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

If you have sold or transferred all your shares in Continental Holdings Limited, you should at once hand this circular, together with the accompanying form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agents 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)

PROPOSED SUBDIVISION OF SHARES
AND
CHANGE OF BOARD LOT SIZE

A notice convening the EGM to be held at Ballroom Three, 18/F., The Mira Hong Kong, 118 Nathan Road, Tsimshatsui, Kowloon, Hong Kong at 10:00 a.m. on Tuesday, 18 May 2010 is set out on pages 10 to 11 of this circular.

If you are not able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the registered office of the Company at Flats M and N, 1st Floor, Kaiser Estate, Phase III, 11 Hok Yuen Street, Hungghom, Kowloon, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

3 May 2010

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EXPECTED TIMETABLE

Set out below is the expected timetable for the implementation of the Share Subdivision and the parallel trading of the new certificate and the existing certificate:

	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 the letter from the Board contained in this circular.

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

Further announcement will be made by the Company for changes, if any, in the expected timetable for implementation of the Share Subdivision, the change of board lot size and the associated trading arrangements as aforesaid.

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions 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
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“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 at 10:00 a.m. on Tuesday, 18 May 2010 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
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Latest Practicable Date”	30 April 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“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 completion of the Share Subdivision
“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

DEFINITIONS

“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

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

Registered Office:

Flats M and N, 1st Floor
Kaiser Estate, Phase III
11 Hok Yuen Street
Hung Hom, Kowloon
Hong Kong

Non-executive Director:

Mr. Cao Kuangyu

Independent non-executive Directors:

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

3 May 2010

To the Shareholders

Dear Sir or Madam,

**PROPOSED SUBDIVISION OF SHARES
AND
CHANGE OF BOARD LOT SIZE**

INTRODUCTION

Reference is made to the announcement of the Company dated 30 April 2010 in relation to, among other things, the Share Subdivision and the change in board lot size. The purpose of this circular is to provide you with (i) details of the Share Subdivision; (ii) the trading arrangements in respect of the Subdivided Shares; (iii) the procedure for the free exchange of the Existing Share Certificates for the New Share Certificates for the Subdivided Shares; and (iv) the notice of the EGM.

LETTER FROM THE BOARD

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 Latest Practicable Date, 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 Latest Practicable Date, 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 Latest Practicable Date, 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 Latest Practicable Date.

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.

LETTER FROM THE BOARD

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.

LISTING AND DEALING

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Subdivided Shares. All necessary arrangements will be made and subject to the granting of the listing of, and permission to deal in, the Subdivided Shares on the Stock Exchange, the Subdivided Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Subdivided Shares on the Stock Exchange or such other date as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

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.

LETTER FROM THE BOARD

TRADING ARRANGEMENT FOR SUBDIVIDED SHARES

Subject to the Share Subdivision becoming effective, dealings in the Subdivided Shares are expected to commence on Wednesday, 19 May 2010. Parallel trading in the Subdivided Shares (in the form of Existing Share Certificates and New Share Certificates) will be operated from Wednesday, 2 June 2010 to Wednesday, 23 June 2010 (both dates inclusive). Full details of the expected timetable and trading arrangement of the Shares are set out on page 1 of this circular.

ADJUSTMENT TO WARRANTS AND THE SHARES ISSUABLE

As at the Latest Practicable Date, 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.

ADJUSTMENTS TO CONSIDERATION SHARES, SUBSCRIPTION SHARES, CONVERTIBLE NOTE AND THE SHARES ISSUABLE

On completion of the transactions contemplated under the Sale and Purchase Agreement and the Subscription 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 parties to the Sale and Purchase Agreement and the Subscription Agreement have respectively entered into a supplemental agreement confirming that in the event the Share Subdivision shall become effective before completion of the Sale and Purchase Agreement and the Subscription 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\$1.9 per Conversion Share to HK\$0.19 per Conversion Share while 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.

EGM

A notice convening the EGM to be held at Ballroom Three, 18/F., The Mira Hong Kong, 118 Nathan Road, Tsimshatsui, Kowloon, Hong Kong at 10:00 a.m. on Tuesday, 18 May 2010 at which a resolution will be proposed to consider and, if thought fit, to approve the Share Subdivision is set out on pages 10 to 11 of this circular. 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.

LETTER FROM THE BOARD

A form of proxy for use by the Shareholders at the EGM is enclosed. If you are not able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the registered office of the Company at Flats M and N, 1st Floor, Kaiser Estate, Phase III, 11 Hok Yuen Street, Hung Hom, Kowloon, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

RECOMMENDATION

The Board considers that the Share Subdivision is in the interests of the Company and its Shareholders as a whole and therefore recommends the Shareholders to vote in favour of the resolution to be proposed at the EGM.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

GENERAL

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

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

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 of Continental Holdings Limited (the “Company”) will be held at Ballroom Three, 18/F., The Mira Hong Kong, 118 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Tuesday, 18 May 2010 at 10:00 a.m. for the purposes of considering and, if thought fit, passing, with or without modification, the following resolution as an ordinary resolution of the Company:

Ordinary Resolution

“**THAT** conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited approving the listing of, and granting the permission to deal in shares of HK\$0.01 each in the issued share capital of the Company, with effect from 9:30 a.m. on the business day following the day on which this resolution is passed by the shareholders of the Company, each of the issued and unissued shares of HK\$0.10 each in the share capital of the Company be sub-divided into ten shares of HK\$0.01 each (the “Share Subdivision”) so that the authorised share capital of the Company will be HK\$350,000,000 divided into 35,000,000,000 shares of HK\$0.01 each immediately following the Share Subdivision, and any director be and is hereby authorised to sign and execute such documents and do all such acts and things as he considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Share Subdivision.”

By Order of the Board
Chan Sing Chuk, Charles
Chairman

Hong Kong, 3 May 2010

Registered Office:
Flats M and N, 1st Floor
Kaiser Estate, Phase III
11 Hok Yuen Street
Hungghom, Kowloon
Hong Kong

NOTICE OF EGM

Notes:

- (a) Any member of the Company entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.
- (b) Where there are joint registered holders of any share of the Company, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
- (c) Completion and return of the form of proxy will not preclude a member from attending and voting at the meeting or any adjournment thereof if he so wishes. In that event, his form of proxy will be deemed to have been revoked.
- (d) 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, Hunghom, Kowloon, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
- (e) The Chinese version of this notice is for reference only. Should there be any discrepancies, the English version shall prevail.