THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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 NOTICE OF EXTRAORDINARY GENERAL MEETING

A letter from the board of directors of Continental Holdings Limited is set out on pages 4 to 10 of this circular.

A notice convening the extraordinary general meeting of Continental Holdings Limited to be held at Function Rooms 2 & 3, 3/F, The Mira Hong Kong, 118 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 20 October 2017 at 11:00 a.m. is set out on pages 100 to 101 of this circular. A form of proxy for use at the extraordinary general meeting is enclosed with this circular. If you are not able to attend the extraordinary general meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the registered office of Continental Holdings Limited at Flats M and N, 1/F., Kaiser Estate, Phase III, 11 Hok Yuen Street, Hunghom, Kowloon, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting should you so wish.

25 September 2017

CONTENTS

DEFINITIONS

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

"Acquisition"	the proposed acquisition of the Sale Share and the Sale Loan by the Purchaser from the Seller pursuant to the terms and conditions of the Agreement
"Adjustment"	adjustment to be made to the Consideration in accordance with the terms of the Agreement
"Agreement"	the conditional and legally binding preliminary agreement for sale and purchase dated 17 July 2017 entered into among the Seller, the Purchaser, the Seller's Guarantors and the Target Subsidiary in relation to the Acquisition
"Board"	the board of Directors
"Company"	Continental Holdings Limited (Stock Code: 00513), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the Agreement
"Completion Date"	25 October 2017 or such other date as the Seller and the Purchaser may agree in writing, on which Completion is to take place in accordance with the terms and conditions of the Agreement
"Conditions"	the conditions precedent to Completion as set out under the paragraph headed "5. Conditions precedent" in the Letter from the Board in this circular
"Consideration"	the aggregate consideration payable by the Purchaser to the Seller for the Sale Share and the Sale Loan under the Agreement
"Directors"	the directors of the Company
"EGM"	the extraordinary general meeting of the Company to be held at Function Rooms 2 & 3, 3/F, The Mira Hong Kong, 118 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 20 October 2017 at 11:00 a.m., or any adjournment thereof

"Enlarged Group"	the Group together with the Target Group after the Acquisition
"Group"	the Company and its subsidiaries for the time being
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Land"	a piece of land located at No.232 Wan Chai Road, Hong Kong
"Latest Practicable Date"	20 September 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"PRC"	the People's Republic of China
"Purchaser"	Globe Deal Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company, being the purchaser under the Agreement
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Loan"	all the inter-company loans owing by the Target Company to the Seller at Completion
"Sale Share"	1 share in the Target Company, representing the entire issued share capital of the Target Company
"Seller"	Hillcharm Limited, a company incorporated in the British Virgin Islands with limited liability, being the seller under the Agreement

"Seller's Guarantors"	(a) CSI Properties Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange and (b) Wisdom King Investments Limited, a company incorporated in the British Virgin Islands with limited liability
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
"Share"	issued ordinary share of the Company
"Shareholder"	shareholder of the Company
"sq. ft."	square feet
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Ontrack Ventures Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Seller
"Target Group"	the Target Company and the Target Subsidiary
"Target Subsidiary"	Pacific Gate Investment Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Target Company

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

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

Non-executive Director:
Mr. Yam Tat Wing

Independent non-executive Directors:
Mr. Yu Shiu Tin, Paul, *BBS, MBE, JP*
Mr. Chan Ping Kuen, Derek
Mr. Sze Irons, *BBS, JP*
Mr. Cheung Chi Fai, Frank

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

25 September 2017

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

The Board announced that on 17 July 2017 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company), the Seller, the Seller's Guarantors and the Target Subsidiary entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Seller has conditionally agreed to sell, the Sale Share (being the entire issued share capital of the Target Company) and the Sale Loan (being all the inter-company loans owing by the Target Company to the Seller at Completion) at an aggregate consideration of HK$1,180 million, subject to the Adjustment.

As one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition for the Company and is subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

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

THE AGREEMENT

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

1. Date

17 July 2017

2. Parties

Purchaser:	Globe Deal Investments Limited, a wholly-owned subsidiary of the Company
Seller:	Hillcharm Limited, a company incorporated in the British Virgin Islands with limited liability. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, the principal business activity of the Seller is investment holding, and it and its ultimate beneficial owners are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company.
Seller's Guarantors:	(a) CSI Properties Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange, and (b) Wisdom King Investments Limited, a company incorporated in the British Virgin Islands with limited liability. The Seller's Guarantors guaranteed the performance of the Seller's obligations under the Agreement.
Target Subsidiary:	Pacific Gate Investment Limited, the registered owner of the Land

3. Assets to be acquired

Pursuant to the Agreement, the assets to be acquired by the Purchaser comprise the Sale Share (being the entire issued share capital of the Target Company beneficially owned by the Seller) and the Sale Loan (being all the inter-company loan owing by the Target Company to the Seller at Completion).

The Target Company is the holding company of the Target Subsidiary which principal asset is the Land. The Land is a clear site located on Wan Chai Road, Hong Kong with a site area of approximately 5,798 sq. ft. It is the current intention of the Group to redevelop the Land into a premium grade office and retail composite building of approximately 25-storey tall with a gross floor area of approximately 86,970 sq. ft. and to hold it for long-term investment purpose. The Group expects that foundation work shall commence in early 2018 and the building will be completed in June 2021. Total redevelopment cost is estimated to be approximately HK$500 million and is expected to be funded by internal resources, and bank and other borrowings of the Group.

4. Consideration and Adjustment

The Consideration under the Agreement is HK$1,180 million (subject to the Adjustment) which shall be satisfied in cash by the Purchaser to the Seller in the following manner:

(a) an initial deposit of HK$50 million has been paid by the Purchaser to the Seller's solicitors as stakeholders on signing of the Agreement;

(b) a further deposit of HK$68 million has been paid by the Purchaser to the Seller's solicitors as stakeholders on 18 August 2017; and

(c) the balance of the Consideration (subject to the Adjustment) shall be paid by the Purchaser on Completion.

The Consideration shall be adjusted with reference to the net current asset/deficit value of the Target Group as at the Completion Date but the value of the Land and the Sale Loan and the sum relating to the possible stamp duty refund shall not be adjusting items.

It is expected that the Consideration (together with the Adjustment, if any) will be funded by internal resources, and bank and other borrowings of the Group.

The Consideration (together with the Adjustment, if any) was arrived at after arm's length negotiation between the Seller and the Purchaser with reference to the market value of the Land of HK$1,250 million appraised by an independent valuer engaged by the Group and the net current asset/deficit value of the Target Group. The valuation has adopted the direct comparison approach and valued the Land by reference to sales evidence as available on the market. The full valuation report is set out in Appendix IV to this circular.

5. Conditions precedent

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

(a) the Target Subsidiary being able to show and give a good title to the Land in accordance with the Conveyancing and Property Ordinance (Cap. 219 of the Laws of Hong Kong);

(b) the Purchaser having undertaken a due diligence review of the Target Group and the Land and from which the Purchaser has not identified any material defect;

(c) the warranties given by the Seller in the Agreement remaining true, accurate and not misleading in all material respects before and on the date on which Completion should take place; and

(d) the Shareholders having approved the transactions contemplated under the Agreement in accordance with the Listing Rules.

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

If any of the Conditions is not satisfied or (where applicable) waived on or before the Completion Date, the Seller may by notice to the Purchaser elect to postpone the Completion Date or terminate the Agreement in which case all rights and obligations of the parties under the Agreement shall terminate and the Purchaser shall be entitled to a refund of the deposits paid but no party shall have any claim against the others.

As at the Latest Practicable Date, all of the Conditions have been satisfied except the Conditions set out in (c) and (d) above.

6. Completion

Completion shall take place on 25 October 2017 or such other date as the Seller and the Purchaser may agree in writing. Vacant possession of the Land will be delivered on Completion.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the assets, liabilities and results of the Target Group will be consolidated into the consolidated financial statements of the Group.

INFORMATION ON THE TARGET GROUP

The Target Company was incorporated in the British Virgin Islands with limited liability and its principal asset is its investment in the Target Subsidiary. The Target Subsidiary was incorporated in Hong Kong with limited liability and is the registered owner of the Land. A summary of the audited consolidated financial information of the Target Group for the two years ended 31 December 2016 is set out below:

	For the years ended 31 December	
	2016	**2015**
	HK$'000	*HK$'000*
Net profit before taxation and extraordinary items	52,484	45,865
Net profit after taxation and extraordinary items	43,711	37,801

The audited net asset value of the Target Group as at 31 December 2016 amounted to approximately HK$105,187,000.

REASONS FOR, AND BENEFITS OF, THE ACQUISITION

The Group is principally engaged in the businesses of (i) design, manufacturing, marketing and trading of fine jewellery and diamonds; (ii) property investment; (iii) mining operation; and (iv) investment.

Since the disposal of the Group's interest in Continental Place, which is a commercial development in Sheung Wan, Hong Kong, last year, the Group has been actively looking for suitable investment opportunities in order to enhance the return on equity of the Shareholders. Having considered the location of the Land, which is in one of the prime locations in Hong Kong, and its development potential and market value, the Directors consider that the Acquisition represents a good investment opportunity for the Group and intend to redevelop the Land into a premium grade office and retail composite building and to hold it for long-term investment purpose. Given that the terms of the Agreement were negotiated on an arm's length basis with reference to the market value of the Land and that the Acquisition is in line with the principal businesses of the Group, the Directors are of the view that the terms of the Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE ACQUISITION ON THE ENLARGED GROUP

Assets and liabilities

The unaudited consolidated total assets and total liabilities of the Group as at 31 December 2016 were approximately HK$2,250,974,000 and HK$566,727,000 respectively. Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, assuming Completion had taken place on 31 December 2016, the unaudited pro forma consolidated total assets and total liabilities of the Enlarged Group would be approximately HK$2,304,026,000 and HK$619,779,000 respectively and the unaudited pro forma consolidated shareholders' fund of the Enlarged Group would be approximately HK$1,690,256,000.

Loss for the year

For the year ended 30 June 2016, the Group recorded an audited loss for the year of approximately HK$175,692,000. Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, assuming Completion had taken place on 1 July 2015, the unaudited pro forma consolidated loss of the Enlarged Group for the year ended 30 June 2016 would be approximately HK$123,208,000.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition for the Company and is subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

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

Tamar Investments Group Limited, the controlling Shareholder which holds approximately 74.12% of all the issued shares of the Company, has undertaken to the Seller to cast all votes in relation to the Shares held by it to approve the Agreement and the Acquisition at the EGM.

EGM

A notice of the EGM to be held at Function Rooms 2 & 3, 3/F, The Mira Hong Kong, 118 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 20 October 2017 at 11:00 a.m. is set out on pages 100 to 101 of this circular.

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

A form of proxy for use at the EGM is enclosed with this circular. If you are not able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the registered office of the Company at Flats M and N, 1/F., Kaiser Estate, Phase III, 11 Hok Yuen Street, Hunghom, Kowloon, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

RECOMMENDATION

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

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board
Chan Wai Lap, Victor
Chairman

1. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group, together with the accompanying notes, for each of the three years ended 30 June 2014, 2015 and 2016 are disclosed in the annual reports of the Company for the financial years ended 30 June 2014 (pages 59 to 242), 30 June 2015 (pages 70 to 238) and 30 June 2016 (pages 64 to 226) respectively, and are incorporated by reference into this circular.

The said annual reports of the Company are available on the Company's website at www.continental.com.hk and the Stock Exchange's website at www.hkexnews.hk through the links below:

http://www.hkexnews.hk/listedco/listconews/SEHK/2016/1020/LTN20161020175.pdf

http://www.hkexnews.hk/listedco/listconews/SEHK/2015/1022/LTN20151022168.pdf

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

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 July 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining the information contained in this indebtedness statement, the Enlarged Group had total outstanding borrowings of approximately HK$1,070,543,000, comprising secured interest-bearing bank loans of approximately HK$489,000,000, unsecured interest-bearing bank loans of approximately HK$30,000,000, unsecured interest-bearing loans of HK$50,000,000 and interest-free loans of approximately HK$4,635,000 from a controlling Shareholder, unsecured interest-free amounts due to related companies of approximately HK$83,250,000, unsecured interest-free amount due to the Seller of approximately HK$413,000,000 and finance lease obligation of approximately HK$658,000. The aforesaid secured interest-bearing bank loans were secured by the Enlarged Group's investment properties, certain of its leasehold land and buildings, land use right and corporate guarantees executed by the Company. As at the close of business on 31 July 2017, the Company had provided guarantees amounting to HK$892,833,000 with respect to bank loans to its subsidiaries and a wholly-owned subsidiary of a joint venture of the Enlarged Group. Under the guarantees, the Company would be liable to pay the banks if the banks are unable to recover the loans. As at the close of business on 31 July 2017, no provision for the Company's obligation under the guarantee contract has been made as the Directors considered that it was not probable that the repayment of the loans would be in default.

Save as aforesaid and apart from intra-group liabilities, the Enlarged Group did not, at the close of business on 31 July 2017, have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, charges or debentures, mortgages, loans or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptance (other than normal trade bills and payables), acceptance credits, or any guarantees or other material contingent liabilities.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the applicable rates of exchange prevailing at the close of business on 31 July 2017.

3. MATERIAL ADVERSE CHANGE

The Directors confirmed that there was no material adverse change in the financial or trading position of the Group since 30 June 2016 (being the date to which the latest published audited consolidated financial statements of the Group have been made up) to the Latest Practicable Date.

4. WORKING CAPITAL STATEMENT

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the financial resources presently available to the Enlarged Group, including the internally generated funds and the currently available facilities, and the undertaking from the Company's controlling shareholder, Tamar Investments Group Limited, to provide financial support to the Enlarged Group to complete the Acquisition, the Enlarged Group has sufficient working capital for its normal business for at least the next 12 months from the date of this circular.

5. BUSINESS REVIEW AND MANAGEMENT DISCUSSION AND ANALYSIS

Set out below are the management discussion and analysis of the Group for each of the three financial years ended 30 June 2014, 2015 and 2016.

For the year ended 30 June 2016

Segmental information

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

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

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

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

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

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

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

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

Liquidity, financial resources and gearing

As of 30 June 2016, the Group had a gearing ratio of 0.32, which is calculated on net debt divided by total equity plus net debt. Net debt is calculated as the sum of bank and other borrowings less cash and cash equivalents. Total cash and cash equivalents were HK$45,632,000 which were mainly denominated in Hong Kong Dollar, US Dollar, Renminbi and British Pound. Bank loans were HK$571,548,000, which were mainly denominated in Hong Kong Dollar. Other borrowings in respect of amounts due to related companies and loan from a controlling Shareholder were approximately HK$299,760,000. The bank loans are secured by first legal charges over the Group's investment property, property under development, certain leasehold land and buildings, land use right and guaranteed by corporate guarantees executed by the Company.

Pledge of assets

As of 30 June 2016, the Group's investment property, property under development, certain leasehold land and buildings and land use right with an aggregate net carrying value of HK$1,065,250,000 were pledged to certain banks to secure general banking facilities granted to the Group.

Capital structure

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

Contingent liabilities

The Company has provided guarantees to the extent of HK$571,548,000 with respect to bank loans to its subsidiaries. Guarantee to the extent of RMB371,537,000 (equivalent to approximately to HK$433,769,000) was also given by the Company in favour of a bank in respect of the term loan facilities granted to a subsidiary of a joint venture of the Company. Under the guarantees, the Company would be liable to pay the banks if the banks are unable to recover the loans. At the reporting date, no provision for the Company's obligation under the guarantee contract has been made as the Directors considered that it was unlikely the repayment of the loans would be in default.

Number of employees, remuneration policies and share option scheme

The Group employs a total of approximately 968 employees with the majority in the PRC. The Group's remuneration to its employees is largely based on common industrial practice. The Company has adopted a share option scheme on 13 July 2010, under which, the Company may grant options to eligible persons including directors and employees.

Exposure to financial risk and related hedges

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

For the year ended 30 June 2015

Segmental information

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

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

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

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

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

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

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

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

Liquidity, financial resources and gearing

As of 30 June 2015, the Group had a gearing ratio of 0.25, which is calculated on net debt divided by total equity plus net debt. Net debt is calculated as the sum of bank and other borrowings less cash and cash equivalents. Total cash and cash equivalents were HK$55,641,000 which were mainly denominated in Hong Kong Dollar, US Dollar, Renminbi and British Pound. Bank loans were HK$468,634,000, which were mainly denominated in Hong Kong Dollar and Renminbi. Other borrowings in respect of amounts due to related companies and loan from a controlling Shareholder were approximately HK$238,320,000. The bank loans are secured by first legal charges over the Group's investment property, property under development, certain leasehold land and buildings, land use right and guaranteed by corporate guarantees executed by the Company.

Pledge of assets

As of 30 June 2015, the Group's investment property, property under development, certain leasehold land and buildings and land use right with an aggregate net carrying value of HK$1,010,271,000 were pledged to certain banks to secure general banking facilities granted to the Group.

Capital structure

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

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

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

Investment in a company engaged in diamond related business

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

Contingent liabilities

The Company has provided guarantees amounting to HK$694,248,000 with respect to bank loans to its subsidiaries. Guarantee to the extent of RMB335,000,000 (equivalent to approximately to HK$423,809,000) was also given by the Company in favour of a bank in respect of a term loan facility granted to a subsidiary of a joint venture of the Company. Under the guarantees, the Company would be liable to pay the banks if the banks are unable to recover the loans. At the reporting date, no provision for the Company's obligation under the guarantee contract has been made as the Directors considered that it was unlikely the repayment of the loans would be in default.

Number of employees, remuneration policies and share option scheme

The Group employs a total of approximately 1,013 employees with the majority in the PRC. The Group's remuneration to its employees is largely based on common industrial practice. The Company has adopted a share option scheme on 13 July 2010, under which, the Company may grant options to eligible persons including directors and employees.

Exposure to financial risk and related hedges

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

For the year ended 30 June 2014

Segmental information

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

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

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

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

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

Liquidity, financial resources and gearing

As of 30 June 2014, the Group had a gearing ratio of 0.22, which is calculated on net debt divided by total equity plus net debt. Net debt is calculated as the sum of bank and other borrowings less cash and cash equivalents. Total cash and cash equivalents were HK$78,124,000 which were mainly denominated in Hong Kong Dollar, US Dollar and British Pound. While bank loans were HK$411,126,000 which were mainly denominated in Hong Kong Dollar and Renminbi. Other borrowings in respect of convertible notes, amounts due to related companies and loan from a controlling Shareholder were approximately HK$179,065,000. The bank loans are secured by first legal charges over the Group's investment property, certain leasehold land and buildings, certain land use rights and guaranteed by corporate guarantees executed by the Company.

Among the total bank loan of HK$411,126,000 classified as current liabilities, certain bank loans of HK$208,701,000 are contractually due for repayment after twelve months from the reporting date.

Pledge of assets

As of 30 June 2014, the Group's investment property, certain leasehold land and buildings and land use rights with an aggregate net carrying value of HK$600,579,000 were pledged to certain banks to secure general banking facilities granted to the Group.

Capital structure

All the Group's borrowings are denominated in Hong Kong Dollar and Renminbi. Interest is determined on the basis of Hong Kong Interbank Offered Rate or Prime Rate for Hong Kong Dollar borrowings, and the benchmark lending rate of the People's Bank of China for Renminbi borrowings. The Group also made use of foreign exchange forward contracts in order to minimise exchange rate risk as a result of fluctuation in British Pound. There was no change to the Group's capital structure during the year ended 30 June 2014.

Contingent liabilities

The Company has provided guarantees amounting to HK$577,500,000 with respect to bank loans to its subsidiaries. A guarantee to the extent of RMB235,000,000 (equivalent to approximately HK$295,912,000) was given by the Company in favour of a bank in respect of a term loan facility granted to a subsidiary of a joint venture of the Company.

Number of employees, remuneration policies and share option schemes

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

Exposure to financial risk and related hedges

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

6. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The fine jewellery and diamond polishing business continued to be soft as the global economic and political environment remained unstable. With the political uncertainties in many major markets as well as the currency fluctuations, consumer demand for luxury goods has weakened. Looking ahead, it is expected that the challenging environment in the luxury market shall persist and the road to recovery will still be bumpy. Amidst the challenges, the Group will strengthen its relationship with the customers, continuously improve its operation efficiencies, and explore any new markets and opportunities. In view of the continual deteriorating performance of the diamond polishing business in recent years, the management will closely monitor and evaluate the business and may take appropriate strategies. The Group will maintain its status as one of the leading jewellery companies in Hong Kong. The management will also seek other business or investment opportunities in order to realise a more attractive return on equity for its shareholders. The Acquisition is in line with this strategy and it is hoped that the Acquisition can provide the Shareholders with more favourable return in the long run amidst the weakened market for fine jewellery and diamond.

The following is the text of a report received from the Company's reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CONTINENTAL HOLDINGS LIMITED

Introduction

We report on the historical financial information of Ontrack Ventures Limited (the "Target Company") and its subsidiary (together the "Target Group") set out on pages 26 to 65, which comprises the consolidated and company statements of financial position as at 31 December 2014, 2015 and 2016 and 30 June 2017, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the period from 7 January 2014 (date of incorporation) to 31 December 2014, each of the years ended 31 December 2015 and 2016 and the six months ended 30 June 2017 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together the "Historical Financial Information"). The Historical Financial Information set out on pages 26 to 65 forms an integral part of this report, which has been prepared for inclusion in the circular of Continental Holdings Limited (the "Company") dated 25 September 2017 in connection with the proposed acquisition of the entire equity interest in the Target Company by the Company (the "Proposed Acquisition").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The consolidated financial statements of the Target Group for the Track Record Period (the "Underlying Financial Statements"), on which the Historical Financial Information is based, were prepared by the directors of the Company based on the management accounts and previously issued financial statements of the Target Company and its subsidiary for the Track Record Period. The directors of the respective companies are responsible for the preparation of the respective companies' financial statements that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), as appropriate, and for such internal control as the directors determine is necessary to enable the preparation of respective companies' financial statements that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Company and the Target Group as at 31 December 2014, 2015 and 2016 and 30 June 2017 and of the Target Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information.

Review of Stub Period Comparative Historical Financial Information

We have reviewed the stub period comparative historical financial information of the Target Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2016 and other explanatory information (together the "Stub Period Comparative Historical Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Historical Financial Information in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Historical Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Historical Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information and the Stub Period Comparative Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page 26 have been made.

BDO Limited
Certified Public Accountants
Yu Tsui Fong
Practising Certificate Number P05440

Hong Kong
25 September 2017

I. HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

The Underlying Financial Statements of the Target Group, on which the Historical Financial Information of the Target Group is based, were audited by BDO Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The following is the Historical Financial Information of the Target Group prepared by the directors of the Company as at 31 December 2014, 2015 and 2016 and 30 June 2017 and for the period from 7 January 2014 (date of incorporation) to 31 December 2014 and each of the years ended 31 December 2015 and 2016 and the six months ended 30 June 2017 (the "Track Record Period") and forms an integral part of this accountants' report.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Period from 7 January 2014 (date of incorporation) to 31 December 2014	For the year ended 31 December 2015	2016	Six months ended 30 June 2016	2017
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Revenue	*6*	959	4,862	599	599	–
Other income	*6*	–	14	1	1	–
Fair value gain/(loss) on investment properties	*12*	27,812	44,963	53,292	(44,478)	310,494
Operating expenses		(416)	(3,974)	(1,408)	(699)	(253)
Finance costs	*7*	–	–	–	–	–
Profit/(Loss) before income tax	*8*	28,355	45,865	52,484	(44,577)	310,241
Income tax (expense)/credit	*10*	(4,680)	(8,064)	(8,773)	7,339	(51,232)
Profit/(Loss) and total comprehensive income for the period/year		23,675	37,801	43,711	(37,238)	259,009

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 30 June
		2014	2015	2016	2017
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Investment properties	*12*	524,900	848,000	930,000	1,250,000
Current assets					
Prepayments, deposits and other receivables	*14*	30,372	6,613	107	51
Cash and cash equivalents	*15*	70,767	2,841	9,222	2,382
		101,139	9,454	9,329	2,433
Current liabilities					
Accounts payable	*16*	3,000	2,700	63	2,255
Other payables and accruals	*17*	8,137	1,629	126	797
Provision for tax		91	736	–	–
		11,228	5,065	189	3,052
Net current assets/(liabilities)		89,911	4,389	9,140	(619)
Total assets less current liabilities		614,811	852,389	939,140	1,249,381
Non-current liabilities					
Bank loans	*18*	203,021	309,471	400,000	400,000
Amount due to immediate holding company	*19*	383,526	469,434	413,152	413,152
Deferred tax liabilities	*20*	4,589	12,008	20,801	72,033
		591,136	790,913	833,953	885,185
NET ASSETS		23,675	61,476	105,187	364,196
EQUITY					
Share capital	*21*	–	–	–	–
Retained earnings		23,675	61,476	105,187	364,196
TOTAL EQUITY		23,675	61,476	105,187	364,196

STATEMENTS OF FINANCIAL POSITION OF THE TARGET COMPANY

		As at 31 December			As at 30 June
		2014	2015	2016	2017
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current asset					
Investment in a subsidiary	*13*	–	–	–	–
Amount due from a subsidiary	*13*	383,517	469,419	413,130	413,124
		383,517	469,419	413,130	413,124
Current assets					
Prepayments		–	–	2	3
Current liabilities					
Accruals		1	–	–	–
Net current (liabilities)/assets		(1)	–	2	3
Total assets less current liabilities		383,516	469,419	413,132	413,127
Non-current liabilities					
Amount due to immediate holding company	*19*	383,526	469,434	413,152	413,152
Net liabilities		(10)	(15)	(20)	(25)
EQUITY					
Share capital	*21*	–	–	–	–
Accumulated losses	*22*	(10)	(15)	(20)	(25)
CAPITAL DEFICIENCIES		(10)	(15)	(20)	(25)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*
Issue of ordinary shares upon date of incorporation	–	–	–
Profit and total comprehensive income for the period	–	23,675	23,675
At 31 December 2014 and 1 January 2015	–	23,675	23,675
Profit and total comprehensive income for the year	–	37,801	37,801
At 31 December 2015 and 1 January 2016	–	61,476	61,476
Profit and total comprehensive income for the year	–	43,711	43,711
At 31 December 2016 and 1 January 2017	–	105,187	105,187
Profit and total comprehensive income for the period	–	259,009	259,009
At 30 June 2017	–	364,196	364,196

	Share capital	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*
Unaudited:			
At 1 January 2016	–	61,476	61,476
Loss and total comprehensive income for the period	–	(37,238)	(37,238)
At 30 June 2016	–	24,238	24,238

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Period from 7 January 2014 (date of incorporation) to 31 December	Year ended 31 December		Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Cash flows from operating activities					
Profit/(Loss) before income tax	28,355	45,865	52,484	(44,577)	310,241
Adjustments for:					
Interest income	–	(1)	(1)	(1)	–
Fair value (gain)/loss on investment properties	(27,812)	(44,963)	(53,292)	44,478	(310,494)
Operating profit/(loss) before working capital changes	543	901	(809)	(100)	(253)
Increase/(Decrease) in other receivables and prepayments	(30,372)	23,759	6,506	6,219	56
Increase/(Decrease) in accounts payable	3,000	(300)	(2,637)	(2,650)	2,192
Increase/(Decrease) in other payables and accruals	8,137	(6,508)	(1,503)	(1,095)	671
Cash flows (used in)/generated from operations	(18,692)	17,852	1,557	2,374	2,666
Interest expenses paid	(213)	(6,980)	(9,545)	(4,600)	(5,243)
Income taxes paid	–	–	(716)	(79)	–
Net cash (used in)/generated from operating activities	(18,905)	10,872	(8,704)	(2,305)	(2,577)
Cash flows from investing activities					
Purchase of investment properties	(496,875)	(271,157)	(19,163)	(16,878)	(4,263)
Interest received	–	1	1	1	–
Net cash used in investing activities	(496,875)	(271,156)	(19,162)	(16,877)	(4,263)

	Period from 7 January 2014 (date of incorporation) to 31 December 2014	Year ended 31 December 2015	2016	Six months ended 30 June 2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
Cash flows from financing activities					
Proceeds from borrowings	203,021	106,450	90,529	90,529	–
Increase/(Decrease) in amount due to immediate holding company	383,526	85,908	(56,282)	(73,000)	–
Net cash generated from financing activities	586,547	192,358	34,247	17,529	–
Net increase/(decrease) in cash and cash equivalents	70,767	(67,926)	6,381	(1,653)	(6,840)
Cash and cash equivalents at beginning of period/year	–	70,767	2,841	2,841	9,222
Cash and cash equivalents at end of period/year	70,767	2,841	9,222	1,188	2,382
Analysis of balances of cash and cash equivalents at end of period/year:					
Cash and bank balances	70,767	2,841	9,222	1,188	2,382

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

1. General Information

Ontrack Ventures Limited (the "Target Company") and its subsidiary (collectively as the "Target Group") are principally engaged in property investment and thus there is only one single segment. The Target Company is a limited liability company incorporated in the British Virgin Islands. The address of its principal place of business in Hong Kong is Room 2507, 25/F, CC Wu Building, 302 Hennessy Road, Wan Chai, Hong Kong.

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs")

New or revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Historical Financial Information, have been issued, but are not yet effective and have not been early adopted by the Target Group.

Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
Amendments to HKFRSs	Annual Improvement to HKFRSs 2014-2016 cycle[1]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue From Contracts with Customers[1]
HKFRS 16	Leases[2]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty Over Income Tax Treatments[2]

[1] *Effective for annual periods beginning on or after 1 January 2018*

[2] *Effective for annual periods beginning on or after 1 January 2019*

Amendments to HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at fair value through other comprehensive income. All other debt and equity instruments are measured at fair value through profit or loss.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at fair value through profit or loss replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the consolidated statements of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Target Group is in the process of making an assessment of the potential impact of these pronouncements and is not yet in a position to state whether the application of these new pronouncement will have material impact on these financial statements.

3. Basis of Preparation

(a) Statement of compliance

The Historical Financial Information and Stub Period Comparative Historical Financial Information have been prepared in accordance with applicable HKFRSs, Hong Kong Accounting Standards ("HKAS") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the HKICPA. The Historical Financial Information and Stub Period Comparative Historical Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosures provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, the Target Group has adopted all applicable new and revised HKFRSs to the Track Record Period except for any new standards or interpretations that are not yet effective for the accounting period beginning 1 January 2017.

(b) Basis of measurement and going concern assumption

The Historical Financial Information and Stub Period Comparative Historical Financial Information have been prepared under the historical cost basis except for the investment properties, which are stated at fair values.

As at 30 June 2017, the Target Group had net current liabilities of approximately HK$619,000. As at 31 December 2014, the Target Company had net current liabilities of approximately HK$1,000 and as at 31 December 2014, 2015, 2016 and 30 June 2017, the Target Company had capital deficiencies of approximately HK$10,000, HK$15,000, HK$20,000 and HK$25,000 respectively. Hillcharm Limited, the immediate holding company of the Target Company has confirmed to provide sufficient financial support to the Target Group and the Target Company so as to enable the Target Group to continue its business for twelve months after the period ended 30 June 2017 and the Target Company to continue its businesses for twelve months after the respective period ended 31 December 2014, years ended 31 December 2015, 2016 and period ended 30 June 2017 if the Proposed Acquisition is not completed, and to the completion date if the Proposed Acquisition is completed. The Company has confirmed to provide sufficient financial support to the Target Group and the Target Company so as to enable the Target Group and the Target Company to meet their liabilities and obligations as and when they fall due and to enable the Target Group and the Target Company to continue their business from the completion date of the Proposed Acquisition up to twelve months after the period ended 30 June 2017 if the Proposed Acquisition is completed. As a result, the Historical Financial Information of the Target Group has been prepared on a going concern basis.

(c) Functional and presentation currency

The Historical Financial Information and Stub Period Comparative Historical Financial Information are presented in Hong Kong dollars ("HK$").

4. Significant Accounting Policies

The significant accounting policies adopted for the preparation of the Historical Financial Information of the Target Group are set out below, which have been consistently applied to the Track Record Period, unless otherwise stated.

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Target Company and its subsidiary. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

(b) Subsidiary

A subsidiary is an investee over which the Target Company is able to exercise control. The Target Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Target Company's statements of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Target Company on the basis of dividend received and receivable.

(c) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

When the Target Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at fair value, unless it is still in the course of construction or development at the reporting date and its fair value cannot be reliably determined at that time. Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised at the reporting date reflect the prevailing market conditions at the reporting date.

Gains or losses arising from either changes in the fair value or the sale of an investment property are included in profit or loss in the period in which they arise.

(d) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Target Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Target Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Target Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

The Target Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

(e) Financial assets

The Target Group's financial assets include deposits and other receivables and cash and cash equivalents. Financial assets are classified as loans and receivables.

The Target Group determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at each reporting date.

All financial assets are recognised when, and only when, the Target Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. A regular way purchase is a purchase of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned. When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Impairment of financial assets

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment. Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Target Group about one or more of the following loss events:

– significant financial difficulty of the debtors;

– a breach of contract, such as default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial re-organisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss in the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss in the period in which the reversal occurs.

(f) Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand.

(g) Financial liabilities

The Target Group's financial liabilities include accounts payable, other payables and accruals, amount due to immediate holding company and bank loans.

Financial liabilities are recognised when the Target Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Target Group's accounting policy for borrowing costs *(see note 4(k))*.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in consolidated profit or loss.

(a) Bank Loans

Bank loans are recognised initially at fair value, net of transaction costs incurred. Bank loans are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Bank loans are classified as current liabilities unless the Target Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

(b) Other financial liabilities

Other financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

(h) Provisions and contingent liabilities

Provisions are recognised when the Target Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Target Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

(i) Share capital

Shares issued by the Target Company are recorded at the proceeds received, net of direct issue costs.

(j) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided that it is probable that the economic benefits will flow to the Target Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

(i) rental income from properties letting under operating leases is recognised on a straight line basis over the lease terms; and

(ii) interest income is recognised on a time proportion basis using the effective interest method.

(k) Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are completed.

(l) Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax assets and liabilities are not recognised if the temporary differences arising from initial recognition of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset is realised, provided they are enacted or substantively enacted at the reporting date.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Target Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Target Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(m) Related parties

(a) A person or a close member of that person's family is related to Target Group if that person:

(i) has control or joint control over Target Group;

(ii) has significant influence over Target Group; or

(iii) is a member of key management personnel of Target Group or its parent.

(b) An entity is related to Target Group if any of the following conditions apply:

(i) The entity and Target Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of the employees of Target Group or an entity related to Target Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity); or

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to Target Group or to the parent of Target Group.

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Target Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Provision for impairment of receivables

The policy for the provision for impairment of receivables of the Target Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness, the collateral security and the past collection history of each debtor. The management of the Target Group reassesses the estimation at the end of each Track Record Period.

When the Target Group's management determines the receivables from debtors are uncollectable, they are written off against the provision made. If the financial conditions of customers of the Target Group, on whose account provision for impairment has been made, were improved and no impairment of their ability to make payments were noted, reversal of provision for impairment may be required.

(b) Estimate of current tax and deferred tax

The Target Group is subject to Hong Kong profits tax. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

As investment properties are carried at fair value, management are also required to assess whether any deferred tax needs to be provided for whenever a revaluation gain (or loss) is recognised as, under HKAS 12, the rebuttable presumption is that the fair value of the investment properties will be realised by way of sale. Accordingly, if management believe the eventual sale of that investment properties is of a trading nature, deferred tax must be provided on any revaluation gain/(loss). The aforesaid assessment is based on its own merits as the fact and circumstances of the investment properties project are unique and any recognition of deferred tax involves significant judgement.

(c) Fair value measurement

Investment properties included in the consolidated financial statements requires measurement at, and disclosure of, fair value.

The fair value measurement of the Target Group's investment properties utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements of investment property are categorised into Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of investment properties into the above level is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the investment property. Further information about the fair value measurement of the investment properties is disclosed in note 12.

6. Revenue and Other Income

Revenue represents rental income generated from the principal activity of the Target Group. Revenue and other income recognised during the Track Record Period are as follows:

	Period from 7 January 2014 (date of incorporation) to 31 December 2014	Year ended 31 December 2015	Year ended 31 December 2016	Six months ended 30 June 2016	Six months ended 30 June 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Revenue					
Rental income	959	4,862	599	599	–
Other income					
Bank interest income	–	1	1	1	–
Sundry income	–	13	–	–	–
	–	14	1	1	–

7. Finance Costs

	Period from 7 January 2014 (date of incorporation) to 31 December 2014	Year ended 31 December		Six months ended 30 June	
		2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Interest on bank loans	213	6,980	9,545	4,600	5,243
Less: Amount capitalised *(note 12)*	(213)	(6,980)	(9,545)	(4,600)	(5,243)
	–	–	–	–	–

Note:

Borrowing costs arise from the interest on the bank loans and are capitalised fully to the investment properties *(note 12)* during the Track Record Period.

8. Profit/(Loss) Before Income Tax

Profit/(Loss) before income tax is arrived at after charging:

	Period from 7 January 2014 (date of incorporation) to 31 December 2014	Year ended 31 December		Six months ended 30 June	
		2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Auditor's remuneration	32	33	33	–	–

9. Directors' Emoluments

The directors of Target Company have not received or will not receive any fees or other emoluments in respect of their services to Target Company during the Track Record Period.

10. Income Tax Expense/(Credit)

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period ended 31 December 2014 and year ended 31 December 2015.

Hong Kong profits tax has not been provided as there are no estimated assessable profits arising in Hong Kong during the year ended 31 December 2016 and the six months ended 30 June 2016 and 2017.

	Period from 7 January 2014 (date of incorporation) to 31 December	Year ended 31 December		Six months ended 30 June	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Hong Kong profits tax					
– Current year	91	657	–	–	–
– Over provision in prior period/years	–	(12)	(20)	–	–
	91	645	(20)	–	–
Deferred tax					
– Current year *(note 20)*	4,589	7,419	8,793	(7,339)	51,232
Income tax expense/(credit)	4,680	8,064	8,773	(7,339)	51,232

Reconciliation between income tax expense/(credit) and accounting profit/(loss) at applicable tax rate:

	Period from 7 January 2014 (date of incorporation) to 31 December	Year ended 31 December		Six months ended 30 June	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Profit/(Loss) before income tax	28,355	45,865	52,484	(44,577)	310,241
Tax on profit/(loss) before income tax, calculated at the statutory rate of 16.5%	4,679	7,568	8,660	(7,355)	51,190
Tax effect of non-deductible expenses	1	508	133	16	42
Over provision in prior period/years	–	(12)	(20)	–	–
Income tax expense/(credit)	4,680	8,064	8,773	(7,339)	51,232

11. Dividend

The directors of Target Company do not recommend the payment of any dividend for the Track Record Period.

12. Investment Properties

Movements of the carrying amounts presented in the consolidated statements of financial position can be summarised as follows:

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At the beginning of period/year	–	524,900	848,000	930,000
Additions	496,875	271,157	19,163	4,263
Bank loan interest capitalised *(note 7)*	213	6,980	9,545	5,243
Fair value gain	27,812	44,963	53,292	310,494
At the end of period/year	524,900	848,000	930,000	1,250,000

The fair value measurement of the Target Group's investment properties as at the end of each Track Record Period is using significant unobservable inputs (level 3).

During the Track Record Period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

The valuation of Target Group's investment properties in Hong Kong, is assessed by CBRE Limited as at 31 December 2014, 2015 and 2016; and Roma Appraisals Limited as at 30 June 2017. They are independent valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. The valuation is based on the residual valuation method. The residual valuation method is determined by deducting the estimated total cost of the development including costs of construction, professional fee, finance cost, associated costs and an allowance for developer's risk and profit from the gross development value.

A reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy is provided below:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At the beginning of period/year	–	524,900	848,000	930,000
Additions	496,875	271,157	19,163	4,263
Bank loan interest capitalised *(note 7)*	213	6,980	9,545	5,243
Fair value gain	27,812	44,963	53,292	310,494
At the end of period/year	524,900	848,000	930,000	1,250,000
Change in unrealised gains or losses for the period/year included in profit or loss for assets held at the end of period/year	27,812	44,963	53,292	310,494

Below is a summary of the valuation technique used and the key unobservable inputs to valuation of the investment properties categorised within Level 3 of the fair value hierarchy:

Description	As at	Valuation technique	Significant unobservable inputs	Range of significant unobservable inputs	Relationship of significant unobservable inputs to fair value
Investment Properties	31 December 2014	Residual valuation method	Value per saleable area using direct comparable and taking into account of the location and other individual factors such as size of property, level of property, site view etc.	HK$11,428 – HK$68,895 per square foot	The higher the price per square foot, the higher the fair value.
			Discount rate	4.5%	The higher the discount rate, the lower the fair value
			Estimated costs to completion	HK$3,864 per square foot	The higher the estimated costs to completion, the lower the fair value.
Investment Properties	31 December 2015	Residual valuation method	Value per saleable area using direct comparable and taking into account of the location and other individual factors such as size of property, level of property, site view etc.	HK$18,386 – HK$93,333 per square foot	The higher the price per square foot, the higher the fair value.
			Discount rate	4.5%	The higher the discount rate, the lower the fair value
			Estimated costs to completion	HK$4,418 per square foot	The higher the estimated costs to completion, the lower the fair value.

Description	As at	Valuation technique	Significant unobservable inputs	Range of significant unobservable inputs	Relationship of significant unobservable inputs to fair value
Investment Properties	31 December 2016	Residual valuation method	Value per saleable area using direct comparable and taking into account of the location and other individual factors such as size of property, level of property, site view etc.	HK$20,321 per square foot	The higher the price per square foot, the higher the fair value.
			Discount rate	4.5%	The higher the discount rate, the lower the fair value
			Estimated costs to completion	HK$4,512 per square foot	The higher the estimated costs to completion, the lower the fair value.
Investment Properties	30 June 2017	Residual valuation method	Value per saleable area using direct comparable and taking into account of the location and other individual factors such as size of property, level of property, site view etc.	HK$27,000 – HK$39,000 per square foot	The higher the price per square foot, the higher the fair value.
			Discount rate	4.5%	The higher the discount rate, the lower the fair value.
			Estimated costs to completion	HK$4,523 per square foot	The higher the estimated costs to completion, the lower the fair value.

13. Interest in a Subsidiary and Amount Due From a Subsidiary

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Investment in a subsidiary, at cost	–	–	–	–

1 share with value of HK$1 is issued to the Target Company and fully paid.

Particular of the subsidiary as at 31 December 2014, 2015, 2016 and 30 June 2017 are as follows:

Name	Place of incorporation	Percentage of interest held	Principal activity
Pacific Gate Investment Limited	Hong Kong	100%	Property investment

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amount due from a subsidiary	383,517	469,419	413,130	413,124

The amount due from a subsidiary is unsecured, interest free and has no fixed term of repayment.

14. Prepayments, Deposits and Other Receivables

Target Group

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayment	–	37	3	4
Deposits and other receivables	30,372	6,576	104	47
	30,372	6,613	107	51

15. Cash and Cash Equivalents

Cash at banks earn interest at floating rates based on daily bank deposit rates.

16. Accounts Payable

The ageing analysis of accounts payable as at the end of the Track Record Period, based on invoice date, is as follows:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 month	–	2,700	–	–
Over 3 months but within 1 year	3,000	–	63	2,255
	3,000	2,700	63	2,255

17. Other Payables and Accruals

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deposit received	1,406	1,437	–	–
Other payables and accruals	6,731	192	126	797
	8,137	1,629	126	797

18. Bank Loans

The analysis of the carrying amount of bank loans is as follows:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Due for repayment in more than one year, but not exceeding two years	–	–	400,000	400,000
Due for repayment in more than two years, but not exceeding five years	203,021	309,471	–	–
Bank loans as non-current liabilities	203,021	309,471	400,000	400,000

As at end of each Track Record Period, the bank loans were secured/guaranteed by the followings:

(a) legal charge over the investment properties of the Target Group;

(b) assignment of sales proceeds and rental proceeds over the investment properties of the Target Group;

(c) corporate guarantees executed by various shareholders of the Target Group; and

(d) ordinary share of the subsidiary of the Target Group.

The bank loans were denominated in HK$ with effective interest rates at 2.39%, 2.34%, 2.90% and 2.51% per annum as at 31 December 2014, 2015, 2016 and 30 June 2017 respectively.

As at 30 June 2017, the Target Group has outstanding bank loans of HK$400,000,000 which will mature on 14 December 2018. The Target Group has undrawn loan facilities of HK$450,000,000.

19. Amount Due to Immediate Holding Company

The amount due to immediate holding company is unsecured, interest-free and no fixed term of repayment.

20. Deferred Tax Liabilities

The amount represents the temporary differences arising from fair value change on investment properties of the Target Group. The movements of deferred tax liabilities of the Target Group during the Track Record Period are as follows:

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At the beginning of the period/year	–	4,589	12,008	20,801
Charged to profit or loss *(note 10)*	4,589	7,419	8,793	51,232
At the end of the period/year	4,589	12,008	20,801	72,033

21. Share Capital

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Authorised:				
50,000 ordinary shares of USD1 each				
At the beginning of the period/year	–	350	350	350
Upon incorporation	350	–	–	–
At the end of the period/year	350	350	350	350
Issued and fully paid:				
1 ordinary share of USD1 each				
At the beginning of the period/year	–	–	–	–
Upon incorporation	–	–	–	–
At the end of the period/year	–	–	–	–

22. Reserves Movement of The Target Company

	Accumulated losses
	HK$'000
At date of incorporation	–
Loss and total comprehensive income for the period	10
At 31 December 2014 and 1 January 2015	10
Loss and total comprehensive income for the year	5
At 31 December 2015 and 1 January 2016	15
Loss and total comprehensive income for the year	5
At 31 December 2016 and 1 January 2017	20
Loss and total comprehensive income for the period	5
At 30 June 2017	25

23. Operating Lease Commitments

The Target Group as lessor

The investment properties were leased to a number of tenants for varying terms. The following aggregate minimum rentals receivable under non-cancellable operating leases are as follow:

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	4,862	599	–	–
Over one year but within five years	599	–	–	–
	5,461	599	–	–

24. Contingent Liabilities

At 31 December 2014, 2015 and 2016 and 30 June 2017, the Target Group did not have any contingent liabilities.

25. Related Party Transactions

Save as disclosed elsewhere in the Historical Financial information, Target Group undertook the following transactions with group companies during the Track Record Period:

		Period from 7 January 2014 (date of incorporation) to 31 December	Year ended 31 December		Six months ended 30 June	
		2014	**2015**	**2016**	**2016**	**2017**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Management fee to a fellow subsidiary	*(i)*	300	300	1,090	490	448
Management fee to a related company	*(ii)*	–	–	–	–	152

Notes:

(i) The Target Group paid management fee to a fellow subsidiary for project management services rendered. The terms of the fee were determined and agreed by both parties.

(ii) The Target Group paid management fee to a related company for project management services rendered. The terms of the fee were determined and agreed by both parties.

26. Capital Commitments

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Commitments for the development and demolition of:				
Investment properties	–	1,062	11,923	8,450

27. Capital Risk Management

The Target Group's objective when managing capital are to safeguard Target Group's ability to continue as a going concern in order to provide returns for shareholders and provide benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Target Group.

In order to maintain or adjust the capital structure, the Target Group may issue new shares or apply for long-term loans from banks or arrange additional funding from its immediate holding company.

28. Financial Risk Management

The Target Group's major financial instruments include other receivables, cash and cash equivalents, accounts payable, other payables and accruals, amount due to immediate holding company and bank loans. Details of these financial instruments are disclosed in the respective notes. The risk associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Credit risk

The Target Group's credit risk is primarily attributable to cash and cash equivalents and other receivables.

The credit risk on cash and cash equivalents is limited because the counterparties are banks with good reputation. For other receivables, management has a credit policy in place and the exposure to this credit risk is monitored on an ongoing basis.

The Target Group has no significant concentration of credit risk.

(b) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Target Group is exposed to interest rate risk primarily arising from bank balances and bank borrowings. The bank loan is arranged at variable rates which expose the Target Group to cash flow interest rate risk. The interest rates and repayment terms of the bank loan outstanding at the end of each Track Record Period are disclosed in note 18.

The Target Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Target Group's bank loan is subject to interest rate risk. However, as all the bank loan interest had been capitalised in investment properties, the change in interest rate would not affect the profit for the Track Record Period.

The following table illustrates the sensitivity of the profit/(loss) for the period/ year and retained profits to a change in interest rates of +100 basis point and -100 basis point with effect from the beginning of the year. The calculations are based on the Target Group's bank balances held at the end of each Track Record Period. All other variables are held constant.

	Period from 7 January 2014 (date of incorporation) to 31 December	Year ended 31 December		Six months ended 30 June	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
If interest rates were 100 basis point higher					
Net profit/(loss) for the period/year and retained profits would increase by	708	28	92	12	24
If interest rates were 100 basis point lower					
Net profit/(loss) for the period/year and retained profits would decrease by	(708)	(28)	(92)	(12)	(24)

The policies to manage interest rate risk have been followed by the Target Group since incorporation and are considered to be effective.

(c) Liquidity risk

Liquidity risk related to the risk that the Target Group will not able to meet its obligation associated with its financial liabilities. In the management of the liquidity risk, the Target Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Target Group's operations and mitigate the effects of fluctuations in cash flows in the short and long term. Management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Target Company and the Target Group have obtained confirmation from Hillcharm Limited that it will provide sufficient financial support to the Target Company and the Target Group so as to enable the Target Company and the Target Group to meet all their liabilities and obligations as and when they fall due and to enable the Target Group to continue its business for twelve months after the period ended 30 June 2017 and the Target Company to continue its businesses for twelve months after the respective period ended 31 December 2014, years ended 31 December 2015, 2016 and period ended 30 June 2017 if the Proposed Acquisition is not completed, and to the completion date if the Proposed Acquisition is completed. The Target Company and the Target Group have also obtained confirmation from the Company that it will provide sufficient financial support to the Target Company and the Target Group so as to enable the Target Company and the Target Group to meet all their liabilities and obligations as and when they fall due and to enable the Target Company and the Target Group to continue their businesses from the completion date up to twelve months after the period ended 30 June 2017 if the Proposed Acquisition is completed.

The liquidity policies have been followed by the Target Group and the Target Company upon incorporation and are considered to have been effective in managing liquidity risk. The following tables show the remaining contractual maturities at the reporting date of the Target Group's and Target Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Target Group and the Target Company can be required to pay.

Target Group

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years HK$'000
At 31 December 2014					
Accounts payable	3,000	3,000	3,000	–	–
Other payables and accruals	8,137	8,137	8,137	–	–
Amount due to immediate holding company	383,526	383,526	–	–	383,526
Bank loans	203,021	222,240	4,858	4,858	212,524
	597,684	616,903	15,995	4,858	596,050
At 31 December 2015					
Accounts payable	2,700	2,700	2,700	–	–
Other payables and accruals	1,629	1,629	1,629	–	–
Amount due to immediate holding company	469,434	469,434	–	–	469,434
Bank loans	309,471	330,915	7,254	7,254	316,407
	783,234	804,678	11,583	7,254	785,841
At 31 December 2016					
Accounts payable	63	63	63	–	–
Other payables and accruals	126	126	126	–	–
Amount due to immediate holding company	413,152	413,152	–	–	413,152
Bank loans	400,000	422,664	11,586	411,078	–
	813,341	836,005	11,775	411,078	413,152
At 30 June 2017					
Accounts payable	2,255	2,255	2,255	–	–
Other payables and accruals	797	797	797	–	–
Amount due to immediate holding company	413,152	413,152	–	–	413,152
Bank loans	400,000	414,641	10,026	404,615	–
	816,204	830,845	13,078	404,615	413,152

Target Company

	Carrying amount *HK$'000*	Total contractual undiscounted cash flow *HK$'000*	Within 1 year or on demand *HK$'000*	More than 1 year but less than 2 years *HK$'000*	More than 2 years *HK$'000*
At 31 December 2014					
Accruals	1	1	1	–	–
Amount due to immediate holding company	383,526	383,526	–	–	383,526
	383,527	383,527	1	–	383,526
At 31 December 2015					
Amount due to immediate holding company	469,434	469,434	–	–	469,434
At 31 December 2016					
Amount due to immediate holding company	413,152	413,152	–	–	413,152
At 30 June 2017					
Amount due to immediate holding company	413,152	413,152	–	–	413,152

29. Summary of Financial Assets and Financial Liabilities By Category

The following table shows the carrying amount of financial assets and liabilities as defined in note 4(e) and note 4(g) respectively.

Target Group

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Loans and receivables:				
– Other receivables	47	3,366	104	47
– Cash and cash equivalents	70,767	2,841	9,222	2,382
	70,814	6,207	9,326	2,429
Financial liabilities				
Financial liabilities measured at amortised cost:				
– Accounts payable	3,000	2,700	63	2,255
– Other payables and accruals	8,137	1,629	126	797
– Bank loans	203,021	309,471	400,000	400,000
– Amount due to immediate holding company	383,526	469,434	413,152	413,152
	597,684	783,234	813,341	816,204

Target Company

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Loans and receivables:				
– Amount due from a subsidiary	383,517	469,419	413,130	413,124
Financial liabilities				
Financial liabilities measured at amortised cost:				
– Accruals	1	–	–	–
– Amount due to immediate holding company	383,526	469,434	413,152	413,152
	383,527	469,434	413,152	413,152

The directors of Target Company consider that the carrying amounts of financial assets and financial liabilities carried at amortised cost approximate their fair values.

II. MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

Set out below is the management discussion and analysis of the Target Group for the period from 7 January 2014 (date of incorporation of the Target Company) to 31 December 2014, each of the years ended 31 December 2015 and 2016 and the six months ended 30 June 2017 (the "Relevant Periods"). The Target Company was incorporated in the British Virgin Islands and it is the holding company of the Target Subsidiary. The principal activity of the Target Subsidiary is property investment in Hong Kong.

Business Review

The principal asset of the Target Subsidiary is the Land, which is a clear site located on Wan Chai Road, Hong Kong with a site area of approximately 5,798 sq. ft. It is the current intention of the Target Group to redevelop the Land into a premium grade office and retail composite building of approximately 25-storey tall with a gross floor area of approximately 86,970 sq. ft. according to allowed plot ratio and other development specifications of the Land as prescribed by relevant government authority.

Financial Review

Immediately before the Acquisition, the Target Group is wholly-owned by the Seller. Upon Completion taking place, the Target Group will become wholly-owned by the Group.

Revenue and Other Income

As the Target Group is principally engaged in property investment in Hong Kong, there is only one segment of the business of the Target Group. An analysis of the Target Group's revenue for the period from 7 January 2014 (date of incorporation of the Target Company) to 31 December 2014, the years ended 31 December 2015 and 2016 and the six months ended 30 June 2017 is as follow:

	Period from 7 January 2014 (date of incorporation of the Target Company) to 31 December 2014	For the year ended 31 December 2015	2016	Six months ended 30 June 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue				
Rental income	959	4,862	599	–
Other Income				
Interest income	–	1	1	–
Sundry income	–	13	–	–
	–	14	1	–

Revenue of the Target Group represents rental income during the Relevant Periods. The rental income was derived from operating lease with the investment properties of the Target Group which comprise a tenement building which was previously erected on the Land.

The Target Group started to acquire the leased properties in late 2014. Therefore, rental income was increased by approximately 407% from HK$959,000 to HK$4,862,000 for the year ended 31 December 2015. For the year ended 31 December 2016, the Target Group recorded rental income of HK$599,000 (2015: HK$4,862,000), representing a decrease of approximately 87.7 % over the same period of 2015. The significant decrease was primarily attributed to the fact that most of the tenancy agreements had either expired or were terminated by the Target Group in early 2016 in order to demolish the then existing building for redevelopment.

Change in Revaluation Gain on Investment Properties

The change in revaluation gain on investment properties represents the change in value of the Target Group's investment properties as valued by external professional valuers for the period from 7 January 2014 (date of incorporation of the Target Company) to 31 December 2014, each of the years ended 31 December 2015 and 2016 and the six months ended 30 June 2017. Valuations are based on residual valuation method.

	Period from 7 January 2014 (date of incorporation of the Target Company) to 31 December	For the year ended 31 December		Six months ended 30 June
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Change in revaluation gain on investment properties	27,812	44,963	53,292	310,494

Operating Expenses

Operating expenses mainly comprised of property operating expenses, auditor's remuneration, legal and professional fee and other operating expenses. Details are as follow:-

	Period from 7 January 2014 (date of incorporation) to 31 December	For the year ended 31 December		Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Property operating expenses	76	3,821	1,136	639	144
Auditor's remuneration	32	33	33	–	–
Legal and professional fee	139	26	37	9	–
Other operating expenses	169	94	202	51	109
	416	3,974	1,408	699	253

The significant increase of property operating expenses in year 2015 of approximately HK$3,100,000 was primarily attributable to compensation paid to several tenants for early termination of tenancy agreements.

Finance Costs

Finance costs are borrowing costs arise from the interest on the bank loans. An analysis of the Target Group's finance costs for the period from 7 January 2014 (date of incorporation of the Target Company) to 31 December 2014, the years ended 31 December 2015 and 2016 and the six months ended 30 June 2017 is as follow:

	Period from 7 January 2014 (date of incorporation of the Target Company) to 31 December 2014	For the year ended 31 December 2015	2016	Six months ended 30 June 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Finance costs	213	6,980	9,545	5,243
Finance costs capitalised with investment properties	(213)	(6,980)	(9,545)	(5,243)
	–	–	–	–

The Target Group has capitalised all of the interest expenses on investment properties during the Track Record Period. Finance costs before capitalisation of the interests were HK$213,000, HK$6,980,000, HK$9,545,000 and HK$5,243,000 for period ended 31 December 2014, years ended 31 December 2015 and 2016 and six months ended 30 June 2017 respectively.

The interest expenses increased by HK$6,767,000 from HK$213,000 in year 2014 to HK$6,980,000 in year 2015, which was primarily attributable to the increase in bank borrowings to finance acquisition of additional properties in late 2014. For the year ended 31 December 2016, the interest expenses were HK$9,545,000, an increase of HK$2,565,000 over the same period of 2015. The increase was mainly attributable to i) increase in bank borrowings and ii) increase in effective interest rate from 2.34% in 2015 to 2.90% in 2016.

Liquidity, Financial Resources and Borrowings

The gearing ratios of the Target Group were approximately 95.61%, 92.66%, 88.43% and 69.0% as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 respectively. The gearing ratio is calculated on net debt divided by total equity plus net debt. Net debt is calculated as the sum of bank and other borrowings less cash and cash equivalents.

The amount due to an immediate holding company of the Target Group were HK$383,526,000, HK$469,434,000, HK$413,152,000 and HK$413,152,000 as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 respectively.

The amount of bank loans of the Target Group were HK$203,021,000, HK$309,471,000, HK$400,000,000 and HK$400,000,000 as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 respectively. The bank loans will mature on 14 December 2018.

The cash and cash equivalents of the Target Group were HK$70,767,000, HK$2,841,000, HK$9,222,000 and HK$2,382,000 as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 respectively.

The total equity of the Target Group were HK$23,675,000, HK$61,476,000, HK$105,187,000 and HK$364,196,000 as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 respectively.

Contingent Liabilities

As at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017, the Target Group did not have any significant contingent liabilities.

Capital Commitments

As at 31 December 2014, the Target Group did not have any capital commitments. As at 31 December 2015, 31 December 2016 and 30 June 2017, the Target Group had outstanding capital commitments of HK$1,062,000, HK$11,923,000 and HK$8,450,000 respectively, which were capital commitments for the development and demolition of the investment properties.

Charge or Pledge of Assets

As at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017, the Target Group's investment properties were pledged to the bank to secure general banking facilities in the amount of HK$203,021,000, HK$309,471,000, HK$400,000,000 and HK$400,000,000 respectively. The bank loans were denominated in HK$ with effective interest rates at 2.39%, 2.34%, 2.90% and 2.51% per annum as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 respectively.

The bank loan interest rate was 2.15% per annum over the Hong Kong Interbank Offered Rate ("HIBOR"). As at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017, the 1 month HIBOR was approximately 0.235%, 0.221%, 0.746% and 0.465% respectively. As a result of the increase in HIBOR, the effective interest rate as at 31 December 2016 was significantly higher than other years.

Foreign Currency Risks

Most of the transactions of the Target Group are denominated in Hong Kong dollar and the Target Group does not have significant exposure to foreign exchange risks.

Material Investments

The Target Group acquired 43 units, 5 units and 1 unit of the investment properties at approximately HK$354,447,000, HK$238,885,000 and HK$12,000,000 for the period ended 31 December 2014 and years ended 31 December 2015 and 2016 respectively.

Except as disclosed above, the Target Group did not have any material investments during the Track Record Period. The Target Group also does not have any future plans for material investments at this stage.

Employees

During the period from 7 January 2014 (date of incorporation of the Target Company) to 31 December 2014, the years ended 31 December 2015 and 2016, and the six months ended 30 June 2017, the Target Group had not employed any full-time employees.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

There were no material acquisitions or disposals of subsidiaries, associates and joint ventures during the period from 7 January 2014 (date of incorporation of the Target Company) to 31 December 2014, the years ended 31 December 2015 and 2016, and the six months ended 30 June 2017 and the Target Group had no future plans for material acquisitions or disposals of subsidiaries, associates and joint ventures.

INTRODUCTION

The following is an illustrative unaudited pro forma consolidated statement of financial position, unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows of the Enlarged Group ("Unaudited Pro Forma Financial Information"), which have been prepared in accordance with paragraph 4.29 of the Listing Rules, for the purpose of illustrating the effect of the Acquisition on the Group for inclusion in this circular.

The Unaudited Pro Forma Financial Information has been prepared to illustrate the effects of the Acquisition on the financial position of the Enlarged Group as at 31 December 2016 and its financial performance and cash flows for the year ended 30 June 2016 as if the Acquisition had taken place at 31 December 2016 and 1 July 2015 respectively.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purpose only, and because of its nature, it may not give a true picture of the financial position, financial performance and cash flows of the Enlarged Group had the Acquisition been completed as at 31 December 2016 or 1 July 2015, where applicable, or any future dates.

DISCLOSURE UNDER SECTION 436 OF THE HONG KONG COMPANIES ORDINANCE

The consolidated statement of financial position of the Enlarged Group as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows of the Enlarged Group for the year ended 30 June 2016 included in the Unaudited Pro Forma Financial Information set out below in this Appendix do not constitute the Company's statutory annual consolidated financial statements for the year ended 30 June 2016 but are derived from those financial statements. Further information relating to statutory financial statements for the year ended 30 June 2016 required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

1. The Company had delivered the financial statements for the year ended 30 June 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

2. The Company's auditor has reported on the financial statements of the Company for the year ended 30 June 2016. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under either section 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

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

	Consolidated statement of financial position of the Group as at 31 December 2016	Consolidated statement of financial position of the Target Group as at 30 June 2017	Pro forma adjustments					Unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 31 December 2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(Note 1)	(Note 2)	(Note 3(a))	(Note 3(b))	(Note 3(c))	(Note 4)	(Note 6)	
Non-current assets								
Property, plant and equipment	90,786	–						90,786
Land use rights	32,642	–						32,642
Investment properties	–	1,250,000				(69,381)	13,800	1,194,419
Mining right	627,184	–						627,184
Interests in associates	–	–						–
Interests in joint ventures	700,557	–						700,557
Available-for-sale financial assets	15,759	–						15,759
Deferred tax assets	5,762	–						5,762
	1,472,690	1,250,000						2,667,109
Current assets								
Inventories	196,410	–						196,410
Trade receivables	108,534	–						108,534
Prepayments, deposits and other receivables	11,760	51						11,811
Financial assets at fair value through profit or loss	4,624	–						4,624
Derivative financial instruments	151	–						151
Due from joint ventures	51	–						51
Cash and cash equivalent	456,754	2,382	(50,000) 50,000	(68,000)	(1,062,000)		(13,800)	(684,664)
	778,284	2,433						(363,083)
Current liabilities								
Trade payables	88,697	2,255						90,952
Other payables and accruals	40,254	797						41,051
Bank loans	189,000	–						189,000
Obligation under finance leases	389	–						389
Due to related companies	2,622	–						2,622
Financial guarantee liabilities	6,929	–						6,929
Loan from a controlling shareholder	4,464	–						4,464
Provision for tax	6,849	–						6,849
	339,204	3,052						342,256
Net current assets/(liabilities)	439,080	(619)						(705,339)

	Consolidated statement of financial position of the Group as at 31 December 2016	Consolidated statement of financial position of the Target Group as at 30 June 2017			Pro forma adjustments			Unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 31 December 2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3(a))*	*(Note 3(b))*	*(Note 3(c))*	*(Note 4)*	*(Note 6)*	
Total assets less current liabilities	1,911,770	1,249,381						1,961,770
Non-current liabilities								
Obligation under finance leases	494	–						494
Due to related companies	76,536	–						76,536
Amount due to immediate holding company	–	413,152				(413,152)		–
Bank loans	–	400,000				(400,000)		–
Loan from a controlling shareholder	–	–	50,000					50,000
Financial guarantee liabilities	11,548	–						11,548
Deferred tax liabilities	138,945	72,033				(72,033)		138,945
	227,523	885,185						277,523
Net assets	1,684,247	364,196						1,684,247
EQUITY								
Share capital	560,673	–						560,673
Reserves	1,129,583	364,196				(364,196)		1,129,583
Equity attributable to the owners of the Company	1,690,256	364,196						1,690,256
Non-controlling interests	(6,009)	–						(6,009)
Net assets	1,684,247	364,196						1,684,247

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

	Consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 30 June 2016	Consolidated statement of profit or loss and other comprehensive income of the Target Group for the year ended 31 December 2016	Pro forma adjustments	Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group for the year ended 30 June 2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 7)*	
Revenue	552,575	599		553,174
Cost of sales	(465,581)	–		(465,581)
Gross profit	86,994	599		87,593
Selling and distribution costs	(22,855)	–		(22,855)
Administrative expenses	(103,583)	(1,408)		(104,991)
Other operating income	7,112	1		7,113
Change in fair value of investment property	11,112	53,292		64,404
Impairment loss on available-for-sale financial assets	(457)	–		(457)
Impairment loss on mining right	(36,417)	–		(36,417)
Impairment loss on property, plant and equipment	(944)	–		(944)
Income arising from amortising the financial guarantee liabilities	3,167	–		3,167
Share-based compensation	(2,390)	–		(2,390)
Finance costs	(16,017)	–		(16,017)
Share of results of joint ventures	(111,777)	–		(111,777)
(Loss)/Profit before income tax	(186,055)	52,484		(133,571)
Income tax credit/(expense)	10,363	(8,773)	8,773	10,363
(Loss)/Profit for the year	(175,692)	43,711		(123,208)

	Consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 30 June 2016	Consolidated statement of profit or loss and other comprehensive income of the Target Group for the year ended 31 December 2016	Pro forma adjustments	Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group for the year ended 30 June 2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 7)*	
Other comprehensive income, net of tax				
Items that may be subsequently reclassified to profit or loss:				
Change in fair value of available-for-sale financial assets	1,341	–		1,341
Reclassification from equity to profit or loss on impairment of available-for-sale financial assets	457	–		457
Exchange differences on translation of foreign operations, associates and joint ventures	(110,258)	–		(110,258)
Other comprehensive income for the year, net of tax	(108,460)	–		(108,460)
Total comprehensive income for the year	(284,152)	43,711		(231,668)
(Loss)/Profit for the year attributable to:				
Owners of the Company	(175,666)	43,711	8,773	(123,182)
Non-controlling interests	(26)	–		(26)
	(175,692)	43,711		(123,208)
Total comprehensive income for the year attributable to:				
Owners of the Company	(284,126)	43,711	8,773	(231,642)
Non-controlling interests	(26)	–		(26)
	(284,152)	43,711		(231,668)

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

	Consolidated statement of cash flows of the Group for the year ended 30 June 2016	Consolidated statement of cash flows of the Target Group for the year ended 31 December 2016	Pro forma adjustments					Unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended 30 June 2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3(a))*	*(Note 3(b))*	*(Note 3(c))*	*(Note 5)*	*(Note 6)*	
Cash flows from operating activities								
(Loss)/Profit before income tax	(186,055)	52,484						(133,571)
Adjustments for:								
Finance costs	16,017	–						16,017
Share of results of joint ventures	111,777	–						111,777
Share-based compensation	2,390	–						2,390
Depreciation of property, plant and equipment	7,722	–						7,722
Amortisation of land use rights	1,366	–						1,366
Amortisation of mining right	705	–						705
Provision for inventories	5,955	–						5,955
Reversal of provision for trade receivables	(543)	–						(543)
Impairment loss on available-for-sale financial assets	457	–						457
Loss on disposal of property, plant and equipment	6	–						6
Gain on debt extinguishment arising from recognition of amount due to a related company	(2,222)	–						(2,222)
Write-off of property, plant and equipment	163	–						163
Impairment loss on mining right	36,417	–						36,417
Impairment loss on property, plant and equipment	944	–						944
Impairment loss on amount due from a joint venture	150	–						150
Write-off of prepayments, deposits and other receivables	468	–						468
Income arising from amortising the financial guarantee liabilities	(3,167)	–						(3,167)
Interest income	–	(1)						(1)
Change in fair value of investment property	(11,112)	(53,292)						(64,404)
Fair value gain on derivative financial instruments	(202)	–						(202)
Unrealised foreign exchange loss	10,363	–						10,363

	Consolidated statement of cash flows of the Group for the year ended 30 June 2016	Consolidated statement of cash flows of the Target Group for the year ended 31 December 2016	Pro forma adjustments					Unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended 30 June 2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3(a))*	*(Note 3(b))*	*(Note 3(c))*	*(Note 5)*	*(Note 6)*	
Operating loss before working capital changes	(8,401)	(809)						(9,210)
Increase in inventories	(13,716)	–						(13,716)
Decrease in trade receivables	21,333	–						21,333
Decrease in prepayments, deposits and other receivables	21,719	6,506						28,225
Decrease in financial assets at fair value through profit or loss	1,804	–						1,804
Additions to property under development	(26,810)	–						(26,810)
Increase in amounts due from joint ventures	(162)	–						(162)
Decrease in trade and other payables and accruals	(4,874)	(4,140)						(9,014)
Decrease in amounts due to related companies	(117)	–						(117)
Changes in derivative financial instruments	87	–						87
Cash (used in)/generated from operations	(9,137)	1,557						(7,580)
Interest paid	(15,927)	(9,545)						(25,472)
PRC enterprise income tax paid	(121)	–						(121)
Hong Kong profits tax paid	(848)	(716)						(1,564)
Net cash used in operating activities	(26,033)	(8,704)						(34,737)
Cash flows from investing activities								
Purchase of investment properties	–	(19,163)						(19,163)
Net cash outflow for acquisition of subsidiaries	–	–	(50,000)	(68,000)	(662,000)	–	(13,800)	(793,800)
Interest received	–	1						1
Additions to property, plant and equipment	(6,897)	–						(6,897)
Additions to property under development classified as investment property	(13,939)	–						(13,939)
Proceeds from disposal of property, plant and equipment	2	–						2
Increase in loans to a joint venture	(134,440)	–						(134,440)

	Consolidated statement of cash flows of the Group for the year ended 30 June 2016	Consolidated statement of cash flows of the Target Group for the year ended 31 December 2016			Pro forma adjustments			Unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended 30 June 2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3(a))*	*(Note 3(b))*	*(Note 3(c))*	*(Note 5)*	*(Note 6)*	
Net cash used in investing activities	(155,274)	(19,162)						(968,236)
Cash flows from financing activities								
Loan from/(Repayment to) a controlling shareholder	(21,000)	–	50,000					29,000
Decrease in amount due to immediate holding company	–	(56,282)				56,282		–
Advance from a related company	90,000	–						90,000
Repayment of obligation under finance leases	(421)	–						(421)
New bank loans	164,200	90,529						254,729
Repayment of bank loans	(61,179)	–			(400,000)			(461,179)
Net cash generated from/(used in) financing activities	171,600	34,247						(87,871)
Net (decrease)/increase in cash and cash equivalents	(9,707)	6,381						(1,090,844)
Cash and cash equivalents at beginning of year	55,641	2,841						58,482
Effect of foreign exchange rate changes, net	(302)	–						(302)
Cash and cash equivalents at end of year	45,632	9,222						(1,032,664)

(D) Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

1) The consolidated statement of financial position of the Group as at 31 December 2016 is extracted without adjustment from the published interim report of the Company for the six months ended 31 December 2016. The consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows of the Group for the year ended 30 June 2016 are extracted without adjustment from the published annual report of the Company for the year ended 30 June 2016.

2) The consolidated statement of financial position of the Target Group as at 30 June 2017 and the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows of the Target Group for the year ended 31 December 2016 are extracted from the Historical Financial Information of the Target Group set out in Appendix II to this circular.

3) On 17 July 2017, Globe Deal Investments Limited, a wholly-owned subsidiary of the Company, entered into a preliminary agreement (the ''Preliminary Agreement'') with the seller (the ''Seller'') to acquire (the ''Acquisition'') the entire issued share capital of the Target Company and the full amount of the shareholder loan owing by the Target Company (''Sale Loan''). The fair value of total consideration for the Acquisition (the ''Consideration'') is HK$1,180,000,000 (the ''Consideration'') subject to adjustment as detailed in (d) below, and is to be satisfied in the following manners:

   (a) According to the Preliminary Agreement, an initial deposit of HK$50,000,000 (''Initial deposit'') has to be paid to the Seller's solicitor upon entering the Preliminary Agreement on 17 July 2017. The Initial Deposit has been satisfied by the loan advance from the controlling shareholder.

   (b) According to the Preliminary Agreement, a further deposit of HK$68,000,000 (''Further Deposit'') has to be paid to the Seller's solicitor on 18 August 2017 or upon entering the formal agreement with the Seller, whichever is earlier. Accordingly, the Further Deposit has been paid on 18 August 2017 and has been satisfied by the internal resources of the Group.

(c) According to the Preliminary Agreement, an amount of HK$1,062,000,000 equal to the balance of the Consideration after deducting the Initial Deposit and Further Deposit has to be satisfied at Completion in the following manner:

  (i) Part of the balance of the Consideration will be paid by the Group to repay the bank loan of HK$400,000,000 owed by the Target Group at Completion and the associated charge on the investment properties will be discharged accordingly; and

  (ii) The remaining Consideration of HK$662,000,000 will be paid by the Group to the Seller directly.

(d) The Consideration of HK$1,180,000,000 will be adjusted against the aggregate of the consolidated total assets of the Target Group (other than the investment properties and the stamp duty receivable) minus the consolidated total liabilities of the Target Group (other than (a) any deferred tax liabilities arising from revaluation and/or gain on subsequent disposal of the investment properties or any part thereof; (b) Sale Loan; and (c) any payable under the assignment of stamp duty receivable *(note 4)* to be determined with reference to the pro forma completion accounts or the completion accounts. The actual amount of aforesaid adjustment can only be determined at Completion.

For the purpose of preparing the Unaudited Pro Forma Financial Information of the Enlarged Group, upon Completion, the Enlarged Group will have a deficit of cash and bank balances of HK$684,664,000. In the opinion of the Directors, the Enlarged Group intends to fund the Acquisition partly by internal resources of the Group, partly by new bank borrowings and partly by further loan advance from the controlling shareholder.

4) As the Target Group is principally engaged in property investment with no other associated services, the underlying set of assets acquired is not integrated in forming a business to generate revenue. Thus, the Directors are of opinion that the Acquisition does not constitute a business combination for accounting purposes and is in fact a purchase of net assets in nature under which the fair value of the consideration is the fair value of net assets purchased. Upon Completion, the fair value of the net assets would be adjusted as detailed below:

	Acquiree's carrying amount	**Fair value**
	HK$'000	*HK$'000*
Investment properties*	1,250,000	1,180,619
Prepayment, deposits and other receivables	51	51
Cash at banks	2,382	2,382
Accounts payable	(2,255)	(2,255)
Other payables and accruals	(797)	(797)
Sale loan^	(413,152)	(413,152)
Bank loan	(400,000)	(400,000)
Deferred tax liabilities#	(72,033)	–
Net assets acquired	364,196	366,848
Purchase consideration settled by cash *(note 3)*		1,180,000
Estimated transaction costs directly attributable to the Acquisition *(note 6)*		13,800
Net cash outflow on acquisition		1,193,800

* This adjustment to the unaudited pro forma consolidated statement of financial position of the Enlarged Group of HK$69,381,000 is to address the fair value changes of its investment properties (i.e. HK$1,180,619,000 minus HK$1,250,000,000) arising from the consideration paid for the Acquisition allocated to the underlying identifiable assets and liabilities on the basis of their relative fair values at the date of purchase.

^ According to the Preliminary Agreement, the Group acknowledged and agreed that, prior to Completion, the Target Subsidiary will apply to the Collector of the Stamp Revenue under the Stamp Duty Ordinance (the "Collector") for the refund of the amount of HK$78,546,000 ("Stamp Duty Refund"), being the aggregate of:

(i) the buyer's stamp duty in the sum of HK$52,579,000; and

(ii) the additional ad valorem stamp duty (being the difference between the ad valorem stamp duty at Scale 1 rates and that at Scale 2 rates as prescribed under the Stamp Duty Ordinance) in the sum of HK$25,967,000,

both paid by the Target Subsidiary in respect of its previous acquisition of the investment properties.

To the extent that the Stamp Duty Refund has been refunded by the Collector and received by the Target Subsidiary before Completion, then the aforesaid amount will be used for the repayment of the Sale Loan.

To the extent that the Stamp Duty Refund has not been fully received by the Target Subsidiary before Completion, then upon Completion, the Target Subsidiary shall assign to the Seller all the present and future rights, title and interest of the outstanding balance of the Stamp Duty Refund ("Stamp Duty Receivable"). The Group shall deliver to the Seller the counterpart Assignment of the Stamp Duty Refund. The Seller shall deliver to the Target Subsidiary the counterpart Assignment of Stamp Duty Receivable duly executed by the Seller, and shall release and discharge the Target Subsidiary from its obligation to repay all outstanding balance of the shareholder's loan as consideration for the assignment of the Stamp Duty Receivable in accordance with the terms of the Assignment of Stamp Duty Receivable.

For the purpose of preparing the unaudited pro forma consolidated statement of financial position, as the application to the Collector on the Stamp Duty Refund is still in progress, no respective pro forma adjustment had been reflected in this regard.

In determination of fair value of net assets acquired, the initial recognition exemption available in HKAS 12 was applied and as a result, no deferred tax liabilities have been recognised in the unaudited pro forma consolidated statement of financial position.

Details of the net assets acquired are as follows:

	HK$'000
Consideration satisfied by:	
Purchase consideration settled in cash *(note 3)*	1,180,000
Purchase of Sale Loan *(note 8)*	(413,152)
Settlement of bank loan at Completion *(notes 3(c)(i) and 8)*	(400,000)
Fair value of net assets purchased	(366,848)
Goodwill	–

5) The adjustment represents the reversal of the movement of the amount due to immediate holding company in the unaudited pro forma consolidated statement of cash flows as if the Acquisition had taken place on 1 July 2015.

6) The adjustment represents the payment of estimated transaction costs attributable to the Acquisition which would be capitalised as part of the consideration for the acquisition of the underlying assets of this transaction.

7) The Directors intend to redevelop the Land into a premium grade office and retail composite building to be held for long-term investment purpose. For the purpose of preparing the unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group, the adjustment reflects the deferred tax consequence that will follow from the manner that the Enlarged Group expects according to HKAS 12.

8) Upon the Completion of the Acquisition of the Target Group, the Sale Loan and the bank loan was settled as part of the Consideration as detailed in notes 3 and 4.

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

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

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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the directors of Continental Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Continental Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2016, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 30 June 2016 and related notes as set out on pages 72 to 84 of Appendix III of the circular dated 25 September 2017 (the "Circular") in connection with the proposed acquisition of entire issued share capital of Ontrack Ventures Limited and the inter-company loans extended to Ontrack Ventures Limited (the "Proposed Acquisition"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on page 72 of Appendix III of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Proposed Acquisition on the Group's financial position as at 31 December 2016 and the Group's financial performance and cash flows for the year ended 30 June 2016 as if the Proposed Acquisition had taken place at 31 December 2016 and 1 July 2015, respectively. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the Company's unaudited interim financial information for the six-month ended 31 December 2016, on which no independent auditor's review report has been published and the Group's financial performance and cash flows has been extracted by the directors of the Company from the Company's consolidated financial statements for the year ended 30 June 2016, on which an independent auditor's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

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

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

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Acquisition at 31 December 2016 or 1 July 2015 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

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

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

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Company; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

BDO Limited
Certified Public Accountants
Hong Kong

25 September 2017

The following is the text of a letter, and valuation certificate, prepared for the purpose of incorporation in this circular received from Roma Appraisals Limited, an independent valuer, in connection with its valuation as at 30 June 2017 of the property interests to be acquired by the Group.

ROMA

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139 Hennessy Road, Wan Chai, Hong Kong
Tel (852) 2529 6878 Fax (852) 2529 6806
E-mail info@romagroup.com
http://www.romagroup.com

25 September 2017

Continental Holdings Limited
Flats M&N, 1st Floor,
Kaiser Estate Phase III
No. 11 Hok Yuen Street
Hunghom, Kowloon

Dear Sir/Madam,

Re: Property Valuation of a Development Site situated at No.232 Wan Chai Road, Hong Kong

In accordance with your instructions for us to value the property to be acquired by Continental Holdings Limited (the "Company") and/or its subsidiaries and associated companies (together with the Company referred to as the "Group") in Hong Kong, we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property as at 30 June 2017 (the "Date of Valuation") for the purpose of incorporation in the circular of the Company dated 25 September 2017.

1. BASIS OF VALUATION

Our valuation of the property is our opinion of the market value of the concerned property which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

2. VALUATION METHODOLOGY

In valuing the property which is proposed to be developed, we have assumed that it will be developed and completed in accordance with the Group's development proposal provided to us. In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant markets with adjustments of time, size, location and other factors and have also taken into account the cost and fees to be incurred to complete the developments to reflect the quality of the completed development.

3. TITLE INVESTIGATION

We have carried out title search at the Land Registry. However, we have not scrutinized all the original documents to verify ownership or to ascertain the existence of any lease amendments which may not appear on the copies handed to us.

4. VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the property in the market in its existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the value of such property. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property and no allowance has been made for the property to be sold in one lot or to a single purchaser.

5. SOURCE OF INFORMATION

In the course of our valuation, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of property, particulars of occupation, site/floor areas, ages of buildings and all other relevant matters which can affect the value of the property. All documents have been used for reference only.

We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

6. VALUATION CONSIDERATION

We have inspected the exterior and, where possible, the interior of certain property. No structural survey has been made in respect of the property. However, in the course of our inspections, we did not note any serious defects. We are not, however, able to report that the property is free from rot, infestation or any other structural defects. No tests were carried out on any of the building services.

We have not carried out on-site measurement to verify the site/floor areas of the property under consideration but we have assumed that the site/floor areas shown on the documents handed to us are correct. Except as otherwise stated, all dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Group and are therefore approximations.

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

Our valuations are prepared in compliance with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and in accordance with the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

7. REMARKS

Unless otherwise stated, all monetary amounts stated in our valuation are in Hong Kong Dollars (HK$). Our Valuation Certificate is attached.

Yours faithfully,
For and on behalf of
Roma Appraisals Limited

Frank F Wong
BA (Business Admin in Acct/Econ) MSc (Real Est)
MRICS Registered Valuer MAusIMM ACIPHE
Director

Nancy Chan
BSc (Hons) MHKIS MRICS
RPS(GP)
Director

Note: Frank F Wong is a Chartered Surveyor, Registered Valuer, Member of the Australasian Institute of Mining & Metallurgy and Associate of Chartered Institute of Plumbing and Heating Engineering who has 18 years' valuation, transaction advisory and project consultancy of properties experience in Hong Kong and 10 years' experience in valuation of properties in the PRC as well as relevant experience in the Asia-Pacific region, Australia and Oceania-Papua New Guinea, France, Germany, Poland, United Kingdom, United States, Abu Dhabi (UAE) and Jordan.

Note: Ms. Nancy Chan is a Registered Professional Surveyor (General Practice), member of Hong Kong Institute of Surveyors and a member of the Royal Institution of Chartered Surveyors. She has over 7 years' experience in real estate industry and property and asset valuation in Hong Kong, Macau, the PRC, Singapore, Taiwan, United Kingdom and other overseas countries.

VALUATION CERTIFICATE

Property to be acquired by the Group in Hong Kong

Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 June 2017
A development site situated at No. 232 Wan Chai Road, Wan Chai, Hong Kong	The property comprises a parcel of land with a total site area of approximately 538.647 sq.m. (5,797.996 sq.ft.). The property was an 11-storey retail and residential composite building completed in about 1964, which has been demolished and will be redeveloped. As per the approved building plans provided by the Group, the property will be developed into a block of 25-storey office and retail composite building. The total planned gross floor area of the property is about 8,073.627 sq.m. As advised by the Group, the proposed development is expected to be completed in June 2021. The lot is held under a Government Lease for a term of 999 years commencing from 26 December 1860.	The property is a vacant site and erected with hoardings.	HK$1,250,000,000.

Notes:

1. According to a preliminary agreement relating to sale and purchase of the entire issued share capital of and the shareholder loan owing by Ontrack Ventures Limited (the "Preliminary Agreement") dated 17 July 2017 as provided by the Group;

   (i) Pacific Gate Investment Limited is a wholly-owned subsidiary of Ontrack Ventures Limited and the registered owner of the Property;

   (ii) Ontrack Ventures Limited is a company currently wholly-owned by Hillcharm Limited (the "Seller"); and

(iii) The transaction will be completed on 25 October 2017 or such other date agreed by the Seller and Globe Deal Investments Limited in writing at the initial purchase price of HK$1,180,000,000; plus the amount of the net asset value as set out in the pro forma completion accounts (if it is a positive amount) or minus the absolute value of the amount of the net asset value as set out in the pro forma completion accounts (if it is a negative amount).

2. According to the Offensive Trade Licence dated 16 February 2017 vide Memorial No. 17022700900038, the trade or business of sugar-baker, oilman (excluding petrol filling station), butcher, victualler and tavern-keeper are permitted to be carried out on the property.

3. Our valuation is based on the proposed development plan under B.D. Submission Reference No. BD 2/3005/16 approved by the Building Authority dated 18 April 2017.

4. The property is zoned as "Other Specified Uses" under the Draft Wan Chai Outline Zoning Plan No. S/H5/27 gazetted in August 2012.

5. According to Schedule 1 to the Building (Planning) Regulations, the maximum permitted Plot Ratio and Percentage Site Coverage are 15 and 60% respectively for the proposed development on a Class A site with height over 61 meters for non-domestic purpose.

6. Our inspection was performed by Ms. Nancy Chan, BSc (Hons), in August 2017.

7. The property is subject to various mortgages or debenture and mortgages in favour of United Overseas Bank Limited, for details please refer to the land searches.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF DIRECTORS' INTERESTS

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

Interests in shares of the Company

	Number of ordinary shares of the Company				
Name of Directors	**Personal interest**	**Corporate interest**	**Underlying interest**	**Total**	**Approximate percentage of all the issued shares of the Company**
Chan Wai Lap, Victor	2,700,000	–	30,000,000 *(Note (i))*	32,700,000	0.48%
Chan Sing Chuk, Charles	–	5,063,395,220 *(Note (ii))*	–	5,063,395,220	74.12%
Cheng Siu Yin, Shirley	–	5,063,395,220 *(Note (ii))*	–	5,063,395,220	74.12%
Chan Wai Kei, Vicki	–	–	30,000,000 *(Note (i))*	30,000,000	0.44%
Wong Edward Gwon-hing	–	–	30,000,000 *(Note (i))*	30,000,000	0.44%
Yam Tat Wing	2,400,000	–	20,000,000 *(Note (i))*	22,400,000	0.33%
Chan Ping Kuen, Derek	200,000	–	–	200,000	0.003%

Notes:

(i) These interests represent the interests in underlying shares of the Company in respect of share options granted to the Directors as further described below.

(ii) Such interests are held by Tamar Investments Group Limited, which is a company owned as to 45% by Dr. Chan Sing Chuk, Charles, 45% by Ms. Cheng Siu Yin, Shirley and 10% by Mr. Chan Wai Lap, Victor. Mr. Chan Wai Lap, Victor, Dr. Chan Sing Chuk, Charles and Ms. Cheng Siu Yin, Shirley are also directors of Tamar Investments Group Limited.

Interests in options granted under the share option scheme of the Company adopted on 13 July 2010

Name of Directors	Number of options outstanding as at the Latest Practicable Date	Date of grant	Exercisable period	Exercise price
Chan Wai Lap, Victor	10,000,000	19 June 2014	19 June 2014 to 18 June 2024	HK$0.138
	10,000,000	7 July 2015	7 July 2015 to 6 July 2025	HK$0.245
	10,000,000	3 November 2016	3 November 2016 to 2 November 2026	HK$0.149
Chan Wai Kei, Vicki	10,000,000	19 June 2014	19 June 2014 to 18 June 2024	HK$0.138
	10,000,000	7 July 2015	7 July 2015 to 6 July 2025	HK$0.245
	10,000,000	3 November 2016	3 November 2016 to 2 November 2026	HK$0.149
Wong Edward Gwon-hing	10,000,000	25 July 2014	25 July 2014 to 24 July 2024	HK$0.121
	10,000,000	7 July 2015	7 July 2015 to 6 July 2025	HK$0.245
	10,000,000	3 November 2016	3 November 2016 to 2 November 2026	HK$0.149
Yam Tat Wing	10,000,000	7 July 2015	7 July 2015 to 6 July 2025	HK$0.245
	10,000,000	3 November 2016	3 November 2016 to 2 November 2026	HK$0.149

Interests in shares of associated corporation of the Company

Name of associated corporation	Name of Directors	Nature of interest	Number of shares	Percentage of all the issued shares of the associated corporation
Tamar Investments Group Limited	Chan Wai Lap, Victor	Personal	10	10.00%
	Chan Sing Chuk, Charles	Personal	45	45.00%
	Cheng Siu Yin, Shirley	Personal	45	45.00%

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

(b) As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been, since 30 June 2016, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

(c) None of the Directors is materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Enlarged Group as a whole.

(d) As at the Latest Practicable Date, none of the Directors had entered into any service contract with any member of the Group which is not expiring or determinable by the employer within one year without payment of compensation other than statutory compensation.

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

3. LITIGATION

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

4. MATERIAL CONTRACTS

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

(a) on 13 November 2015 and 13 May 2016, Master Gold Development Limited (a wholly-owned subsidiary of the Company), as the lender, entered into facility agreements with Wealth Plus Developments Limited (a joint venture of the Group), as the borrower, for providing facilities of up to HK$61,500,000 and HK$37,000,000 respectively. The facilities will be used as working capital for the development of the joint venture's property development project in Shanghai;

(b) on 11 March 2016 and 9 September 2016, the Company, Shanghai Haijin Real Estate Co., Ltd.* (the "**JV Subsidiary**"), Wealth Plus Developments Limited, Hang Seng Bank (China) Limited (the "**Bank**"), Early Light Industrial Company Limited and A Glory Communications Limited entered into facility agreements in relation to the provisions of term loan facilities of RMB110,000,000 and RMB773,300,000 by the Bank to the JV Subsidiary, whereby the Company had given guarantees of RMB55,000,000 (equivalent to approximately HK$64,213,000) and RMB386,650,000 (equivalent to approximately HK$448,514,000) respectively representing up to 50% of the facilities in favour of the Bank;

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

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

(d) on 19 September 2016, a wholly-owned subsidiary of the Company as vendor, an independent third party as the purchaser entered into a sale and purchase agreement in relation to the disposal of a subsidiary, which holds Continental Place, a 29-story commercial building located in Sheung Wan, Hong Kong at an aggregate consideration of HK$1,133.5 million.

(e) on 17 July 2017, the Company as borrower entered into a loan agreement with Dr. Chan as lender in relation to loan facilities in the amount of HK$50,000,000. The loans are unsecured, interest-bearing at 1.5% per annum, and repayable on 16 July 2020; and

(f) the Agreement.

5. EXPERTS AND CONSENTS

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

Name	**Qualifications**
BDO Limited	Certified Public Accountants
Roma Appraisals Limited	Professional valuer

Each of BDO Limited and Roma Appraisals Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or report and/or references to its name, in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of BDO Limited and Roma Appraisals Limited had no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and had no direct or indirect interest in any assets which have been, since 30 June 2016, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

6. GENERAL

(a) The secretary of the Company is Mr. Hui Chun Lam. Mr. Hui is a member of CPA Australia, an associate member of the Hong Kong Institute of Certified Public Accountants and member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

(b) The registered office of the Company is situated at Flats M and N, 1/F., Kaiser Estate, Phase III, 11 Hok Yuen Street, Hunghom, Kowloon, Hong Kong.

(c) The share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(d) In case of inconsistency, the English text of this circular shall prevail over the Chinese text.

7. DOCUMENTS AVAILABLE FOR INSPECTION

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

(a) the articles of association of the Company;

(b) the annual reports of the Company for the three years ended 30 June 2014, 2015 and 2016;

(c) the accountants' report on the Target Group, the text of which is set out in Appendix II to this circular;

(d) the report from BDO Limited on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(e) the valuation report prepared by Roma Appraisals Limited in relation to the Land, the text of which is set out in Appendix IV to this circular;

(f) a copy of each of the material contracts referred to in the paragraph headed "4. Material Contracts" in this Appendix;

(g) the written consents referred to in the paragraph headed "5. Experts and Consents" in this Appendix;

(h) the circular of the Company dated 28 October 2016; and

(i) this circular.

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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00513)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Continental Holdings Limited (the "**Company**") will be held at Function Rooms 2 & 3, 3/F, The Mira Hong Kong, 118 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 20 October 2017 at 11:00 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution:

ORDINARY RESOLUTION

"**THAT**

(a) the conditional and legally binding preliminary agreement for sale and purchase dated 17 July 2017 (the "**Agreement**") entered into between Hillcharm Limited as seller, CSI Properties Limited and Wisdom King Investments Limited as the seller's guarantors, Globe Deal Investments Limited as purchaser and Pacific Gate Investment Limited as the target subsidiary (a copy of which has been produced to the meeting marked "A" and initialed by the chairman of the meeting for the purpose of identification) in relation to the sale and purchase of the entire issued share capital of Ontrack Ventures Limited, and all the inter-company loans owing by Ontrack Ventures Limited to the seller at completion at an aggregate consideration of HK$1,180 million (subject to adjustment in accordance with the terms and conditions of the Agreement) and the transaction contemplated thereunder be and are hereby approved, ratified and confirmed; and

(b) any one director of the Company be and is hereby authorised to execute all other documents and to do all other acts and things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in and completion of the Agreement, and take such action as he/she may in his/her opinion consider to be necessary, desirable or expedient to implement and give effect to the Agreement and any other transactions contemplated under the Agreement, and to agree to such variation, amendment or waiver or matter relating thereto (including any variation, amendment or wavier of such documents or any terms thereof) as is/are in his/her opinion in the interest of the Company and its shareholders as a whole."

By Order of the Board
Chan Wai Lap, Victor
Chairman

Hong Kong, 25 September 2017

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

Notes:

(1) Any member of the Company entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.

(2) Where there are joint registered holders of any share of the Company, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto; but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

(3) Completion and return of the form of proxy will not preclude a member from attending and voting at the EGM or any adjournment thereof if he so wishes. In that event, his form of proxy will be deemed to have been revoked.

(4) In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the registered office of the Company at Flats M and N, 1/F., Kaiser Estate, Phase III, 11 Hok Yuen Street, Hunghom, Kowloon, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.

(5) As at the date hereof, Mr. Chan Wai Lap, Victor, Dr. Chan Sing Chuk, Charles, *BBS, JP*, Ms. Cheng Siu Yin, Shirley, Ms. Chan Wai Kei, Vicki, Mr. Wong Edward Gwon-hing are the executive directors of the Company, Mr. Yam Tat Wing is the non-executive Director of the Company, and Mr. Yu Shiu Tin, Paul, *BBS, MBE, JP*, Mr. Chan Ping Kuen, Derek, Mr. Sze Irons, *BBS, JP* and Mr. Cheung Chi Fai, Frank are the independent non-executive directors of the Company.