into the Supplemental Subscription Agreement on 30 April 2010 for the purpose of confirming that in the event the Share Subdivision shall become effective before completion of the Subscription Agreement, the number of Subscription Shares to be issued will be increased from 21,764,705 to 217,647,050 and the subscription price be reduced from HK\$1.70 per Subscription Share to HK\$0.17 per Subscription Share.

Other than the amendments as set out in the Supplemental Sale and Purchase Agreement and the Supplemental Subscription Agreement, all other terms of the Sale and Purchase Agreement and of the Subscription Agreement shall remain unchanged and continue to be in force and effect in all respects, respectively.

DEFINITIONS

Unless the context requires otherwise, the capitalised terms used herein shall have the following meanings:

“Board”	the board of Directors
“Business Day(s)”	any day(s) (other than Saturday) on which commercial banks in Hong Kong are generally open for business
“Company”	Continental Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“Consideration Shares”	such new Shares to be issued by the Company to Tamar Investments Group Limited (or its wholly-owned subsidiary(ies)) to satisfy part of the consideration for the transactions in the amount of HK\$300.0 million contemplated under the Sale and Purchase Agreement

“Conversion Shares”	such new Shares to be issued by the Company upon the conversion of the Convertible Note
“Convertible Note”	the convertible note with principal amount of HK\$325.0 million to be issued by the Company to Tamar Investments Group Limited (or its wholly-owned subsidiary(ies)) on completion of the transactions contemplated under the Sale and Purchase Agreement
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Share Subdivision
“Existing Share Certificate(s)”	existing form of certificates of the Shares
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Committee”	has the meaning ascribed to it in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Share Certificate(s)”	form of certificates of the Subdivided Shares
“Sale and Purchase Agreement”	the agreement entered into among the Company, the Vendor and Dr. Chan Sing Chuk, Charles on 20 November 2009 (as supplemented by two supplemental agreements entered into among the same parties on 30 November 2009 and 29 April 2010) to acquire the entire issued and fully paid-up share capital of Big Bonus Limited and the related shareholder’s loan
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company before the Share Subdivision becoming effective
“Share Subdivision”	the proposed subdivision of each of the existing issued and unissued Shares of par value of HK\$0.10 each in the share capital of the Company into ten Subdivided Shares of par value of HK\$0.01 each
“Shareholders”	the holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subdivided Share(s)”	ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company upon the Share Subdivision becoming effective

“Subscription Agreement”	the agreement to subscribe the Subscription Shares entered into between the Company (as issuer) and All Max Holdings Limited (as subscriber) on 23 November 2009 (as supplemented by a supplemental agreement entered into between the same parties on 30 April 2010)
“Subscription Shares”	such new Shares to be issued by the Company to All Max Holdings Limited pursuant to the Subscription Agreement
“Supplemental Sale and Purchase Agreement”	the supplemental agreement dated 29 April 2010 entered into among the Company, the Vendor and Dr. Chan Sing Chuk, Charles for the purposes of amending certain terms in the Sale and Purchase Agreement
“Supplemental Subscription Agreement”	the supplemental agreement dated 30 April 2010 entered into between the Company and All Max Holdings Limited for the purposes of amending certain terms in the Subscription Agreement
“Vendor”	Benefit Well Investments Limited, a company incorporated in the British Virgin Islands with limited liability and owned by Dr. Chan Sing Chuk, Charles, a Director
“Warrant(s)”	the unlisted warrant(s) in the aggregate amount of HK\$86,250,000 issued by the Company on 18 January 2010, which entitle the holder(s) thereof to subscribe for new Shares during a period from 1 April 2010 to the day falling 24 months after the date of issue of the Warrants

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

Hong Kong, 30 April 2010

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. Cao Kuangyu is a non-executive Director, Mr. Yu Shiu Tin, Paul BBS, MBE, JP, Mr. Chan Ping Kuen, Derek, Mr. Sze Irons and Mr. Cheung Chi Fai, Frank are independent non-executive Directors.