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CONTINENTAL
HOLDINGS LIMITED

恒和珠寶集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00513)

SUPPLEMENTAL ANNOUNCEMENT
CONNECTED TRANSACTION –
ACQUISITION OF APPROXIMATELY 24.81%
SHAREHOLDING
IN A NON-WHOLLY OWNED SUBSIDIARY

Reference is made to the announcement of Continental Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 23 October 2024 (the “**Announcement**”) in relation to a connected transaction relating to the acquisition of approximately 24.81% shareholding in C.J. (UK) Limited. Unless the context requires otherwise, capitalized terms used herein shall have the same meanings as those defined in the Announcement.

The Board wishes to provide supplemental information in addition to those disclosed in the Announcement.

ORIGINAL ACQUISITION COST OF THE SHARES TO THE SELLER

The Seller acquired the Shares at a subscription price of GBP330 in 2020, representing the total of par value of the Shares at GBP1 each, in connection with the Seller joining the Target Company as a director in 2020.

BASIS OF CONSIDERATION

The Consideration of the Acquisition was GBP576,313 (equivalent to approximately HK\$5,829,000), which was paid by the Buyer upon Completion using the internal resources of the Group.

The Board evaluated various valuation methods to determine the Consideration. The Board believed that the income approach was not suitable due to uncertainties in the underlying financial forecasts and the absence of available financial projections. Instead, the Board made reference to historical financial performance of the Target Company for a reliable assessment of the Target Company's value. The Board was mindful of the net asset value of the Target Company, which amounted to approximately GBP1,823,796 as of 30 June 2024. However, considering that the Target Company engages in jewellery trading business, which (i) does not rely on significant amount of fixed assets and equipment during its operation, and (ii) heavily depends on other factors such as brand reputation, customer base and customer loyalty for its profitability, the Board was of the view that the net asset value of the Target Company was not a comprehensive reflection of its market value. Having considered the nature of the Target Company's business and limitations of the aforementioned valuation methods, the Board concluded that a market approach was the most appropriate for assessing the value of the Target Company. EBITDA was chosen as the basis for determining the Consideration, as it is more accurate in reflecting the revenue-generating power of the Target Company, and eliminates distortion of the Target Company's value arising from tax policies, accounting practices and capital structure.

The Target Company's average EBITDA for the four financial years ended 30 June 2021 to 30 June 2024 (the "**Relevant Period**") was taken into account in determining the Consideration, reflecting the contribution of the Seller as a director of the Target Company during the Relevant Period.

In applying a multiplier of five to the Target Company's average EBITDA for the Relevant Period, the Board made reference to 9 companies listed in Hong Kong, Switzerland, Italy, Denmark and the United Kingdom that engage in comparable principal business as the Target Company (the "**Comparable Companies**"). It was noted that the price-to-EBITDA ratio (based on average normalized EBITDA for the Relevant Period) of the Comparable Companies ranges from 2.09 to 14.82, with a mean of 7.80 and a median of 7.98. Through arms' length negotiations between the Buyer and Seller, the parties agreed on a multiple of five after adjustments, representing a discount from the aforementioned mean and median to account for differences in geographical locations, business scale, brand name effects and the nature of business of the Comparable Companies as compared with the Target Company. This adjustment was considered by the Board as appropriate, accurately reflecting its view of the Target Company's financial performance, market position and positive growth prospects.

In light of the above, the Board considered that the Consideration is fair and reasonable and in the interests of the Company and its shareholders as a whole.

By order of the Board
Continental Holdings Limited
Chan Wai Lap, Victor
Chairman

Hong Kong, 5 November 2024

As at the date of this announcement, Mr. Chan Wai Lap, Victor, Ms. Cheng Siu Yin, Shirley, Ms. Chan Wai Kei, Vicki, Ms. Chan Mei Kei, Alice and Mr. Wong Edward Gwon-hing are the executive Directors of the Company; and Mr. Yu Shiu Tin, Paul, BBS, MBE, JP, Mr. Chan Ping Kuen, Derek, Mr. Sze Irons, BBS, JP, Mr. Cheung Chi Fai, Frank and Mr. Yam Tat Wing are the independent non-executive Directors of the Company.