
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 your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Hong Kong Resources Holdings Company Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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**HONG KONG RESOURCES HOLDINGS COMPANY LIMITED****香港資源控股有限公司**

*(Incorporated in Bermuda with limited liability and carrying
on business in Hong Kong as HKRH China Limited)*

(Stock Code: 2882)

- (1) DISPOSAL OF 50% INTEREST IN CGS CONSTITUTING MAJOR
TRANSACTION;
(2) SHAREHOLDERS' DEED;
(3) ISSUE OF HKRH CONVERTIBLE BONDS;
(4) GRANT OF CGS SHARE OPTION; AND
(5) SUPPLY AGREEMENT AND COMPETITIVENESS
ENHANCEMENT AGREEMENT CONSTITUTING CONTINUING
CONNECTED TRANSACTIONS**

**Financial Adviser to
Hong Kong Resources Holdings Company Limited**

**CROSBY
Crosby Securities Limited**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



A letter from the Independent Board Committee is set out on pages 37 to 38 of this circular.

A letter from GF Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 39 to 48 of this circular.

A notice convening the SGM to be held at Units 1701-11, 17/F., Peninsula Square, No.18 Sung On Street, Hunghom, Kowloon, Hong Kong at 9:30 a.m. on Monday, 10 March 2014 is set out on pages 60 to 63 of this circular. Whether or not you are able to attend and/or vote at the SGM in person, you are requested to complete the enclosed form of proxy and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

21 February 2014

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DEFINITIONS

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

“Annual Caps (Competitiveness Enhancement)”	the proposed annual caps of the Competitiveness Enhancement Agreement for each of the three financial years ending 30 June 2016
“Annual Caps (Supply)”	the proposed annual caps of the Supply Agreement for each of the three financial years ending 30 June 2016
“associate(s)”	the meaning ascribed to it in the Listing Rules
“Audited Net Asset Value”	means the audited consolidated net asset value of the CGS Group as at 31 December 2013 as shown in the CGS Interim Accounts, save and except that the value of gold and platinum inventory be replaced by their respective market prices as at 31 December 2013
“Business Day”	a day (excluding Saturdays and Sundays and public holidays) on which licensed banks are generally open for business in Hong Kong
“Bye-laws”	the bye-laws of the Company as may be amended from time to time
“CGS”	China Gold Silver Group Company Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company as at the Latest Practicable Date
“CGS Agreement”	the agreement dated 28 January 2014 entered into among the Company, Luk Fook and CGS in respect of the Share Transaction, the HKRH CB Subscription and the grant and subscription of CGS Share Option
“CGS Board”	the board of directors of each member of the CGS Group
“CGS Group”	CGS and its subsidiaries
“CGS Interim Accounts”	the audited consolidated balance sheet of the CGS Group as at 31 December 2013 and the audited consolidated profit and loss account of the CGS Group for the period commencing from the day immediately following 30 June 2013 and ending on 31 December 2013

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“CGS Shares”	an ordinary share of USD1.00 in the capital of CGS together with all rights attaching thereto
“CGS Share Option”	the rights to subscribe for the CGS Share Option Shares, free from all encumbrances and ranking pari passu with CGS Shares on the date of issue of the CGS Share Option Shares, at the CGS Share Option Exercise Price
“CGS Share Option Exercise Price”	US\$24,390.24 payable in respect of each CGS Share Option Share on exercise of the CGS Share Option, subject to adjustments in accordance with the CGS Share Option Terms
“CGS Share Option Share(s)”	such number of CGS Shares which may derive from dividing US\$5,000,000 by the CGS Share Option Exercise Price
“CGS Share Option Terms”	the terms and conditions to the CGS Share Option to be attached to the certificate of the CGS Share Option substantially in the approved terms set out in the CGS Agreement (with such amendments thereto as Luk Fook and CGS may agree in writing)
“Company”	Hong Kong Resources Holdings Company Limited, a company incorporated in Bermuda with limited liability and carrying on business in Hong Kong as HKRH China Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2882)
“Competitiveness Enhancement Agreement”	the Competitiveness Enhancement Agreement in respect of certain services to be provided by member(s) of the Luk Fook Group to member(s) of the CGS Group
“Completion”	completion of the Share Transaction, HKRH CB Subscription and the grant and subscription of the CGS Share Option
“Completion Date”	the 5th Business Day from and excluding the day on which the last of the Conditions having been satisfied or waived (as the case may be) (or such other date as the Company, Luk Fook and CGS may agree in writing)
“Conditions”	the conditions precedent to the completion of the CGS Agreement

DEFINITIONS

“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the aggregate consideration for the sale and purchase of the Sale Shares under the CGS Agreement, being 50% of the balance of the Audited Net Asset Value less HK\$60,000,000
“Directors”	the directors of the Company
“Dr. Wong” or “Controlling Shareholder”	Dr. Wong, Kennedy, Ying Ho, the controlling shareholder of the Company and an executive director and the chairman of the Company
“Existing CGS CB Subscription Agreement”	means the subscription agreement dated 26 August 2013 entered into between 上海鴻城創業投資中心(有限合夥)(Shanghai Hongcheng Venture Investment Centre (Limited Partnership))* as original subscriber and CGS as issuer as amended and supplemented by a novation and supplemental agreement dated 13 January 2014 made between the Company, CGS, 上海鴻城創業投資中心(有限合夥) (Shanghai Hongcheng Venture Investment Centre (Limited Partnership))* and Maya Gold Investment Limited relating to the subscription of the Existing CGS Convertible Bonds
“Existing CGS Conversion Shares”	the CGS Shares to be issued by CGS to the holder of the Existing CGS CB Convertible Bonds upon conversion of the Existing CGS Convertible Bonds
“Existing CGS Convertible Bonds”	the Convertible Bonds in the principal amount of US\$5,000,000 issued by CGS to Maya Gold Investment Limited dated 15 January 2014
“Flotation Date”	the date of delivery by CGS or the Company to Luk Fook of any approval from a stock exchange or trading counter of international repute approved by the majority shareholders of CGS holding in aggregate more than 50% of the voting powers at general meeting (and/or such evidence as Luk Fook may require) confirming the grant of a listing of and permission to deal in the entire equity capital of CGS or (in the event that all the issued equity capital of CGS is held by a holding company of which Luk Fook is a shareholder) of the holding company of CGS in issue from time to time on such stock exchange or trading counter and in a manner approved by and in accordance with the applicable rules of such stock exchange

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“Group”	the Company and its subsidiaries
“GF Capital” or “Independent Financial Adviser”	GF Capital (Hong Kong) Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of terms of the Supply Agreement (including the Annual Caps (Supply)) and the transactions contemplated thereunder
“HKRH CB Subscription”	the subscription of the HKRH Convertible Bonds by Luk Fook pursuant to the terms of the CGS Agreement
“HKRH CS Undertaking”	the deed of undertaking executed by the Controlling Shareholder on 28 January 2014, details of which are set out in the section headed “THE CGS AGREEMENT – (I) THE SHARE TRANSACTION – Deed of undertaking by the Controlling Shareholder”
“HKRH Conversion Price”	the price of HK\$0.18 per Share, subject to adjustment
“HKRH Conversion Share(s)”	the Shares to be issued by the Company to Luk Fook upon conversion of the HKRH Convertible Bonds
“HKRH Convertible Bonds”	the convertible bonds in the principal amount of HK\$57,080,000 to be issued by the Company to Luk Fook pursuant to the CGS Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholder(s)”	shareholder(s) of the Company other than Luk Fook Holdings, Mr. Wong, Mr. Hui and their respective associates
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive directors to be established for the purpose of considering and advising the Independent Shareholders in connection with the Supply Agreement (including the Annual Caps (Supply)) and the transactions contemplated thereunder

DEFINITIONS

“Latest Practicable Date”	means 18 February 2014, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“LF Controlling Shareholder”	Luk Fook (Control) Limited, a company incorporated in the British Virgin Islands and the controlling shareholder of Luk Fook Holdings as at the Latest Practicable Date
“LF CS Undertaking”	the deed of undertaking to be executed by LF Controlling Shareholder before Completion, details of which are set out in the section headed “THE CGS AGREEMENT – (I) THE SHARE TRANSACTION – Deed of undertaking by LF Controlling Shareholder”
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	31 July 2014, or such later date as may be mutually agreed by the Company and Luk Fook pursuant to the CGS Agreement
“Luk Fook”	Luk Fook 3D Management Company Limited, a company incorporated in the British Virgin Islands and wholly-owned by Luk Fook Holdings as at the Latest Practicable Date
“Luk Fook Group”	Luk Fook Holdings and its subsidiaries
“Luk Fook Holdings”	Luk Fook Holdings (International) Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 0590)
“Maxigood”	Maxigood Enterprises Limited, a company incorporated in Hong Kong and wholly-owned by Luk Fook Holdings as at the Latest Practicable Date
“MOU”	the memorandum of understanding dated 4 November 2013 entered into between Luk Fook Holdings and the Company in relation to, among other things, the Share Transaction, the HKRH CB Subscription and the Shareholders’ Deed
“Mr. Hui”	Mr. Hui Chiu Chung, a non-executive director of Luk Fook Holdings

DEFINITIONS

“Mr. Wong”	Mr. Wong Wai Sheung, a substantial shareholder of Luk Fook Holdings and the chairman and chief executive and an executive director of Luk Fook Holdings
“Perfect Ace”	Perfect Ace Investments Limited, a company incorporated in the British Virgin Islands with limited liability
“PRC”	the People’s Republic of China (excluding, for the purposes of this Circular, Hong Kong, Macau and Taiwan)
“Sale Shares”	the 1,667 ordinary shares of US\$1.00 each in the issued share capital of CGS, representing 50% of the issued share capital of CGS as at the Latest Practicable Date
“Shareholder(s)”	the holder(s) of the Shares
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“SFO”	the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the CGS Agreement, the grant of the Specific Mandate, the grant of the CGS Share Option, the Shareholders’ Deed, and the Supply Agreement (including the Annual Caps (Supply))
“Share Transaction”	the sale and purchase of the Sale Shares on the terms and subject to the conditions set out in the CGS Agreement
“Shareholders’ Deed”	a deed to be entered into between the Company, Luk Fook and CGS at Completion governing the relationship among shareholders of CGS and the management of the CGS Group after Completion
“Specific Mandate”	the specific mandate to be granted by the Shareholders to the Board of Directors at the SGM for the allotment and issue of the HKRH Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Supply Agreement”	the supply agreement in respect of the supply services to be provided by Maxigood (for itself and as agent for and on behalf of each of the subsidiaries of Luk Fook Holdings) to CGS (for itself and as agent for and on behalf of each of its subsidiaries)
“Transactions”	the Share Transaction, the HKRH CB Subscription and the grant of the CGS Share Option
“US\$”	United States dollars, the lawfulcurrency of the United States of America; and
“%”	per cent

* *The English name is a translation of its Chinese name and is included for identification purposes only*

LETTER FROM THE BOARD



HONG KONG RESOURCES HOLDINGS COMPANY LIMITED
香港資源控股有限公司

*(Incorporated in Bermuda with limited liability and carrying
on business in Hong Kong as HKRH China Limited)*
(Stock Code: 2882)

Executive Directors:

Dr. Wong, Kennedy Ying Ho (*Chairman*)
Mr. Lam Kwok Hing, Wilfred
Ms. Wong Wing Yan, Ella
Mr. Cheung Pak To, Patrick

Registered Office:

Clarendon House
2 Church Street
Hamilton, HM11
Bermuda

Non-executive Directors:

Dr. Hui Ho Ming, Herbert

Head Office and Principal

Place of Business:

Unit 1701-11,
17/F, Peninsula Square
No.18 Sung On Street,
Hung Hom,
Kowloon, Hong Kong

Independent non-executive Directors:

Mr. Fan, Anthony Ren Da
Ms. Estella Yi Kum Ng
Mr. Wong Kam Wing

21 February 2014

To the Shareholders

Dear Sir or Madam,

- (1) DISPOSAL OF 50% INTEREST IN CGS CONSTITUTING MAJOR
TRANSACTION;**
(2) SHAREHOLDERS' DEED;
(3) ISSUE OF HKRH CONVERTIBLE BONDS;
(4) GRANT OF CGS SHARE OPTION; AND
**(5) SUPPLY AGREEMENT AND COMPETITIVENESS
ENHANCEMENT AGREEMENT CONSTITUTING CONTINUING
CONNECTED TRANSACTIONS**

INTRODUCTION

References are made to the joint announcements by the Company and Luk Fook Holdings dated 5 November 2013 and 28 January 2014. On 28 January 2014, (i) the Company, Luk Fook and CGS entered into the CGS Agreement, pursuant to which, among

LETTER FROM THE BOARD

other things, the Company agreed to sell and Luk Fook agreed to purchase the Sale Shares, representing 50% of the issued share capital of CGS as at the Latest Practicable Date, and (ii) the Controlling Shareholder executed the HKRH CS Undertaking.

Subject to and upon Completion, (i) the Company, Luk Fook and CGS will enter into, among others, the Shareholders' Deed; (ii) the Company will issue to Luk Fook, and Luk Fook will subscribe for the HKRH Convertible Bonds; (iii) CGS will grant to Luk Fook, and Luk Fook will subscribe for the CGS Share Option; (iv) LF Controlling Shareholder will execute the LF CS Undertaking; (v) Maxigood and CGS will enter into the Supply Agreement; and (vi) Luk Fook's related company and a member of the CGS Group will enter into the Competitiveness Enhancement Agreement.

The purpose of this circular is to provide you with, among other things, (i) details of the CGS Agreement, the Shareholders' Deed, the Supply Agreement, and the Competitiveness Enhancement Agreement; (ii) further information on the Share Transaction; (iii) further information on the HKRH CB Subscription and the CGS Share Option; (iv) the financial information of the Group; (v) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Supply Agreement (including the Annual Caps (Supply)); (vi) the advice of GF Capital to the Independent Board Committee and the Independent Shareholders; and (vii) a notice convening the SGM together with the proxy form and other information as required under the Listing Rules.

THE CGS AGREEMENT

(I) THE SHARE TRANSACTION

Parties

Vendor: Company

Purchaser: Luk Fook; and

Target: CGS

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for the 57,480,802 Shares held by Luk Fook Holdings, Mr. Wong, Mr. Hui and his associates, Luk Fook and its ultimate beneficial owner(s) are third parties independent of the Company and the connected persons of the Company.

Subject of the Share Transaction

The Sale Shares, representing 50% of the issued share capital of CGS as at the Latest Practicable Date.

LETTER FROM THE BOARD

Consideration and payment terms

The Consideration shall be 50% of the balance of the Audited Net Asset Value (Note) less HK\$60,000,000. The Consideration, which was determined after arms' length negotiation between the parties, was based on the net asset value of the CGS Group with a slight discount, in view of the loss making results of the CGS Group for the most recent financial year ended 30 June 2013. The Directors consider that the Consideration and discount are fair and reasonable.

Note: In relation to the Audited Net Asset Value, considering that the value of gold and platinum is continuously fluctuating in the market, the parties agreed that the value of gold and platinum inventory owned by the CGS Group as at 31 December 2013 is replaced by their respective market prices as at 31 December 2013 in order to reflect their market value. The market value of gold and platinum inventory of the CGS Group is approximately HK\$28 million lower than the book value as at 31 December 2013.

With reference to the unaudited financial statements of the CGS Group as at 30 September 2013, being the latest financial statements available as at the Latest Practicable Date, the Consideration is estimated to be approximately HK\$282.7 million. The Consideration was determined after arm's length negotiations between the Company and Luk Fook with reference to the net assets value of the CGS Group. Each of the Company and Luk Fook Holdings will comply with the applicable Listing Rules if the actual Consideration affects the size classification of the Share Transaction.

Luk Fook has paid the sum of HK\$50,000,000 as deposit (the "**Deposit**") to the Company and the Company has executed a share charge (the "**Share Charge**") in favour of Luk Fook over approximately 15% of the issued share capital of CGS as security for the Company's obligations and liabilities to repay the Deposit. At Completion, the Deposit shall be applied as part payment of the consideration for the Sale Shares, and Luk Fook shall pay to the Company in cash the remaining balance of the Consideration. After Completion, Luk Fook shall within 3 Business Days thereof deliver to the Company a release of the Share Charge executed by Luk Fook as chargee in favour of the Company as chargor dated the Completion Date.

If (i) the Conditions are not fulfilled or waived by the Long Stop Date; or (ii) Completion does not occur within 5 Business Days of the Long Stop Date, Luk Fook may by notice in writing to the Company to terminate the CGS Agreement. The Company shall then refund the Deposit (together with the relevant interest on the Deposit) to Luk Fook in full amount in accordance with the terms in the CGS Agreement.

Completion of the Share Transaction

Completion shall take place on the Completion Date. Upon Completion, the Company will continue to hold 50% interest in CGS, and CGS shall continue to be accounted for as a subsidiary of the Company pursuant to the relevant accounting standards issued by Hong Kong Institute of Certified Public Accountants.

LETTER FROM THE BOARD

Upon Completion, the Group will be principally engaged in the trading and sale of gold, platinum and jewellery products in Hong Kong, Macau and other region in the PRC through retailing, franchising and e-commerce under the brand or trade names of “3D-Gold”, “金至尊”, “La Milky Way” and “銀河明星”.

Deed of undertaking by the Controlling Shareholder

In consideration of Luk Fook entering into of the CGS Agreement, the Controlling Shareholder undertakes with Luk Fook that (i) he, together with his associates, shall maintain an aggregate shareholding carrying voting rights at general meeting of the Company at all times to 25% or above; and (ii) he shall, and shall procure his associates to attend the general meeting(s) of the Company and cast all his/her/its voting entitlements in the Company and vote in favour of all relevant resolutions which are necessary to give effect to the Transactions. Such undertakings shall be terminated and shall cease to be any further force or effect upon (a) Completion not having occurred in accordance with the CGS Agreement or (b) where Completion of the Transaction having occurred, then either (i) Luk Fook ceases to own any shares in CGS; or (ii) the Flotation Date; or (iii) CGS ceases to exist.

Deed of undertaking by Luk Fook Holdings

In consideration of the Company entering into of the CGS Agreement, upon and subject to Completion, the LF Controlling Shareholder will undertake with the Company that it shall attend the general meeting(s) of Luk Fook Holdings and cast all its voting entitlements in Luk Fook Holdings and vote in favour of all relevant resolutions which are necessary to give effect to the Transactions. Such undertakings shall be terminated and shall cease to be of any further force or effect upon (i) the Company ceases to own any shares in CGS, (ii) the Flotation Date or (iii) CGS ceases to exist.

Shareholders’ Deed

Subject to and upon Completion, the Company, Luk Fook and CGS will enter into, among others, the Shareholders’ Deed to govern the relationships among shareholders of CGS and the CGS Group.

The principal terms of the Shareholders’ Deed are set out below:

The business

The parties to the Shareholders’ Deed shall procure that the business of CGS be (i) the activities which have been carried on by the CGS Group in the last and current financial year, including the trading and sale of gold, platinum and jewellery products in Hong Kong, Macau and the PRC through retailing, franchising and e-commerce under the brand and other brand(s) currently owned or licensed to the CGS Group, and (ii) such other activities and brand(s) and territories as may from time to time may be mutually agreed by Luk Fook and the Company.

LETTER FROM THE BOARD

Financial commitment

Within 3 Business Days after the date of the Shareholders' Deed, the Company and Luk Fook shall each provide funding of HK\$100,000,000 to CGS by way of shareholders' loans for the purpose of general working capital and business expansion of CGS. Any future funding requirements shall be met in such manner and at such times as the Company and Luk Fook may from time to time agree. The funding amount and any future funding amounts shall be made available in any of the following methods:

- (a) by way of advance of unsecured and non-interest bearing shareholders loans to CGS;
- (b) by way of subscription of loan note(s) convertible into shares to be issued by CGS;
- (c) by way of subscription of new shares or securities in CGS at such valuation to be agreed by the Company and Luk Fook; and
- (d) such other method(s) as may be agreed in writing by Luk Fook and the Company.

Distribution policy

Unless otherwise expressly agreed by the Company and Luk Fook in writing, the CGS Group shall distribute to its shareholders by way of dividend in respect of each of its accounting periods, an amount equal to at least 40% of distributable profits in accordance with applicable laws, provided that (i) the amount declared would not prevent it from retaining sufficient working capital or cash flow to enable it to carry on business in a prudent manner; and (ii) no distribution by way of dividend by any member of the CGS Group shall be made in respect of the first 2 financial years of the date of the Shareholders' Deed or otherwise mutually agreed by the Company and Luk Fook.

Directors and other officers

The maximum number of directors of CGS shall be 8 directors. Each of the Company and Luk Fook shall appoint an equal number of directors. The Company shall be entitled to appoint and at any one time remove or substitute up to 4 directors appointed by the Company and Luk Fook shall be entitled to appoint and at any one time remove or substitute up to 4 directors appointed by Luk Fook.

The Company shall nominate one of the directors appointed by it to be chairman of the CGS Board, provided that if any of the following events occurs, then the chairmanship then held by any director appointed by the Company shall be automatically be vacated and replaced by any director whom Luk Fook may select as the new chairman of CGS Board:

LETTER FROM THE BOARD

- (i) (1) the CGS Group is able to meet the new listing requirements under the applicable rules of a stock exchange; and (2) Luk Fook wishes to proceed with or complete such new listing exercise, but the CGS Group is unable to proceed with or complete the same for any reason arising in connection with the Company or its affiliated companies; or
- (ii) approval having been obtained from a stock exchange or trading counter of international repute approved by the majority shareholders of CGS confirming the grant of a listing of and permission to deal in the entire equity capital of CGS or its listing vehicle on such stock exchange or trading counter.

In the case of an equality of votes at any meeting of the CGS Board, such chairman shall be entitled to a second or casting vote.

Luk Fook shall from time to time select any person to be appointed as the chief executive officer of each member of the CGS Group. Luk Fook and the Company agree and acknowledge that where the CGS Board has such power as provided for in the articles of association of CGS, the chief executive officer of CGS is intended to be delegated with the overall management power for the conduct of the business and the daily operations of CGS, save and except for (1) those powers reserved for the CGS Board; and (2) the reserved matters under the Shareholders' Deed.

Rights of first refusal

Luk Fook and the Company will have a right of first refusal (i) if Luk Fook or the Company (the "**Transferor**") sells, transfers or otherwise disposes, or attempts or intends to sell, transfer or otherwise dispose, of any of the CGS Shares held by it to any third party (ii) if CGS or any members of the CGS Group sells, transfers or otherwise disposes, or attempts or intends to sell, transfer or otherwise dispose, of any of its interest in any other member of CGS Group to any third party, and (iii) if CGS or any members of the CGS Group issues any additional CGS Shares, bonds, debentures or other securities convertible into CGS or any other member(s) of the CGS Group or grants any option for CGS Shares, or attempts or intends to do so.

Deadlock

In the event of a deadlock situation in which the Company and Luk Fook are in substantial disagreement in certain resolutions, whether at board or shareholder level or both, then either the Company or Luk Fook may serve an auction notice pursuant to which either the Company or Luk Fook or both parties may submit a bid to buy out the shares in CGS held by the other party. If both parties submit a bid, the party which submits the higher bid shall be bound to purchase the other party's shares in CGS. Where only one party submits a bid, then the other party shall be deemed to have accepted the offer by the party which submits the bid.

LETTER FROM THE BOARD

Completion of the sale or purchase of the shares in CGS under such deadlock situation shall be conditional upon all necessary governmental and other consents having been obtained and subject to compliance of the Listing Rules.

If (i) at the end of the relevant period specified in the Shareholders' Deed, the Company and Luk Fook have not reached agreement pursuant to the Shareholders' Deed or (ii) the shareholders' approval of Luk Fook and/or the Company under the Listing Rules shall be required but shall not have been obtained or (iii) the approval under applicable competition law shall be required but shall not have been obtained, then CGS shall be put into voluntary liquidation.

Undertakings regarding the operations of CGS and spin off

CGS undertakes to each of the Company and Luk Fook that, and each of the Company and Luk Fook shall procure that CGS shall both respect to itself and, where applicable, each other member of the CGS Group:

- (a) maintain with a well established and reputable insurer adequate insurance against all risks usually insured against by companies carrying on the same or similar business as CGS;
- (b) keep books of account and therein make true and complete entries of all its dealings and transactions of and in relation to the business of CGS and such books of account and all other records and documents relating to the business affairs of CGS (or any other relevant member of the CGS Group, as applicable) shall be open to inspection by each of the Company and Luk Fook during normal business hours and on reasonable prior notice and they shall be permitted to take and remove copies thereof;
- (c) prepare monthly consolidated management accounts of CGS and procure that such monthly consolidated management accounts of CGS together with all analysis report(s), notes, explanations and data are delivered to each of the Company and Luk Fook; and (ii) prepare such accounts in respect of each accounting period as are required by statute such accounts being prepared on accounting policies consistent with CGS's audited accounts of the immediately preceding financial year and procure that such accounts are audited and issued as soon as practicable; and
- (d) keep the Company and Luk Fook fully informed as to all its financial and business affairs and in particular shall provide the Company and Luk Fook with full details of any actual or prospective material change in such affairs as soon as such details are available.

LETTER FROM THE BOARD

In consideration for Luk Fook entering into the Shareholders' Deed, the Company agrees and covenants with Luk Fook that:

- (a) upon occurrence of spin off of CGS, Luk Fook or the parent company of Luk Fook shall be the single largest shareholder of the entire voting capital of the listed CGS vehicle at the time when the securities of the listed CGS vehicle are first traded on the relevant stock exchange or trading counter; and
- (b) Luk Fook shall have the right to participate in the application and clearance process leading to the spin off of CGS and the Company shall not and procure its agent and advise not to (i) apply or submit or send any application, documents, materials or submission to the relevant regulatory bodies in connection with the spin off; or (ii) publish any announcement or circulars relating to the spin off, without prior consent from Luk Fook (which consent shall not be unreasonably withheld); and
- (c) the Company shall forthwith provide to Luk Fook, upon request, any information and documents relating to the spin off of CGS or which is useful or necessary for Luk Fook to analyse or consider the relevant spin off proposal.

Transfer of CGS Shares

No transfer of any CGS Share to a third party shall be registered unless:

- (a) the proposed transferee has entered into a deed in the form attached to the Shareholders' Deed, pursuant to which a transferee or allottee of the CGS Shares agrees to be bound by all terms of the Shareholders' Deed as if it had been a signatory;
- (b) such transfer is made in compliance with the provisions contained in the Shareholders' Deed; and
- (c) the transferor assigns and the transferee accepts an assignment of the benefit of all or a proportionate part (as the case may be) of the loans made to CGS by the transferor or any of its subsidiaries and for the time being outstanding and assumes all the obligations of the transferor in respect of all, or a proportionate part, of any guarantee given by the transferor on behalf of CGS,

and save as otherwise provided in the Shareholders' Deed no shareholder of CGS shall otherwise sell, transfer or dispose of any CGS Share or any interest therein or create any third party interest in respect thereof.

LETTER FROM THE BOARD

Exit

Within 10 Business Days after the third anniversary of the date of the Shareholders' Deed and at any time commencing the sixth anniversary of the date of the Shareholders' Deed, either the Company or Luk Fook may serve an auction notice on the other in accordance with the Shareholders' Deed.

Corporate guarantee

As soon as practicably after Completion, the Company and Luk Fook shall each execute corporate guarantee(s) on a several basis pro-rata to their respective shareholdings in CGS in favour of (i) the CGS's bankers in respect of the existing bank borrowings of the CGS Group as set out in the CGS Agreement, and (ii) the holder of the Existing CGS Convertible Bond upon issuance of the Existing CGS Convertible Bond under which the maximum liability of Luk Fook shall be no more than 50% of the outstanding face value of the Existing CGS Convertible Bond plus outstanding coupon, in each case upon and subject to the terms mutually agreed by the Company and Luk Fook.

Financial information on the CGS Group

The table below sets forth the audited financial information of the CGS Group:

	For the financial year ended 30 June	
	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net profit/(loss) before taxation	48,365	(51,206)
Net profit/(loss) after taxation	37,849	(59,916)

The unaudited consolidated net asset value of the CGS Group as at 30 September 2013 amounted to approximately HK\$625.4 million.

Financial effects of the Share Transaction

Based on the unaudited consolidated net asset value of the CGS Group as at 30 September 2013, the estimated loss on the Share Transaction (before expenses) will be approximately HK\$30.0 million, representing the Consideration of approximately HK\$282.7 million less 50% of the net asset value of the CGS Group of approximately HK\$312.7 million. The estimated loss on the Share Transaction will be debited to the other reserves in the Company's consolidated financial statements. The actual gain or loss arising from the Share Transaction to the Company would depend on (i) the profit or loss of the CGS Group for the period from 1 January 2014 up to the date of the Completion Date and is subject to final audit to be performed by the Company's auditors; and (ii) the amount of professional fees and all related expenses for the consummation of the Share Transaction and the transactions contemplated thereunder.

LETTER FROM THE BOARD

Upon Completion, the Company will continue to hold 50% interest in CGS, and the changes in the Company's ownership interests in CGS will not result in the Company losing control over CGS. As such, CGS shall continue to be accounted for as a subsidiary of the Company pursuant to the relevant accounting standards issued by Hong Kong Institute of Certified Public Accountants and the Disposal will be accounted for as an equity transaction. The consolidated net assets of the Company will be reduced by the percentage of the equity interest in the CGS Group disposed of by the Company. In the event there is any change to the composition of the CGS Board resulting in the Company losing control over CGS and unable to account for CGS as a subsidiary, this may constitute a notifiable and connected transaction for the Company. The Company will comply with the applicable requirements under Chapter 14 and Chapter 14A of the Listing Rules.

Use of proceeds

Based on the Consideration of approximately HK\$282.7 million using the unaudited consolidated net asset value of CGS Group as at 30 September 2013 of approximately HK\$625.4 million as reference, and the estimated professional fees and all related expenses to the Company for the Share Transaction of approximately HK\$2.9 million, the net proceeds receivable by the Company from the Share Transaction are estimated to be approximately HK\$279.8 million. The net proceeds from the Share Transaction shall be applied by the Company towards (i) the partial repayment of the Company's bank and other borrowings of approximately HK\$85.0 million, (ii) the capital injection of HK\$100 million by way of shareholders loan into CGS for the purpose of general working capital and business expansion of the CGS Group and (iii) the balance of approximately HK\$94.8 million as the Company's general working capital.

Reasons for the Share Transaction and benefits expected to accrue to the Company

The Directors consider that the Share Transaction is in the interest of the Company on the following grounds:

- (a) The operating results of the CGS Group were unsatisfactory, incurring a net loss before taxation of approximately HK\$51.2 million and a net loss after taxation of HK\$59.9 million for the year ended 30 June 2013. The results were caused by the downturn in economic growth in the Mainland China and the retail market, which the nature of the jewellery business and in particular gold prices, are particularly sensitive to changes in economic conditions and consumer confidence. The Group would therefore like to enhance its focus on higher margin jewellery and fixed price products to minimize the effect of gold price fluctuations. Since Luk Fook is one of the leading jewellery retailers in Hong Kong and the PRC, the expertise of Luk Fook will benefit the Company and CGS in developing the brand name of "3D-Gold" in the long run; and

LETTER FROM THE BOARD

- (b) The Share Transaction will enable each of the Company and Luk Fook to inject HK\$100 million into CGS Group for the expansion of the CGS Group; and
- (c) Part of the proceeds from the Share Transaction will be applied for repayment of the Company's bank and other borrowings which will help to improve the Company's gearing position.

The Directors are of the view that the terms of the Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(II) THE HKRH CB SUBSCRIPTION

Parties

Issuer: The Company; and

Subscriber: Luk Fook

Principal terms of the HKRH Convertible Bonds

Principal Amount	HK\$57,080,000
Issue Price	The HKRH Convertible Bonds will be issued at 100% of their principal amount.
Interest	3% per annum, payable annually in arrear on the last Business Day of each calendar year.
Maturity Date	The fifth anniversary of the issue date of the HKRH Convertible Bonds.
Conversion Rights	The HKRH Convertible Bonds are convertible in whole or in part of the principal amount of the HKRH Convertible Bonds into HKRH Conversion Shares at the HKRH Conversion Price by the bondholder at any time during the HKRH Conversion Period.

LETTER FROM THE BOARD

The bondholder shall not convert any part of the principal amount of the HKRH Convertible Bonds if such amount would result in the aggregate principal amount being converted into shares by the bondholder in the last 12 months exceeding HK\$19,027,000, save and except the aforesaid restriction shall not apply in the event there remains any outstanding principal amount of the HKRH Convertible Bonds as at the date falling one month preceding the expiry of the Conversion Period then the bondholder shall be entitled to convert all outstanding principal amount of the HKRH Convertible Bonds into Shares during such one month period of the Conversion Period.

Conversion Shares Based on the initial HKRH Conversion Price, a maximum number of 317,109,955 HKRH Conversion Shares will be issued upon full conversion of the aggregate principal amount of the HKRH Convertible Bonds, representing 9.09% of the enlarged issued share capital of the Company on a fully diluted basis.

The HKRH Conversion Shares shall rank pari passu in all respects with the Shares then in issue.

Conversion Price HK\$0.18 per Share, being the initial HKRH Conversion Price per HKRH Conversion Share.

The initial HKRH Conversion Price was arrived at after arm's length negotiations between the Company and Luk Fook with reference to the prevailing market price of the Shares as at the date of the MOU and represents:

- (i) a discount of approximately 2.2% to the closing price of HK\$0.184 per Share as quoted on the Stock Exchange on the last trading date before the date of the MOU;
- (ii) a premium of approximately 3.4% over the average of the closing price of HK\$0.174 per Share for the last five consecutive trading days up to and including the last trading date before the date of the MOU;
- (iii) a premium of approximately 4.5% over the average of the closing price of HK\$0.172 per Share for the last ten consecutive trading days up to and including the last trading date before the date of the MOU;
- (iv) a discount of approximately 50.0% to the closing price of HK\$0.360 per Share as quoted on the Stock Exchange on the last trading date before the date of the CGS Agreement;

LETTER FROM THE BOARD

- (v) a discount of approximately 50.7% to the average of the closing price of HK\$0.365 per Share for the last five consecutive trading days up to and including the last trading date before the date of the CGS Agreement;
- (vi) a discount of approximately 50.7% to the average of the closing price of HK\$0.365 per Share for the last ten consecutive trading days up to and including the last trading date before the date of the CGS Agreement;
- (vii) a discount of approximately 43.8% to the closing price of HK\$0.320 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (viii) a discount of approximately 46.6% to the average of the closing price of HK\$0.337 per Share for the last five consecutive trading days up to and including the Latest Practicable Date;
- (ix) a discount of approximately 47.4% to the average of the closing price of HK\$0.342 per Share for the last ten consecutive trading days up to and including the Latest Practicable Date;

The HKRH Conversion Price is subject to adjustments in accordance with the relevant provisions under terms and conditions of the HKRH Convertible Bonds upon occurrence of, among other things, subdivision or consolidation of Shares, capital distribution, issue of Shares by way of capitalization of profits or reserves, issue of options, rights or warrants, or other dilutive events.

- | | |
|-------------------|--|
| Conversion Period | The period commencing on the date falling the second anniversary of the issue date of the HKRH Convertible Bonds and expiring on the date which is 3 days preceding the maturity date. |
| Redemption | (i) Subject to (ii), unless the HKRH Convertible Bonds have been previously converted, redeemed, purchased or cancelled, the HKRH Convertible Bonds will be redeemed by the Company on the maturity date at its principal amount outstanding together with all accrued and unpaid interest on the maturity date. |

LETTER FROM THE BOARD

- (ii) The bondholder may by written notice served on the Company demand the Company to redeem the HKRH Convertible Bonds at its principal amount outstanding together with all accrued and unpaid interest if (i) the trading of the shares of the Company has been suspended for consecutively more than 20 trading days, or (ii) there is a change in the chairmanship of the board of directors of CGS pursuant to the Shareholders' Deed.

Events of default

If any of the following events occurs, the bondholder may give notice to the Company that the HKRH Convertible Bonds are immediately become due and payable at the sum equal to its principal amount then outstanding and any and unpaid interests accrued up to the date of repayment:

- (i) the Shares (as a class) cease to be listed on any recognized stock exchange or trading of the Shares (as a class) on any recognized stock exchange (including the Stock Exchange) having been suspended for consecutively more than 20 Business Days;
- (ii) the Company or CGS (as the case may be) defaults in performance or compliance with any of its obligations contained in the conditions or any of the transaction documents which breach or default is incapable of remedy or, if capable of remedy, is not remedied within 20 Business Days after notice of such breach or default is sent from the bondholder to the Company or CGS;
- (iii) Dr. Wong, directly or indirectly ceases to own such number of shares in the Company which would enable him to exercise and control at least 25% of the voting right in the share capital of the Company;
- (iv) the Stock Exchange by written notice to the Company raising concerns or challenging that the Company does not have a sufficient level of operations or sufficient assets to warrant the continued listing of the Shares under Rule 13.24 of the Listing Rules but the Company fails to demonstrate that Rule 13.24 is being complied with to the satisfaction of the Stock Exchange within 40 Business Days of such written notice;
- (v) an encumbrancer takes possession or a receiver, manager or other similar officer is appointed of the whole or any material part of the undertaking, property, assets or revenues of the Company or any major subsidiary of the Company;

LETTER FROM THE BOARD

- (vi) the Company or any major subsidiary of the Company becomes insolvent or is unable to pay its debts as they mature or applies for or consents to the appointment of any administrator, liquidator or receiver of the whole or any material part of its undertaking, property, assets or revenues or enters into a general assignment or compromise with or for the benefit of its creditors;
- (vii) an order is made by a court of competent jurisdiction or an effective resolution passed for winding-up of the Company or any major subsidiary of the Company otherwise than the winding up of any major subsidiary of the Company (a) for the purposes of or pursuant to a consolidation, amalgamation, merger, reconstruction or reorganization with or into the Company or another subsidiary of the Company or (b) by way of a voluntary winding up or dissolution where there are surplus assets in such major subsidiary of the Company and such surplus assets attributable to the Company and/or any subsidiary of the Company are distributed to the Company and/or any such subsidiary of the Company;
- (viii) the Company defaults in the payment of the principal or interest in respect of the HKRH Convertible Bonds when and as the same ought to be paid and such default is not remedied by the Company within 20 Business Days of the due date thereof; or
- (ix) any other debentures, bonds, notes or other instruments of indebtedness or any other loan indebtedness (“**Indebtedness**”) of the Company and any major subsidiary of the Company or any securities convertible into or exchangeable for shares (“**Equity-Linked Securities**”) of the Company and any major subsidiary of the Company become prematurely repayable following a default in respect of the terms thereof which shall not have been remedied within 20 Business Days of such default, or the Company or any major subsidiary of the Company defaults in the repayment of the Indebtedness or Equity Linked Securities at the maturity thereof or at the expiration of any applicable grace period thereof and such default is not remedied within 20 Business Days, or any guarantee of or indemnity in respect of any Indebtedness or Equity Linked Securities of others given by the Company or any major subsidiary of the Company shall not be honoured when due and called upon and such default is not remedied within 20 Business Days.

LETTER FROM THE BOARD

Lock-up period for Conversion Shares	The HKRH Conversion Shares are not subject to any lock-up period.
Transferability	<p>The HKRH Convertible Bonds or any part(s) thereof may be assigned or transferred at any time by delivery to the Company of a duly executed transfer form together with the certificate for the HKRH Convertible Bonds being transferred and the Company shall, within 5 Business Days of receipt of such documents from the bondholder, cancel the existing certificate for the HKRH Convertible Bonds and issue a new certificate for the HKRH Convertible Bonds or any part(s) thereof under seal of the Company in respect of the whole or such part(s) of the principal amount of the HKRH Convertible Bonds so transferred, in favour of the transferee or assignee as applicable and (if appropriate) issue to the bondholder a new certificate for such part of the HKRH Convertible Bonds under seal of the Company in respect of any balance thereof retained by the bondholder provided that the assignee or transferee of the HKRH Convertible Bonds shall be a member of the bondholder group and further subject to (where applicable) the conditions, approvals, requirements and any other provisions of or under:</p> <ul style="list-style-type: none">(a) the Stock Exchange (and any other stock exchange on which the Shares may be listed at the relevant time) or its rules and regulations; and(b) the Listing Rules and all applicable laws and regulations.
Voting	The bondholder will not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of it being the bondholder of the HKRH Convertible Bonds.
Listing	No application will be made for the listing of the HKRH Convertible Bonds. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the HKRH Conversion Shares that may be allotted and issued upon conversion of the HKRH Convertible Bonds.
Ranking of Conversion Shares	The HKRH Conversion Shares will rank <i>pari passu</i> in all respects among themselves and with other Shares in issue on the conversion date of the HKRH Convertible Bonds.

Reasons for the HKRH CB Subscription

The Directors consider that the issue of the HKRH Convertible Bonds not only represents an opportunity to raise additional funds for the Company to cater for its future needs, but also allows the Company to further strengthen the relationship with Luk Fook, which will be the Company's strategic partner in CGS upon Completion.

LETTER FROM THE BOARD

Use of proceeds

The gross and net proceeds to the Company from the issue of the HKRH Convertible Bonds are HK\$57,080,000 (all expenses would be attributable to the Share Transaction only). The net proceeds from the HKRH CB Subscription shall be applied towards the Company's general working capital.

Mandate to issue the HKRH Conversion Shares

The allotment and issue of the HKRH Conversion Shares is subject to the approval of the Shareholders. The HKRH Conversion Shares will be allotted and issued under the Specific Mandate proposed to be obtained at the SGM.

Changes on the shareholding structure of the Company

As at the Latest Practicable Date, the Company has 3,173,250,837 shares in issue. Assuming the conversion rights attached to the HKRH Convertible Bonds have been exercised in full at the initial HKRH Conversion Price of HK\$0.18 per HKRH Conversion Share and there is no other change in the share capital structure before such full exercise, the following table illustrates the shareholding structure of the Company (a) as at the Latest Practicable Date; and (b) immediately upon full conversion of the HKRH Convertible Bonds;

	As at the Latest Practicable Date		Immediately upon full conversion of the HKRH Convertible Bonds at the initial HKRH Conversion Price	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Perfect Ace (<i>Note</i>)	757,703,752	23.88	757,703,752	21.71
Limin Corporation (<i>Note</i>)	82,790,602	2.61	82,790,602	2.37
Dr. Wong (<i>Note</i>)	118,876,122	3.75	118,876,122	3.40
Luk Fook Holdings	45,000,000	1.42	45,000,000	1.29
Luk Fook	–	–	317,111,111	9.09
Mr. Wong	5,831,430	0.18	5,831,430	0.17
Mr. Hui and his associates	6,649,372	0.21	6,649,372	0.19
Other Shareholders	<u>2,156,399,559</u>	<u>67.95</u>	<u>2,156,399,559</u>	<u>61.78</u>
Total	<u>3,173,250,837</u>	<u>100.00</u>	<u>3,490,361,948</u>	<u>100.00</u>

Note: Perfect Ace is wholly-owned by Ying Ho (Nominees) Limited. Ying Ho (Nominees) Limited holds 100% in trust for Limin Corporation which is wholly-owned by Dr. Wong. Accordingly, Dr. Wong is deemed to be interested in the Shares through his controlling interest in Perfect Ace and Limin Corporation. Dr. Wong is personally interested in 118,540,122 Shares, the spouse of Dr. Wong is interested in 336,000 Shares and Dr. Wong is deemed to be interested in all the Shares held by Perfect Ace, Limin Corporation and his spouse.

LETTER FROM THE BOARD

Fund raising activities of the Company in the past twelve months

Date of announcement	Fund raising activity	Net proceeds raised (approximately)	Proposed use of the net proceeds	Actual use of the net proceeds
4 June 2013	Placing of 196,908,603 placing shares at a price of HK\$0.18 per placing share	Approximately HK\$34.91 million	As to approximately HK\$34.91 million for general working capital of the Group	Applied as to approximately HK\$34.91 million for general working capital of the Group
26 August 2013 (Note)	Issue of convertible bonds by CGS	Approximately HK\$39.00 million	As to approximately HK\$39.00 million for the partial repayment of the convertible bonds of the Company	Not yet utilized
12 September 2013	Placing of 217,000,000 placing shares at HK\$0.18 per placing share	Approximately HK\$38.18 million	As to approximately HK\$38.18 million for repayment of borrowings of the Group	Applied as to approximately HK\$38.18 million for the repayment of convertible bonds of the Company

Note: On 26 August 2013 the Company announced the entering into of the Existing CGS CB Agreement in relation to the issue of the Existing CGS Convertible Bonds. On 13 January 2014, the Company announced the amendment and novation of the Existing CGS CB Agreement and the issue of the Existing CGS Convertible Bonds thereunder.

Save as disclosed above, the Company has not conducted any fund raising activities in the past twelve months prior to the Latest Practicable Date.

(III) THE CGS SHARE OPTION

Pursuant to the CGS Agreement, among other things, at Completion, CGS will grant the CGS Share Option to Luk Fook, upon and subject to the terms and conditions of the CGS Agreement.

The total consideration for the grant of the CGS Share Option shall be US\$1 to be paid by Luk Fook in cash to CGS at Completion.

Parties

Grantor: CGS; and

Grantee: Luk Fook

LETTER FROM THE BOARD

Principal terms of the CGS Share Option

Number of CGS Share Option Shares	<p>Upon exercise of the CGS Share Option, Luk Fook shall be entitled to subscribe for such number of new CGS Shares, free from all encumbrances and ranking pari passu with other CGS Shares then existing, that may result from dividing US\$5,000,000 by the CGS Share Option Exercise Price.</p> <p>Assuming full exercise of the CGS Share Option as at the Latest Practicable Date, a total of 205 CGS Share Option Shares will be issued to Luk Fook, representing approximately 6.15% of the existing issued share capital of CGS as at the Latest Practicable Date, and approximately 5.48% of the issued share capital of CGS as enlarged by the issue of the Existing CGS Conversion Shares and the CGS Share Option Shares.</p>
CGS Share Option Exercise Price	<p>US\$24,390.24, being the initial CGS Share Option Exercise Price.</p> <p>The initial CGS Share Option Exercise Price was arrived at after arm's length negotiations between CGS and Luk Fook with reference to the prevailing net asset value of the CGS Group as at the date of the CGS Agreement.</p> <p>The CGS Share Option Exercise Price is subject to adjustments in accordance with the relevant provisions under the CGS Share Option Terms upon occurrence of, among other things, subdivision or consolidation of CGS Shares, capital distribution, issue of CGS Shares by way of capitalization of profits or reserves, issue of options, rights or warrants, or other dilutive events.</p>
CGS Share Option Period	<p>The CGS Share Option shall remain valid and in force during the period between the date of issue of the CGS Share Option and 3 months (or such longer period as CGS and Luk Fook may agree) after (i) 15 January 2018, or (ii) the date as extended once by one year by mutual agreement of CGS and Luk Fook (both days inclusive).</p>
CGS Share Option Exercise Events	<p>The CGS Share Option shall be exercisable in full (and not in part) upon any of the following events occurring:</p> <p>(i) the earlier of the following date or period:</p>

LETTER FROM THE BOARD

Use of proceeds

The gross and net proceeds from the exercise of the CGS Share Option in full are estimated to be approximately US\$5,000,000. The proceeds from the exercise of the CGS Share Option shall be used for the purpose of general working capital and business expansion of the CGS Group.

Changes on the shareholding structure of CGS

As at the Latest Practicable Date, CGS is a wholly-owned subsidiary of the Company. Upon Completion, CGS will be owned as to 50% by each of the Company and Luk Fook. As announced by the Company on 13 January 2014, CGS has entered into a novation and supplemental agreement on 13 January 2014 and on 15 January 2014, issued to Maya Gold Investment Limited the Existing CGS Convertible Bonds in the principal amount of US\$5,000,000. Pursuant to the Existing CGS Convertible Bonds, the bondholder agrees and undertakes that it will not exercise its right to convert the outstanding principal amount of the Existing CGS Convertible Bonds or any part thereof prior to the maturity date except in the situation where CGS's shares are listed before the maturity date wherein the bondholder may convert all the outstanding principal amount of the Existing CGS Convertible Bonds on the listing date. Pursuant to the terms of CGS Share Option which would be granted upon Completion, Luk Fook may only exercise the CGS Share Option when the Existing CGS Convertible Bonds are converted. Assuming full conversion of the Existing CGS Convertible Bonds and the exercise of the CGS Share Option in full, the Company's equity interest in CGS would decrease to approximately 44.52%. The Company will comply with any applicable requirements of the Listing Rules at the time of the conversion of the Existing CGS Convertible Bonds. Pursuant to the CGS Share Option Terms, the exercise of the CGS Share Option by Luk Fook is subject to the conversion of the Existing CGS Convertible Bonds by its holder.

Conditions precedent to the CGS Agreement

Conditions precedent to the CGS Agreement shall include, among others, the following:

- (1) the passing by Shareholders (other than such Shareholders who are required to abstain from voting) of all necessary resolutions at the SGM which are necessary to give effect to the transactions contemplated under the CGS Agreement, the Shareholders' Deed, the Supply Agreement, the Competitiveness Enhancement Agreement, the grant of CGS Share Option and other transaction documents (if required under the Listing Rules) and comply with the Listing Rules approving (i) the execution, delivery and performance of each of the above-mentioned agreements and the transactions contemplated thereunder respectively; and (ii) the Specific Mandate;

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- (2) the current listing of the Shares not having been withdrawn, the Shares continuing to be traded on the Stock Exchange prior to the Completion Date and neither the Stock Exchange nor the SFC having indicated that either of them will object to the continued listing of the Shares for reasons related to or arising from the transaction contemplated under the CGS Agreement;
- (3) the Stock Exchange having granted approval for the listing of, and permission to deal in, the HKRH Conversion Shares;
- (4) all necessary consents being granted by governmental or official authorities and no statute, regulation or decision which would prohibit, restrict or materially delay the Transactions or the operation of any member of the CSG Group after Completion having been proposed, enacted or taken by any governmental or official authority, including without limitation:

insofar as the Transactions, in whole or in part, are required to be notified to the competition authority of any other jurisdiction such that, without such notification, Completion may be unlawful or otherwise prohibited or restricted under the applicable laws or regulations of that jurisdiction, or to the extent that the Purchaser deems it necessary to notify the Transactions to the competition authority of any other jurisdiction:

- a. all consents and approvals of any such competition authority having been obtained either unconditionally or subject to such conditions, obligations, undertakings or modifications as shall be acceptable to Luk Fook; and
 - b. all applicable mandatory waiting periods in connection with any such filings, submissions or notification having expired or been terminated;
- (5) all necessary consents being granted by third parties to the effect they consent to the Transactions and agree not to exercise any right (whether of transaction or otherwise) arising by reason of the Transactions; and
 - (6) all necessary regulatory filings, notifications and approvals to all relevant authorities of competent jurisdictions for the purpose of CGS and the Company to enter into and consummate the transactions contemplated under the CGS Agreement and any other agreements and documents contemplated therein and perform CGS's and the Company's obligations thereunder have been made and obtained, and such filings, notifications and approvals remain valid and effective until Completion.

Luk Fook may waive any of the Conditions above at any time by notice in writing apart from Conditions (2), (3) and (4) above.

The Company and CGS shall use their respective best endeavours to procure the fulfilment of the Conditions on or before the Long Stop Date.

LETTER FROM THE BOARD

In the event that any of the Conditions shall not have been fulfilled (or waived pursuant to the CGS Agreement) prior to the Long Stop Date, then Luk Fook shall not be bound to proceed with the Completion, and the CGS Agreement shall cease to be of any effect except general clauses relating to matters including definitions, interpretation, confidentiality of information, costs, successors, notices, governing law and submission to jurisdiction and whole agreement clause in the CGS Agreement shall continue to have effect and save in respect of claims arising out of any antecedent breach of the CGS Agreement.

(IV) THE SUPPLY AGREEMENT

Subject to and upon Completion, CGS will enter into the Supply Agreement with Maxigood pursuant to which Maxigood (for itself and as an agent for and on behalf of each of the subsidiaries of Luk Fook Holdings) shall supply to CGS (for itself and as an agent for and on behalf of each of its subsidiaries), and CGS (for itself and as an agent for and on behalf of each of its subsidiaries) shall purchase from Maxigood (for itself and as an agent for and on behalf of each of the subsidiaries of Luk Fook Holdings), raw materials and/or finished goods in respect of platinum and gold jewellery and gold ornaments, gem-set jewellery, jadeites, gemstones and other accessory items, upon and subject to the terms and conditions of the Supply Agreement.

The principal terms of the Supply Agreement are set out below:

Date: The Supply Agreement shall be entered into subject to and upon Completion.

Parties: Maxigood; and
CGS

Upon Completion, as CGS will continue to be accounted for as a subsidiary of the Company and will be owned as to 50% by each of the Company and Luk Fook, Maxigood, being a wholly-owned subsidiary of Luk Fook Holdings, will become a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Supply Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

Duration: From the Completion Date to 30 June 2016, unless or until terminated pursuant to the terms in the Supply Agreement.

LETTER FROM THE BOARD

Pricing basis: The pricing of the transactions contemplated under the Supply Agreement will be determined on the following basis:

- (a) the price to be determined on a fair and reasonable basis in the ordinary and usual course of business of Maxigood which is equivalent or comparable to those prices offered to third parties independent of Maxigood for similar goods and having regard to the quantity and other conditions of the sale; and
- (b) the price to be determined on a fair and reasonable basis in the ordinary and usual course of business of CGS which is equivalent or comparable to those prices and terms obtained by the CGS from third parties independent of CGS for similar goods and having regard to the quantity and other conditions of the purchase.

In ensuring the fairness and reasonableness of the pricing of the transactions, the merchandising department of CGS will obtain market prices for raw materials and/or finished goods through recent similar transaction prices sourced from authoritative industry websites or enquiry with independent third party suppliers, and then compare the market prices with the prices charged by Maxigood (for itself and as an agent for and on behalf of each of the subsidiaries of Luk Fook Holdings). CGS will ensure that prices to be charged shall not be less favourable than those available from independent third party suppliers before the terms of purchase are approved (by the head of the merchandising department of CGS) and made. The Directors consider that the above procedures can ensure that the pricing of the transactions will be equivalent or comparable to those offered to/obtained from independent third parties and not prejudicial to the interests of the Company and its minority shareholders.

Others: The Supply Agreement (including the Annual Caps (Supply)) is conditional upon the approval by the Independent Shareholders.

Annual Caps and basis:

The Annual Caps (Supply) and the basis of determination of the Annual Caps (Supply) are set out below:

	Caps for the year ending 30 June		
	2014	2015	2016
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Aggregate amount payable by CGS for transactions contemplated under the Supply Agreement	260,000,000	520,000,000	780,000,000

LETTER FROM THE BOARD

The Annual Caps (Supply) were determined based on (a) the Group's historical purchase amounts in jewellery, k-gold and loose stone in Hong Kong and the PRC during the two financial years ended 30 June 2012 and 30 June 2013 which amounted to approximately HK\$314 million and HK\$307 million respectively; and (b) the forecasted growth rates in the Group's purchase amounts in jewellery, k-gold and loose stone in Hong Kong and the PRC for the 3 years ended 2014 to 2016. The growth rates were determined after considering the growth trend of CGS's jewellery business, taking into account the business development plans and the development of the "3D-Gold" brand name following the strategic partnership with Luk Fook, and the possible increase in the price of raw materials and finished goods.

Reasons for entering into and benefits of the Supply Agreement

It is expected that the Supply Agreement will ensure a consistent supply of gem-set jewellery to CGS at rates consistent with that of the market. The Directors (excluding the independent non-executive directors who will express their view after receiving advice from GF Capital to the Independent Board Committee) consider that the terms of the Supply Agreement, including the Annual Caps (Supply), are on arm's length basis, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(V) THE COMPETITIVENESS ENHANCEMENT AGREEMENT

Subject to and upon Completion, Luk Fook's related company and a member of the CGS Group will enter into the Competitiveness Enhancement Agreement. Pursuant to the Competitiveness Enhancement Agreement, Luk Fook's related company shall provide to member(s) of the CGS Group such services and assistance that enhance and improve operation efficiency and competitiveness, and improve product quality and standards of the businesses under the brand name of "3D-Gold", "金至尊", "La Milky Way" and "銀河明星" in Hong Kong, Macau and other region in the PRC, upon and subject to the terms of the Competitiveness Enhancement Agreement.

The principal terms of the Competitiveness Enhancement Agreement are set out below:

Date: The Competitiveness Enhancement Agreement shall be entered into subject to and upon Completion.

Parties: Luk Fook's related company; and
a member of the CGS Group

Upon Completion, as CGS will continue to be accounted for as a subsidiary of the Company and will be owned as to 50% by each of the Company and Luk Fook, Luk Fook will become a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Competitiveness Enhancement Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

LETTER FROM THE BOARD

- Duration:** From the Completion Date to 30 June 2016 and may be renewed upon mutual agreement of Luk Fook and CGS before expiry of such initial term subject to compliance with the Listing Rules, unless the Competitiveness Enhancement Agreement is terminated in accordance with the relevant terms in the Competitiveness Enhancement Agreement.
- Fee:** In consideration of the provision of the services by Luk Fook's related company from time to time, the CGS Group shall pay to the Luk Fook Group an annual fee.
- Others:** Both parties to the Competitiveness Enhancement Agreement agree that they shall develop necessary mechanisms to the satisfaction of each other after the signing of the Competitiveness Enhancement Agreement, under which, before provision of any services under the Competitiveness Enhancement Agreement, they shall confer with each other and check with outside counsels (if necessary) to make sure that the relevant arrangements with respect to such services will not seriously restrict the competition in relevant market and will enable consumers to share the benefits therefrom and will be in compliance with any other applicable laws.

Annual caps and basis:

The Annual Caps (Competitiveness Enhancement) and the basis of determination of the Annual Caps (Competitiveness Enhancement) are set out as follows:

	Caps for the year ending 30 June		
	2014	2015	2016
	HK\$	HK\$	HK\$
Aggregate amount payable by CGS for transactions contemplated under the Competitiveness Enhancement Agreement	2,500,000	10,000,000	10,000,000

Note: The annual fee payable by the CGS Group to the Luk Fook Group under the Competitiveness Enhancement Agreement will be no more than HK\$10,000,000. For the year ending 30 June 2014, the cap amount of the service fee is calculated on a pro-rata basis for such period from the Completion Date.

The Annual Caps (Competitiveness Enhancement) were determined based on the estimated fees to be charged by the Luk Fook Group, based on the estimated work to be performed by Luk Fook for the 3 years ending 30 June 2014 to 2016.

LETTER FROM THE BOARD

Reasons for entering into and benefits of the Competitiveness Enhancement Agreement

The Directors believe that the Competitiveness Enhancement Agreement would allow the CGS Group to tap into Luk Fook's expertise in the brand name of "3D-Gold", through Luk Fook's provision of services and assistance that enhance and improve operation efficiency, competitiveness and product quality in relation to the operation of the business of "3D-Gold". The Directors consider that the terms of the Competitiveness Enhancement Agreement, including the Annual Caps (Competitiveness Enhancement) are on arm's length basis, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE PARTIES

The Company is an investment holding company with its subsidiaries principally engaged in the trading and sale of gold, platinum and jewellery products in Hong Kong, Macau and other region in the PRC through retailing, franchising and e-commerce under the brand or trade names of "3D-Gold", "金至尊", "La Milky Way" and "銀河明星".

The principal activity of Luk Fook Holdings is investment holding. Its subsidiaries (including Luk Fook and Maxigood) are principally engaged in the sourcing, designing, wholesaling, trademark licensing and retailing of a variety of gold and platinum jewellery, gold ornaments and gem-set jewellery. The consideration to be paid by Luk Fook under the Transactions will be funded by its internal resources.

The CGS Group is principally engaged in the trading and sale of gold, platinum and jewellery products in Hong Kong, Macau and other region in the PRC through retailing, franchising and e-commerce under the brand or trade names of "3D-Gold", "金至尊", "La Milky Way" and "銀河明星".

IMPLICATIONS ON THE LISTING RULES

As the applicable percentage ratios in respect of the Share Transaction are higher than 25% but below 75%, the Share Transaction constitutes a major transaction for the Company and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The issue of the HKRH Conversion Shares will be subject to Shareholders' approval. A SGM will be convened for the purposes of approving, among other things, the grant of the Specific Mandate to issue the HKRH Conversion Shares.

The issue of the CGS Share Option Shares upon exercise of the CGS Share Option will result in a reduction of the percentage equity interest of the Company in CGS. This will be deemed as a disposal of interest in CGS by the Company under Chapter 14 of the Listing Rules. Pursuant to the CGS Share Option Terms, the right to exercise the CGS Share Option is subject to the conversion of the Existing CGS Convertible Bonds. The Company will

LETTER FROM THE BOARD

comply with any applicable requirements of the Listing Rules at the time of the conversion of the Existing CGS Convertible Bonds and the exercise of the CGS Share Option as appropriate.

Upon Completion, as CGS will continue to be accounted for as a subsidiary of the Company and will be owned as to 50% by each of the Company and Luk Fook, Luk Fook together with its associates will become connected persons of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the transactions contemplated under the Supply Agreement exceed 5%, the transactions contemplated under the Supply Agreement constitute non-exempt continuing connected transactions and are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the transactions contemplated under the Competitiveness Enhancement Agreement exceed 0.1% but are less than 5%, the transactions contemplated under the Competitiveness Enhancement Agreement constitute exempt continuing connected transactions and are subject only to the reporting, annual review, and announcement requirements but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, Luk Fook Holdings, Mr. Wong, Mr. Hui and his associates together are interested in 57,480,802 Shares (comprising 45,000,000 Shares held by Luk Fook Holdings, 5,831,430 Shares personally held by Mr. Wong and 6,649,372 Shares held by Mr Hui and his associates) representing approximately 1.81% of the issued share capital of the Company as at the Latest Practicable Date. As Luk Fook and Maxigood are wholly-owned subsidiaries of Luk Fook Holdings, Mr. Wong is the controlling shareholder, the chairman and chief executive, and an executive director of Luk Fook Holdings and Mr. Hui is a non-executive director of Luk Fook Holdings, they may be considered as having material interests in the Transactions. Luk Fook Holdings, Mr. Wong, Mr. Hui and his associates will abstain voting on the resolutions to be proposed at the SGM in relation to the CGS Agreement, the grant of the Specific Mandate, the grant of the CGS Share Option, the Shareholders' Deed, and the Supply Agreement (including the Annual Caps (Supply)). Other than Luk Fook Holdings, Mr. Wong, Mr. Hui and his associates, none of the Shareholders or Directors have a material interest in the Transactions and are not required to abstain from voting on the board resolutions in respect thereof.

SGM

There is set out on pages 60 to 63 of this circular a notice convening the SGM to be held at Units 1701-11, 17/F., Peninsula Square, No. 18 Sung On Street, Hungghom, Kowloon, Hong Kong at 9:30 a.m. on Monday, 10 March 2014 at which ordinary resolutions will be proposed for the approval by the Independent Shareholders by poll the CGS Agreement, the grant of the Specific Mandate, the grant of the CGS Share Option, the Shareholders' Deed, and the Supply Agreement (including the Annual Caps (Supply)).

Whether or not you are able to attend the SGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor

LETTER FROM THE BOARD

Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong but in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. The completion and return of the enclosed form of proxy will not preclude you from attending and voting at the SGM or any adjournment should you so wish.

In compliance with the Listing Rules and pursuant to the Bye-laws, the votes to be taken at the SGM in respect of the CGS Agreement, the grant of the Specific Mandate, the grant of the CGS Share Option, the Shareholders' Deed, and the Supply Agreement (including the Annual Caps (Supply)) will be taken by poll, the results of which will be announced after the SGM.

Tricor Tengis Limited, the Company's branch share registrar and transfer office in Hong Kong, will serve as the scrutineer for the vote-taking.

RECOMMENDATION

The Independent Board Committee, having taken into account the advice of GF Capital, considers that the Supply Agreement (including the Annual Caps (Supply)) is in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. The Independent Board Committee therefore recommends the Independent Shareholders to vote in favour of the resolutions to be proposed in the SGM to approve the Supply Agreement (including the Annual Caps (Supply)).

The Directors consider that the CGS Agreement, the grant of the Specific Mandate, the grant of the CGS Share Option, the Shareholders' Deed, and the Supply Agreement (including the Annual Caps (Supply)) are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend all Independent Shareholders to vote in favour of the relevant ordinary resolution at the SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the letters from the Independent Board Committee and from GF Capital which are respectively set out on pages 37 to 38 and pages 39 to 48 of this circular. Additional information is also set out in the Appendix I and Appendix II to this circular for your information.

By Order of the Board
Hong Kong Resources Holdings Company Limited
Dr. WONG, Kennedy Ying Ho, *BBS, J.P.*
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



HONG KONG RESOURCES HOLDINGS COMPANY LIMITED 香港資源控股有限公司

*(Incorporated in Bermuda with limited liability and carrying
on business in Hong Kong as HKRH China Limited)*
(Stock Code: 2882)

21 February 2014

To the Independent Shareholders

Dear Sir or Madam,

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 21 February 2014 issued by the Company (the “Circular”) of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed as the members of the Independent Board Committee to consider the Supply Agreement (including the Annual Caps (Supply)) and to advise the Independent Shareholders as to the fairness and reasonableness of the same. GF Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

RECOMMENDATION

We wish to draw your attention to the letter from the Board, as set out on pages 8 to 36 of the Circular, and the letter from GF Capital which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Supply Agreement (including the Annual Caps (Supply)) as set out on pages 39 to 48 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

After taking into consideration the advice from GF Capital, we concur with the views of GF Capital and consider that the Supply Agreement (including the Annual Caps (Supply)) are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed in the SGM to approve the Supply Agreement (including the Annual Caps (Supply)).

Yours faithfully,

For and on behalf of

The Independent Board Committee of

Hong Kong Resources Holdings Company Limited

Mr. Fan, Anthony Ren Da

Independent non-executive

Director

Ms. Estella Yi Kum Ng

Independent non-executive

Director

Mr. Wong Kam Wing

Independent non-executive

Director

LETTER FROM GF CAPITAL

The following is the text of the letter of advice to the Independent Board Committee and the Independent Shareholders from the Independent Financial Adviser which has been prepared for inclusion in this circular.



29-30/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

21 February 2014

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Supply Agreement (including the Annual Caps (Supply)) and the transactions contemplated thereunder. Details of the Supply Agreement and the Annual Caps (Supply) are set out in the letter from the Board of this circular to the Shareholders dated 21 February 2014 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined.

On 28 January 2014, the Company, Luk Fook and CGS, a subsidiary of the Company, entered into the CGS Agreement, pursuant to which, among other things, the Company agreed to sell and Luk Fook agreed to purchase the Sale Shares, representing 50% of the issued share capital of CGS as at the date of the Latest Practicable Date. Subject to and upon Completion, CGS will enter into the Supply Agreement with Maxigood, a wholly-owned subsidiary of Luk Fook Holdings. Pursuant to the Supply Agreement, Maxigood, which will act as agent for and on behalf of each of the subsidiaries of Luk Fook Holdings (collectively and individually as the “**Supplier**”) shall supply to CGS, and CGS shall purchase from the Supplier the raw materials and/or finished goods in respect of platinum and gold jewellery and gold ornaments, gem-set jewellery, jadeites, gemstones and other accessory items from the Completion Date to 30 June 2016, upon and subject to the terms of the Supply Agreement.

Upon Completion, as CGS will continue to be accounted for as a subsidiary of the Company and will be owned as to 50% by each of the Company and Luk Fook, Luk Fook together with its associates will become connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Supply Agreement constitute continuing connected transactions of the Company. As the applicable percentage ratios to the Company in respect of the transactions contemplated under the Supply Agreement exceed 5%, the transactions contemplated under the Supply Agreement

LETTER FROM GF CAPITAL

constitute Non-Exempt Continuing Connected Transactions (the “**Non-Exempt Continuing Connected Transactions**”) and are subject to the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. The Company will seek the Independent Shareholders’ approval for the Supply Agreement and the Annual Caps (Supply) at the SGM by way of poll.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Fan, Anthony Ren Da, Ms. Estella Yi Kum Ng and Mr. Wong Kam Wing, has been established to advise the Independent Shareholders in respect of the Supply Agreement and the transactions contemplated thereunder (including the Annual Caps (Supply)).

We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the entering into of the Supply Agreement is in the ordinary and usual course of business of the Company and on normal commercial terms; and whether the terms of the Supply Agreement and the Annual Caps (Supply) are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information, statements, opinions and representations provided to us by the Company, its representatives, its management (the “**Management**”) and the Directors for which they are solely and wholly responsible and we have assumed that all such information, statements, opinions and representations contained or referred to in the Circular were true, accurate and complete at the time they were made and continue to be true, accurate and complete as at the date of the Circular.

We have assumed that all statements of belief, opinion and intention made by the Company, its representatives, the Management and the Directors as set out in the Circular were reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information provided and referred to in the Circular. The Directors confirmed that they have provided us with all currently available information and documents which are available under present circumstances to enable us to reach an informed view and we have relied on the accuracy of such information and the information contained in the Circular to provide a reasonable basis of our opinion.

Our review and analyses were based upon the information and facts contained or referred to in the Circular, the information provided by the Company and our review of relevant public information, which include, among others, the Supply Agreement, the announcement of the Company dated 28 January 2014 in relation to the Supply Agreement, and the annual report of the Company for the year ended 30 June 2013 (the “**2013 Annual Report**”). We consider that we have reviewed sufficient information to reach a reasonably informed view to justify our reliance on the accuracy of the information contained in the Circular as aforesaid and to provide reasonable grounds for our advice. In addition, we have

LETTER FROM GF CAPITAL

no reason to doubt the truth, accuracy and/or completeness of the information and representations as provided to us by the Directors. We, however, have not conducted any independent in-depth investigation into the business, affairs, financial position or prospects of the Group nor we have carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of the Supply Agreement and the Annual Caps (Supply), we have considered the following principal factors and reasons:

1. Information on the Group and CGS Group

The Group (including the CGS Group) are principally engaged in the trading and sale of gold, platinum and jewellery products in Hong Kong, Macau and other region in the PRC through retailing, franchising and e-commerce under the brand or trade names of “3D-Gold”, “金至尊”, “La Milky Way” and “銀河明星”.

2. Information on the Luk Fook Holdings and Maxigood

The principal activity of Luk Fook Holdings is investment holding. Its subsidiaries (including Luk Fook and Maxigood) are principally engaged in the sourcing, designing, wholesaling, trademark licensing and retailing of a variety of gold and platinum jewellery, gold ornaments and gem-set jewellery.

3. Reasons for and benefits of entering into the Supply Agreement

As stated in the Letter from the Board, it is expected that the Supply Agreement will ensure a consistent supply of gem-set jewellery to CGS at rates consistent with that of the market. As advised by the Management, such consistent supply of raw materials is essential to the Group in promoting its principal business and business development plans following the strategic partnership with Luk Fook. We noted from the annual report of Luk Fook Holdings for the year ended 31 March 2013 that the revenue of Luk Fook Holdings increased by approximately 12.6% to approximately HK\$13,412 million for the year ended 31 March 2013 and the brand awareness of Luk Fook Holdings has been recognized with a wide array of awards (including “10 Year Seniority Award” granted by the Hong Kong Jewelry Manufacturer’s Association and “Well-known Trademark” title granted by the state administrative authorities in Mainland China) for its management excellence and high-quality products and service. As advised by the Management, considering Luk Fook Holdings’s annual sales volume, Luk Fook Group’s expertise in jewellery retail sector as well as brand management, the Management believes that the strategic cooperation will produce effective synergy to facilitate the development of the brand name of “3D-Gold” and improve the operational efficiency of the CGS Group.

Having considered that (i) the Supply Agreement enables the CGS Group to secure a consistent supply of gem-set jewellery from a leading industry player at market rates; and (ii) the aforesaid strategic partnership will produce effective synergy

LETTER FROM GF CAPITAL

and drive the CGS Group's business development, the Management considered that the entering into of the Supply Agreement would allow the CGS Group to better develop its principal business and brand names and hence beneficial to the Group.

Based on the above factors, we are of the view that the entering into of the Supply Agreement is in the ordinary and usual course of business of the CGS Group and is in the interests of the Group and the Shareholders as a whole.

4. Principal terms of the Supply Agreement

(1) Payment term

Pursuant to the Supply Agreement, the Supplier shall invoice the CGS Group upon delivery of the goods, and the CGS Group shall pay to the Supplier the total amount of each invoice within 14 business days after the date of the relevant invoice.

We have obtained several framework supply agreements from the Management in relation to historical purchases of raw materials and/or finished goods by the Group from independent third party suppliers (the "**Sample Agreements**") for the three years ended 30 June 2011, 2012 and 2013 (the "**Historical Period**"). Based on our discussion with the Management, we understand that (i) the Sample Agreements are those entered into with major suppliers (in terms of transaction amount) of the Group during the Historical Period; and (ii) the raw materials and/or finished goods purchased under the Sample Agreements are the same as those to be purchased under the Supply Agreement, and thus we concur with the view of the Management that the Sample Agreements are representative samples for comparison purpose.

As part of our due diligence exercise, we have reviewed the Sample Agreements and noted that the credit period under the Supply Agreement is slightly shorter than those under the Sample Agreements. As advised by the Management, Luk Fook Holdings is one of the leading jewellery retailers in Hong Kong and the PRC and has developed a very strong retail network with over 1,000 retail outlets spreading across Hong Kong and the PRC. This solid sales channel of Luk Fook Holdings enables it to offer premium quality of products to a wide range of customers. We understand from the Management that product quality is one of the top considerations to the Group in selecting suppliers of raw material and/or finished goods and that the other suppliers the Group has been cooperating with are in relatively smaller scale and might not be able to supply raw material and/or finished goods as superior quality as those supplied by Luk Fook Holdings. The Management considers that Luk Fook Holdings is a highly valuable supplier to the Group given its leading industry position and the ability to ensure a consistent supply of superior products and thus has a strong bargaining power on the payment term of the Supply Agreement.

LETTER FROM GF CAPITAL

Having considered the above and that the payment term was determined after arm's length negotiation between CGS and Maxigood, we concur with the view of the Management that the payment term is commercially justifiable.

(2) Pricing determination principle

Pursuant to the Supply Agreement, the pricing of the transactions contemplated under the Supply Agreement will be determined on a fair and reasonable basis with reference to the prevailing market prices in the ordinary and usual course of business of CGS which is equivalent or comparable to those prices and terms obtained by the Company from third parties independent of CGS for similar raw materials and/or finished goods and having regard to the quantity and other conditions of the purchase. Based on our review of the Sample Agreements, it is stipulated in the Sample Agreements that the pricing of the transactions contemplated thereunder is to be agreed between both parties, or for products that do not conform to specified requirements or the part of products CGS agrees to purchase which exceed the amount specified in a separate purchase agreement, the pricing is to be determined with reference to the prevailing market prices.

As stated in the Letter from the Board, for future transactions under the Supply Agreement, in ensuring the fairness and reasonableness of the pricing of the transactions, the merchandising department of CGS will obtain market prices for raw materials and/or finished goods through recent similar transaction prices sourced from authoritative industry websites or enquiry with independent third party suppliers, and then compare the market prices with the prices charged by the Supplier. If there are no available market prices that can be used as reference for pricing determination, CGS will ensure that prices to be charged by the Supplier shall not be less favourable than those available from independent third party suppliers before the terms of each purchase are approved (by the head of the merchandising department of CGS) and made. In addition, based on our review of the Supply Agreement, the Supply Agreement is non-exclusive and CGS could source raw materials and/or finished goods from independent third party suppliers in case terms offered by independent third party suppliers are more favourable than those offered by the Supplier.

Based on the above, we are of the view that the pricing determination principle of the Supply Agreement is on normal commercial terms and there are appropriate internal procedures in place to ensure the fairness and reasonableness of the pricing of the transactions contemplated under the Supply Agreement and safeguard the interests of the Company and the Shareholders as a whole.

(3) Our view

Having considered that (i) the principal terms, including the pricing determination and payment terms, of the Supply Agreement are on normal commercial terms; (ii) the prices for the purchases of raw materials and/or finished goods under the Supply Agreement will be determined based on

LETTER FROM GF CAPITAL

prevailing market prices and will be no less favourable than those available from independent suppliers; (iii) the above procedures can ensure that the pricing of the transactions contemplated under the Supply Agreement will be equivalent or comparable to those obtained from independent third party suppliers; and (iv) the Supply Agreement is non-exclusive and CGS could source raw materials and/or finished goods from independent third party suppliers in case terms offered by independent third party suppliers are more favourable than those offered by the Supplier, we are of the view that the terms of the Supply Agreement are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

5. The Annual Caps (Supply)

The transactions contemplated under the Supply Agreement are subject to the Annual Caps (Supply) for the three financial years ending 30 June 2016 which are set out as follows:

	Annual Caps (Supply) for the year ending 30 June		
	2014	2015	2016
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Aggregate amount payable by CGS for transactions contemplated under the Supply Agreement	260,000,000	520,000,000	780,000,000
	<i>(Note 1)</i>		
<i>Year-on-year percentage change</i>	<i>N/A</i>	<i>100.0%</i>	<i>50.0%</i>

Note 1: The Non-Exempt Continuing Connected Transactions for the year ending 30 June 2014 would only be incurred for a period from the Completion Date to 30 June 2014 which is not a full year period.

As stated in the Letter from the Board, the Annual Caps (Supply) under the Supply Agreement were determined based on (i) the Group's historical purchase amounts in jewellery, k-gold and loose stone from independent third parties suppliers in Hong Kong and the PRC during the two financial years ended 30 June 2013 ("**Historical Purchase Amounts**") which amounted to approximately HK\$314 million and HK\$307 million respectively; and (ii) the forecasted growth rates in the Group's purchase amounts in jewellery, k-gold and loose stone in Hong Kong and the PRC for the three years ending 30 June 2016. The growth rates were determined after considering the growth trend of CGS's jewellery business, the business development plans and the development of the "3D-Gold" brand name following the strategic partnership with Luk Fook Holdings, and the possible increase in the price of raw materials and/or finished goods.

To assess whether the proposed Annual Caps (Supply) are fair and reasonable, we have reviewed the purchase forecast of raw materials and/or finished goods for the three years ending 30 June 2016 provided by the Company (the "**Purchase Forecast**")

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which has taken into account the current favourable economic environment for the jewellery market in the PRC and the strategic partnership between the Group and Luk Fook.

As shown in the Purchase Forecast and as advised by the Management, the forecasted total purchases of raw materials and/or finished goods for the three years ending 30 June 2016 have mainly taken into account (i) yearly replenishment; (ii) increase in the inventory level; (iii) new purchases from new stores the Group plans to open over the three years ending 30 June 2016; and (iv) possible increase in the price of raw materials and/or finished goods. We understand from the Management that for the yearly replenishment, the Management firstly forecasted the average annual sales per store for each of the three years ending 30 June 2016 by referring to the historical sales data and taking into account future growth as a result of a number of proactive initiatives (the “**Proactive Initiatives**”) the Group has been implementing since the first quarter of 2013, and then multiplying the average percentage of Historical Purchase Amounts over total annual sales and the forecasted number of stores. Based on our discussion with the Management, we understand that a portion of inventories will probably become less fashionable as a result of changing customer tastes, and in response to a growing demand for more up-to-date designed jewellery products, the Group plans to replenish the inventory accordingly by purchasing some raw materials and/or finished goods which are used for sales of new stylish products.

As advised by the Management, another booster for the growth in the proposed Annual Caps (Supply) for the three years ending 30 June 2016 is the Group’s business development, including the development of “3D-Gold” brand name following the strategic partnership with Luk Fook Holdings. We have discussed with the Management about the Purchase Forecast and business development plans and understand that these are consistent with the Proactive Initiatives as disclosed in the 2013 Annual Report, which mainly include (i) adjusting the sales network by focusing on profit making stores and closing down non-performance stores; (ii) introducing new 3D-Gold jewellery boutique stores; and (iii) continuously launching and promoting new series products. As advised by the Management, the Group will continuously expand sales network by further closing non-profitable stores while opening more profitable and efficient stores, which are mainly franchised stores, to improve the overall operational performance over the next few years. In addition, as a part of the business development plans, the Group will introduce and open new 3D-Gold jewellery boutique stores which focus on diversifying sales channels and broadening customer base and is estimated to attract a new group of franchise via its smaller size than the traditional store and concentration on higher margin jewellery and fixed priced products. We noted from the 2013 Annual Report that as at 30 June 2013, the Group has 416 points of sales in Hong Kong, Macau, and the PRC under the brand “3D-Gold”, compared to 398 points of sales as at 30 June 2012, which, in the view of the Management, marks the onset of a steady growth momentum in the Group’s sales network. As stated in the Letter from the Board, each of the Company and Luk Fook plans to offer a funding of HK\$100 million respectively by way of shareholder’s loans for the business expansion of CGS. Based on our review of the Purchase Forecast, we also noted that purchases from new stores are estimated to contribute to the forecasted total purchases for the three years ending 30 June 2016. Accordingly, we concur with the view of the Management that

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the aforesaid sales network expansion will lead to substantial new purchases of raw material and/or finished goods from new stores. Furthermore, we also observed from the 2013 Annual Report that the Group have identified a growing demand for stylish and contemporary-designed jewellery in the PRC, which contributed over 90% of the turnover of the Group for the year ended 30 June 2013 and is currently the largest market to the Group. As discussed with the Management, to cater for the surging demand for more fashionable jewellery products, the Group has been carrying out continuous promotion and launching of new series products to expand the range of product portfolio to win a broader spectrum of customers, which is considered to be another driver for the increase in the purchases of raw materials and/or finished goods for the three years ending 30 June 2016.

According to information published by the National Bureau of Statistics of China, since there is rising competition in the labour market, the annual average wage for employees at private companies in the PRC was RMB28,752 in 2012, which increased by approximately 17.1% as compared to year 2011. As a result of this, consumption power of the PRC citizens will increase and the middle income group will expand accordingly. As advised by the Management, considering the increasing appetite for luxury products in the PRC driven by increased purchasing power, the Company anticipated a possible increase in the price of raw materials and/or finished goods and has adopted the average purchase price of raw materials and/or finished goods for year 2013, plus a annual 5% buffer for possible price increment for raw materials and/or finished goods for the purpose of determining the Annual Caps (Supply) for each of the two years ending 30 June 2016.

As advised by the Management, since Luk Fook Holdings is one of the leading jewellery retailers in Hong Kong and the PRC and the expertise and industry position of Luk Fook Holdings would benefit the Group in developing their future business and the brand name of “3D-Gold” in the long run, the Group will establish a close strategic partnership with Luk Fook and source a substantial portion of the raw materials and/or finished goods needed for its business for the three years ending 30 June 2016 from Luk Fook Holdings. Taking into account the strategic significance of Luk Fook to the Group and the close cooperation in the future, in deriving the Annual Caps (Supply), the Company adopted 50% as the percentage of estimated total purchases of raw materials and/or finished goods taken up by the Annual Caps (Supply) for the three years ending 30 June 2016. As further discussed with the Management, adoption of such percentage ratio is a prudent approach used by the Group to avoid over-reliance on a single supplier while it can still provide sufficient flexibility for the Group to execute its business development plans stated above and capture business opportunities arisen from strategic partnership with Luk Fook Holdings.

Having considered the above factors which are taken into account for deriving the Purchase Forecast for determination of the Annual Caps (Supply), the strategic partnership between the Group and Luk Fook as well as the fact that the extraordinary increase in the Annual Caps (Supply) for the year ending 30 June 2015 as compared to that for the year ending 30 June 2014 is largely attributable to the lower base value of the Annual Caps (Supply) for the year ending 30 June 2014 due to the reason that the Non-Exempt Continuing Connected Transactions for the year ending 30 June 2014

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would only be incurred for a period from the Completion Date to 30 June 2014 which is not a full year period, we consider that the basis of determining the Annual Caps (Supply) are justifiable and the Annual Caps (Supply) is fair and reasonable so far as the Independent Shareholders are concerned. Nonetheless, the Independent Shareholders should note that the Annual Caps (Supply) should not be construed as an assurance or forecast by the Group of its future revenue.

MEASURES TO ENSURE COMPLIANCE WITH THE LISTING RULE

In compliance with the annual review requirements under the Listing Rules, the Company will comply with the following during the term of the Non-Exempt Continuing Connected Transactions:

- (i) each year the independent non-executive Directors must review the continuing connected transactions and confirm in the Company's annual report and accounts that the continuing connected transactions have been entered into:
 - in the ordinary and usual course of business of the Company;
 - either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and
 - in accordance with the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.
- (ii) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the annual report of the Company) confirming that the continuing connected transactions:
 - have received the approval of the Board;
 - are in accordance with the pricing policies of the Company if the continuing connected transactions involve provision of goods or services by the Company;
 - have been entered into in accordance with the relevant agreements governing the continuing connected transactions; and
 - have not exceeded the annual caps.
- (iii) the Company will allow, and will procure that the counterparties will allow, the auditors of the Company with sufficient access to the relevant records of the continuing connected transactions for the purpose of reporting on the continuing connected transactions. The Directors must state in the annual report whether its auditors have confirmed the matters stated in paragraph (ii) above; and

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- (iv) the Company shall promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or auditors of the Company will not be able to confirm the matters set out in paragraphs (i) and/or (ii) above respectively.

As a part of due diligence exercise, we have also reviewed the annual reports of the Company for the two years ended 30 June 2012 and 2013 and noticed that the auditor of the Company has issued unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Main Board Listing Rule 14A.38 and the independent non-executive directors have reviewed the continuing connected transactions and the report of the auditor and have confirmed that the transactions have been entered into by the Group in the ordinary course of its business, on normal commercial terms and in accordance with terms of agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole. As such, it is noted that there are sufficient measures in place to ensure that continuing connected transactions are to be entered into on normal commercial terms which are no less favourable to the Group than those with independent third parties.

Having considered, in particular, (i) the restriction of the value of the Non-Exempt Continuing Connected Transactions by way of the Annual Caps (Supply); (ii) the ongoing review by the independent non-executive Directors and the auditors of the Company of the terms of the Non-Exempt Continuing Connected Transactions and the Annual Caps (Supply) not being exceeded; and (iii) the existence of sufficient internal control measures, we are of the view that there are appropriate measures in place to govern the conduct of the Non-Exempt Continuing Connected Transactions and safeguard the interests of the Independent Shareholders.

RECOMMENDATION

Having considered the principal factors as discussed above, we consider that the entering into of the Non-Exempt Continuing Connected Transactions is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole, the terms of the Non-Exempt Continuing Connected Transactions are on normal commercial terms, are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we also advise, the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Non-Exempt Continuing Connected Transactions.

Yours faithfully,
For and on behalf of
GF Capital (Hong Kong) Limited
Brian Lee
Deputy Managing Director

FINANCIAL SUMMARY OF THE GROUP

The published audited consolidated financial statements of the Group for the years ended 30 June 2011, 2012 and 2013 are set out in the annual reports of the Group dated 17 October 2011, 15 October 2012 and 22 October 2013 for the years ended 30 June 2011, 2012 and 2013 respectively.

The aforementioned financial information of the Group can be accessed on the website of the Company (www.hkrh.hk) and Stock Exchange (www.hkexnews.hk).

1. STATEMENT OF INDEBTEDNESS

At the close of business on 31 December 2013, being the latest practicable date prior to the printing of this circular, the Group had outstanding (i) bank and other borrowings of approximately HK\$652 million (of which HK\$238 million was unsecured, and approximately HK\$414 million was secured by fixed charges on certain of the Group's assets, including inventories, trade and other receivables and short term bank deposits), (ii) unsecured other payable of approximately HK\$3 million, (iii) gold loans of approximately HK\$364 million which was secured by fixed charge on inventories and short term bank deposits, and (iv) unsecured amount due to a joint venture of approximately HK\$4 million. In addition, the Group had outstanding at that date obligations under finance leases of HK\$0.5 million and contingent liabilities regarding an outstanding financial guarantee of HK\$3 million issued to a bank in respect of a banking facility granted to a joint venture.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 31 December 2013 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

2. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the present available financial resources, the banking facilities presently available and the estimated net proceeds from the proposed disposal of 50% interest in CGS and the proposed issue of HKRH Convertible Bonds by the Company, the Group will have sufficient working capital for its business for the next twelve months from the date of this Circular in the absence of unforeseen circumstances.

3. MATERIAL ADVERSE CHANGE

As disclosed in the announcement of the Company dated 14 February 2014, based on the unaudited consolidated management accounts of the Group for the six months ended 31 December 2013, the Group is expected to record an increase in the net loss for the six months ended 31 December 2013 as compared with the corresponding period in 2012, which loss was primarily attributable to worsening of the business conditions and downturn in the economic growth in Mainland China during the period that resulted in decline in gross profit. Save for the aforesaid, as at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 30 June 2013, being the date to which the latest published audited consolidated financial statements of the Group were made up.

4. TRADING AND FINANCIAL PROSPECTS OF THE GROUP

The Group is principally engaged in the trading and sale of gold, platinum and jewellery products in Hong Kong, Macau and other region in the PRC through retailing, franchising and e-commerce under the brand or trade names of “3D-Gold”, “金至尊”, “La Milky Way” and “銀河明星”.

Upon Completion, the Company will continue to hold 50% interest in CGS, which the Directors are looking forward to maintain the Company’s interests in CGS and build on their strategic partnership with Luk Fook. The Group will continue to focus the management and its financial resources on the trading and sale of gold, platinum and jewellery products in Hong Kong, Macau and other region in the PRC, and work together with Luk Fook to expand the CGS Group and develop the brand name of “3D-Gold”.

Going forward, the Group will continue to implement its strategic plan to strengthen the distribution network and brand enhancement in Mainland China, and work closely with Luk Fook to expand the CGS Group and maximize the brand value of “3D-Gold”. With Luk Fook Group’s expertise in jewellery retail sector as well as brand management (based on Luk Fook Group’s annual report for the year ended 31 March 2013, the Luk Fook Group was granted the ‘Well-known Trademark’ title by the State administrative authorities in Mainland China, reaffirming Luk Fook Group’s rising recognition and brand awareness in Mainland China), the Directors believe that the cooperation of two prominent brands with similar business and operating strategies will produce the effective synergy to facilitate the development of the brand name of “3D-Gold” and improve the operational efficiency of the CGS Group. The Group will also increase its marketing efforts in promoting the brand name of “3D-Gold”, aiming to reach a greater population of customers and be perceived as the top jewellery brand (in July 2013, “3D-Gold” was ranked 2nd among jewellery brands in “China’s 500 Most valuable Brands” by World Brand Lab). The funding of HK\$100 million by each of the Company and Luk Fook to CGS by way of shareholders’ loans will mainly be used for the business expansion of CGS, in particular the payment of deposit and rent, procurement of inventory and payment of operating costs for the opening of new stores in Hong Kong and the PRC. In improving the profitability of the CGS Group, management has plans to adjust the sales network by focusing on profit making stores and closing down non-performing stores that were mainly aged 3 years. Furthermore, due to the growing demand for stylish and contemporary designed jewellery in Mainland China, the Group is

eager to continue promote and launch new series products, which management believes can appeal to more customers from different age groups, and also generate a better profit margin than gold.

With regards to inventory planning and cost control, the Group has invested in a new enterprise resources planning system which is scheduled to start its trial run by the second quarter of 2014. This system will provide improved ordering guidelines and stocking arrangements for the Group and its franchisees. With this system, market opportunities and market demand can be better captured. The Group will also continue to strengthen their cost control policy to effectively control and reduce the general and administrative expenses. The new “3D-Gold” jewellery boutique store model, which is smaller in size than the traditional stores of the Group, will focus on higher margin jewellery and fixed price products to minimize the effect of gold price fluctuations. Looking forward, the Group will strive to further enhance its competitive position and aim to enhance the shareholder’s return.

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 INTERESTS

Director's interests

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required 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 the Director or chief executive of the Company was taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the “**Model Code**”), to be notified to the Company and the Stock Exchange were as follows:

(i) Long positions in shares

Name of Director	Personal interests	Family interests	Corporate interests	Total	Percentage of issued share capital of the Company at the Latest Practicable Date
Dr. Wong, Kennedy Ying Ho	118,540,122	336,000 (Note a)	840,494,354 (Note b)	959,370,476	30.23%
Mr. Lam Kwok Hing, Wilfred	–	560,000 (Note c)	–	560,000	0.02%
Ms. Wong Wing Yan, Ella	88,000	200,500 (Note d)	–	288,500	0.01%
Mr. Cheung Pak To, Patrick	–	–	–	–	–
Dr. Hui Ho Ming, Herbert	19,271,900	–	–	19,271,900	0.60%
Mr. Fan, Anthony Ren Da	–	–	–	–	–
Ms. Estella Yi Kum Ng	–	–	–	–	–
Mr. Wong Kam Wing	5,371	–	–	5,371	0.00%

Notes:

- (a) The shares are held by the spouse of Dr. Wong.
- (b) Of the 840,494,354 shares, 757,703,752 shares are held by Perfect Ace and 82,790,602 shares are held by Limin Corporation. Perfect Ace is wholly-owned by Ying Ho (Nominees) Limited. Ying Ho (Nominees) Limited holds 100% in trust for Limin Corporation which is wholly-owned by Dr. Wong.
- (c) The shares are held by the spouse of Mr. Lam Kwok Hing, Wilfred.
- (d) The shares are held by the spouse of Ms. Wong Wing Yan, Ella.

(ii) Long positions in underlying shares of the Company

Name of Director	Capacity	Number of shares interested	Percentage of issued share capital of the Company at the Latest Practicable Date
Dr. Wong, Kennedy Ying Ho	Beneficial owner (<i>Note a</i>)	457,437	0.01%
	Beneficial owner (<i>Note b</i>)	1,163,380	0.04%
	Family interests (<i>Note c</i>)	24,000	0.00%
	Controlled corporation (<i>Note d</i>)	60,115,067	1.89%
Mr. Lam Kwok Hing, Wilfred	Beneficial owner (<i>Note b</i>)	12,398,591	0.39%
	Family interests (<i>Note e</i>)	40,000	0.00%
Ms. Wong Wing Yan, Ella	Beneficial owner (<i>Note b</i>)	11,816,901	0.37%
Mr. Cheung Pak To, Patrick	Beneficial owner (<i>Note b</i>)	6,581,690	0.21%
Dr. Hui Ho Ming, Herbert	Beneficial owner (<i>Note b</i>)	4,163,380	0.13%
Mr. Fan, Anthony Ren Da	Beneficial owner (<i>Note b</i>)	2,441,942	0.08%
Ms. Estella Yi Kum Ng	Beneficial owner (<i>Note b</i>)	2,441,942	0.08%
Mr. Wong Kam Wing	Beneficial owner (<i>Note b</i>)	1,916,338	0.06%
	Beneficial owner (<i>Note f</i>)	383	0.00%

Notes:

- (a) These derivatives represent the 457,437 bonus warrant shares underlying the bonus warrants held by Dr. Wong.
- (b) All interests above are in the form of share options of the Company.
- (c) These derivatives represent the 24,000 bonus warrant shares underlying the bonus warrants held by the spouse of Dr. Wong.
- (d) These derivatives represent the 54,234,692 bonus warrant shares underlying the bonus warrants held by Perfect Ace and the 5,880,375 bonus warrant shares underlying the bonus warrants held by Limin Corporation. Dr. Wong was deemed to be interested in these derivatives through his controlling interests in Perfect Ace and Limin Corporation.
- (e) These derivatives represent the 40,000 bonus warrant shares underlying the bonus warrants held by the spouse of Mr. Lam Kwok Hing, Wilfred.

- (f) These derivatives represent the 383 bonus warrant shares underlying the bonus warrants held by Mr. Wong Kam Wing.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the 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 or 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 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) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the parties (other than the Directors and the chief executives of the Company) which had interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

(i) *Long positions in shares*

Name of substantial shareholders	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company at the Latest Practicable Date
Perfect Ace	Beneficial owner (<i>Note a</i>)	757,703,752	23.88%
Limin Corporation	Beneficial owner (<i>Note a</i>)	82,790,602	2.61%
Dr. Liu Wangzhi	Corporate interest (<i>Note b</i>)	186,874,847	5.89%
	Beneficial owner	15,556,000	0.49%
Mr. Wen Jialong	Beneficial owner	165,861,957	5.23%
Mr. Yu Pan	Beneficial owner	165,000,000	5.20%

Notes:

- (a) Perfect Ace is wholly-owned by Ying Ho (Nominees) Limited. Ying Ho (Nominees) Limited holds 100% in trust for Limin Corporation which is wholly-owned by Dr. Wong. Accordingly, Dr. Wong is deemed to be interested in the shares through his controlling interest in Perfect Ace and Limin Corporation. Dr. Wong is personally interested in 118,540,122 shares, the spouse of Dr. Wong is interested in 336,000 shares and Dr. Wong is deemed to be interested in all the shares held by Perfect Ace, Limin Corporation and his spouse.
- (b) The shares are held by Ming Feng Group Holdings Limited (“Ming Feng”). Ming Feng is owned as to 49% by Ms. Chan Yangfang (“Ms. Chan”), the spouse of Dr. Liu Wangzhi (“Dr. Liu”) and 51% by Dr. Liu. Ms. Chan holds 49% shares in trust for Dr. Liu. As such, Dr. Liu is deemed to have interest in all the shares in Ming Feng.

(ii) Long positions in underlying shares of the Company

Name of substantial shareholders	Capacity	Number of shares interested	Percentage of issued share capital of the Company at the Latest Practicable Date
Perfect Ace	Beneficial owner (<i>Notes a & c</i>)	54,234,692	1.71%
Limin Corporation	Beneficial owner (<i>Notes b & c</i>)	5,880,375	0.19%
Dr. Liu Wangzhi	Corporate interest (<i>Note d</i>)	7,500,000	0.24%
Mr. Wen Jialong	Beneficial owner (<i>Note e</i>)	11,776,489	0.37%

Notes:

- (a) These derivatives represent the 54,234,692 bonus warrant shares underlying the bonus warrants held by Perfect Ace.
- (b) These derivatives represent the 5,880,375 bonus warrant shares underlying the bonus warrants held by Limin Corporation.
- (c) Perfect Ace is wholly-owned by Ying Ho (Nominees) Limited. Ying Ho (Nominees) Limited holds 100% in trust for Limin Corporation which is wholly-owned by Dr. Wong. Accordingly, Dr. Wong is deemed to be interested in the shares through his controlling interest in Perfect Ace and Limin Corporation.
- (d) These derivatives represent the 7,500,000 bonus warrant shares underlying the bonus warrants held by Ming Feng. Ming Feng is owned as to 49% by Ms. Chan, the spouse of Dr. Liu and 51% by Dr. Liu. Ms. Chan holds 49% shares in trust for Dr. Liu. As such, Dr. Liu is deemed to have interest in all the shares in Ming Feng.
- (e) These derivatives represent the 11,776,489 bonus warrant shares underlying the bonus warrants held by Mr. Wen Jialong.

Save as disclosed above, as at the Latest Practicable Date, the Company has not been notified by any person (other than a Director or chief executive of the Company) who had any other interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTOR'S OTHER INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware of, none of themselves respective associates had any interest in a business which competes or may compete with the business of the Group or any other conflicts of interest within the Group.

As at the Latest Practicable Date, none of the Directors has any interest, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 30 June 2013, being the date to which the latest published audited consolidated financial statements of the Company were made up.

On 5 July 2013, the Company entered into a legal services agreement with Philip KH Wong, Kennedy YH Wong & Co. (“**PWKW**”), whereby PWKW shall provide company secretariat and legal services to the Group for the period from 1 April 2013 to 31 March 2016. PWKW is a law firm of which Dr. Wong is one of the founders and the managing partner. The above transaction is regarded as a continuing connected transaction pursuant to Chapter 14A of the Listing Rules. Details of the above are set out in the announcement of the Company dated 5 July 2013.

Save as disclosed above, there is no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director is materially interested and which is significant to the business of the Group.

5. LITIGATION

As at the Latest Practicable Date, 3D-GOLD International Company Limited (“3D-Gold International”), an indirectly wholly-owned subsidiary of the Company, is the plaintiff of a litigation case in Beijing, in which 3D-GOLD International claims against the defendants therein for trademark infringement. Save for the aforesaid, as at the Latest Practicable Date there was no litigation or claims of material importance known to the Directors to be pending or threatened by or against any member of the Group.

6. DIRECTORS’ SERVICE CONTRACTS

Mr. Lam Kwok Hing, Wilfred has entered into a service contract with the Company in relation to his appointment as a director of business operations (China) of the Group, prior to his appointment as an executive director on 17 August 2011. He is not appointed for a specific term but subject to retirement by rotation and re-election at the annual general meeting pursuant to the Bye-laws.

Ms. Wong Wing Yan, Ella has entered into a service contract with the Company in relation to her appointment as chief financial officer of the Company, prior to her appointment as an executive director on 17 August 2011. She is not appointed for a specific term but subject to retirement by rotation and re-election at the annual general meeting pursuant to the Bye-laws.

Mr. Cheung Pak To, Patrick has entered into a service contract with the Group in relation to his appointment as a group director of administration of the Group, prior to his appointment as an executive director on 15 November 2012. He is not appointed for a specific term but subject to retirement by rotation and re-election at the annual general meeting pursuant to the Bye-laws.

7. MATERIAL CONTRACTS

Set out below are the material contracts (not being contracts entered into in the ordinary course of business) entered into by any member of the Group within the two years immediately preceding the Latest Practicable Date:

- (i) a placing agreement dated 13 April 2012 entered into among Perfect Ace Investments Limited, Mr. Wen Jialong and the Company and a subscription agreement dated 13 April 2012 entered into between the Company and Perfect Ace Investments Limited in relation to the placing and top-up subscription of 106,000,000 Shares in the capital of the Company (details are disclosed in the announcement of the Company dated 13 April 2012);
- (ii) an underwriting agreement dated 12 December 2012 entered into between the Company and KGI Asia Limited (as the underwriter) in relation to the rights issue of not less than 787,634,411 but not more than 855,047,937 rights shares at HK\$0.15 per rights share payable in full on acceptance (in the proportion of two rights shares for every five shares held on the record date with bonus warrants on the basis of one bonus warrant for every four rights shares taken up) (details are disclosed in the announcement of the Company dated 12 December 2012);
- (iii) a loan and cooperation agreement dated 5 March 2013 and a supplemental agreement dated 17 April 2013 entered into among 3D-GOLD Properties (HK) Limited (“3D-GOLD Properties”), an indirectly wholly-owned subsidiary of the Company, Mr. Wen Jialong and 深圳市福緣家庭服務有限公司 (Shenzhen Fuyuan Family Services Company Limited) (the “Borrowers”) pursuant to which 3D-GOLD Properties has agreed to advance a loan of principal amount of RMB98,000,000 to the Borrowers to enable the Borrowers to acquire 100% shareholding interest of 深圳市川湖實業有限公司 (Shenzhen Chuan Hu Industrial Company Limited) (details are disclosed in the announcements of the Company dated 5 March 2013 and 17 April 2013 respectively);
- (iv) a placing agreement dated 4 June 2013 entered into between the Company and One China Securities Limited in relation to the placing of 196,908,603 Shares in the capital of the Company (details are disclosed in the announcement of the Company dated 4 June 2013);
- (v) a subscription agreement dated 26 August 2013 entered into among CGS, 上海鴻城創業投資中心(有限合夥)(Shanghai Hongcheng Venture Investment Centre (Limited Partnership))* and the Company and a novation and supplemental agreement dated 13 January 2014 entered into among CGS, 上海鴻城創業投資中心(有限合夥)(Shanghai Hongcheng Venture Investment Centre (Limited Partnership))* , Maya Gold Investment Limited and the Company in relation to the issue of convertible bonds by CGS in the aggregate principal amount of US\$5,000,000 due four years from the issue date (details are disclosed in the announcements of the Company dated 26 August 2013 and 13 January 2014 respectively);

- (vi) a placing agreement dated 11 September 2013 entered into among Perfect Ace Investments Limited, Luk Fook Securities (HK) Limited and the Company and a subscription agreement dated 11 September 2013 entered into between the Company and Perfect Ace Investments Limited in relation to the placing and top-up subscription of 217,000,000 Shares in the capital of the Company (details are disclosed in the announcement of the Company dated 12 September 2013); and
- (vii) the CGS Agreement.

8. QUALIFICATION AND CONSENT TO EXPERT

The following is the qualification of the expert who has given its opinion or advice which are contained in this circular:

Name	Qualification
GF Capital	A licensed corporation to carry out type 6 (advising on corporate finance) of the regulated activity under the SFO

As at the Latest Practicable Date, GF Capital:

- (a) did not have any 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;
- (b) did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Group since 30 June 2013, the date up to which the latest published audited consolidated financial statements of the Group were made; and
- (c) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of and references to its name and letter in the form and context in which they respectively appear.

The letter of advice given by GF Capital to the Independent Board Committee and the Independent Shareholders was made on 21 February 2014 for incorporation in this circular.

9. MISCELLANEOUS

- (i) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda
- (ii) The share registrar and transfer office of the Company is Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong

- (iii) The company secretary of the Company is Mr. Fu Yat Ming, a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants
- (iv) The English text of this circular shall prevail over the Chinese text in the case of inconsistency

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copy of the following documents are available for inspection at the principal place of business of the Company at Unit 1701-11, 17/F Peninsula Square, No.18 Sung On Street, Hunghom, Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of SGM.

- (i) the memorandum of association and bye-laws of the Company;
- (ii) the audited consolidated financial statements of the Group for the two financial years ended 30 June 2012 and 30 June 2013;
- (iii) the material contracts referred to in the section headed “Material contracts” in this Appendix;
- (iv) the service contracts referred to in the section headed “Directors’ service contracts” in this Appendix;
- (v) a copy of the draft Supply Agreement;
- (vi) the written consent referred to in the section “Qualification and Consent to Expert” in this Appendix;
- (vii) the letter from the Independent Board Committee as set out on pages 37 to 38 of this circular;
- (viii) the letter from GF Capital as set out on pages 39 to 48 of this circular; and
- (ix) this circular.

NOTICE OF THE SGM



HONG KONG RESOURCES HOLDINGS COMPANY LIMITED 香港資源控股有限公司

*(Incorporated in Bermuda with limited liability and carrying
on business in Hong Kong as HKRH China Limited)*
(Stock Code: 2882)

NOTICE OF THE SGM

NOTICE IS HEREBY GIVEN that a special general meeting of Hong Kong Resources Holdings Company Limited (the “**Company**”) will be held at Units 1701-11, 17/F., Peninsula Square, No. 18 Sung On Street, Hung Hom, Kowloon, Hong Kong at 9:30 a.m. on Monday, 10 March 2014 or at any adjournment thereof for the following purposes (unless otherwise indicated, capitalized terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 21 February 2014):

1. To consider and, if thought fit, to pass with or without amendments, the following resolution as an ordinary resolution of the Company:

“**THAT:**

- A. the CGS Agreement dated 28 January 2014 for the disposal of 50% interest in CGS (the “**Disposal**”) by the Company to Luk Fook 3D Management Company Limited (“**Luk Fook**”) for a consideration estimated to be approximately HK\$282.7 million and the issue of the HKRH Convertible Bonds to Luk Fook in the principal amount of HK\$57,080,000 at the HKRH Conversion Price of HK\$0.18 (subject to adjustments pursuant to the terms of the HKRH Convertible Bonds) due five years from the date of issue, as defined and described in the circular dated 21 February 2014 (the “**Circular**”), a copy of the Circular marked “A” together with a copy of the CGS Agreement marked “B” being tabled before the meeting and initialed by the chairman of the meeting for identification purpose, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified, and any one director of the Company be and is hereby authorized for and on behalf of the Company to execute all such other documents and agreements and to do all such acts or things deemed by him to be desirable, necessary and expedient to implement and/or give effect to the CGS Agreement and the transactions contemplated thereunder;

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- B. the grant of the CGS Share Option by CGS to Luk Fook for a cash consideration of US\$1.00, pursuant to the terms and conditions of the CGS Agreement to subscribe at the CGS Share Option Exercise Price of US\$24,390.24 (subject to adjustments pursuant to the terms of the CGS Share Option) per CGS Share for such number of new CGS Shares that may result from dividing US\$5,000,000 by the CGS Share Option Exercise Price, as defined and described in the Circular, be and is hereby approved;
- C. the Supply Agreement to be entered into between CGS and Maxigood and the proposed Annual Caps (Supply) in relation thereto, each as defined and described in the Circular, a copy of the draft Supply Agreement marked “C” being tabled before the meeting and initialed by the chairman of the meeting for identification purpose, and all transactions contemplated thereunder be and are hereby approved, and any one director of the Company be and is hereby authorized for and on behalf of the Company to execute all such other documents and agreements and to do all such acts or things deemed by him to be desirable, necessary or expedient to implement and/or give effect to the Supply Agreement and the transactions contemplated thereunder;
- D. the Shareholders’ Deed to be entered into between the Company, Luk Fook and CGS, as defined and described in the Circular, a copy of the draft Shareholders’ Deed marked “D” being tabled before the meeting and initialed by the chairman of the meeting for identification purpose, and all transactions contemplated thereunder be and are hereby approved, and any one director of the Company be and is hereby authorized for and on behalf of the Company to execute the Shareholders’ Deed and all such other documents and agreements and to do all such acts or things deemed by him to be desirable, necessary and expedient to implement and/or give effect to the Shareholders’ Deed and the transactions contemplated thereunder;
- E. conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited approving the listing of, and granting permission to deal in the New Shares (as defined below) to be allotted and issued upon the conversion of the HKRH Convertible Bonds, the directors of the Company (the “**Directors**”) be and are hereby granted a specific mandate (the “**Specific Mandate**”) to allot and issue, credited as fully paid, such number of ordinary shares (the “**New Shares**”) in the capital of the Company as may be required to be issued upon the exercise of the conversion rights attaching to the HKRH Convertible Bonds at the HKRH Conversion Price of HK\$0.18 per Share (subject to adjustment pursuant to the terms of the HKRH Convertible Bonds), on and subject to the terms and conditions of the HKRH Convertible Bonds, provided that the Specific Mandate shall be in addition to and shall not prejudice nor revoke the existing general mandate granted to the Directors by the shareholders of the Company in the annual general meeting of the Company held on 29 November 2013;

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- F. all the transactions contemplated under the CGS Agreement in connection with the Disposal and issue of the HKRH Convertible Bonds (collectively referred to as the “**Transactions**”) be and are hereby approved; and
- G. the Directors be and are hereby authorized to do all such acts and things and sign and execute all such documents as they consider necessary or expedient in connection with the issue of the HKRH Convertible Bonds, the allotment and issue of the New Shares upon conversion of the HKRH Convertible Bonds and/or to give effect to the terms of, or the Transactions contemplated by, the CGS Agreement.”

By Order of the Board
Hong Kong Resources Holdings Company Limited
Dr. WONG, Kennedy Ying Ho, BBS, J.P
Chairman

Hong Kong, 21 February 2014

Registered Office:

Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

*Principal place of business
in Hong Kong:*

Units 1701-11, 17/F.,
Peninsula Square,
No.18 Sung On Street,
Hungghom, Kowloon,
Hong Kong

Notes:

1. The ordinary resolutions to be considered at the special general meeting will be determined by poll. On voting by poll, each member shall have one vote for each share held in the Company.
2. A member of the Company who is entitled to attend and vote at the special general meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares of the Company may appoint more than one proxy. A proxy need not be a member of the Company.
3. A form of proxy for use at the special general meeting of the Company is enclosed herewith. Whether or not a member of the Company intends to attend the special general meeting in person, he or she is urged to complete and return the form of proxy in accordance with the instruction printed thereon.
4. The form of proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorized to sign the name.
5. To be valid, the form of proxy, together with (if required by the board of directors of the Company) the power of attorney or other authority (if any) under which it is signed, or a certified copy thereof must be deposited at the Company’s branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the special general meeting or any adjourned meeting thereof (as the case maybe) at which the person named in the form of proxy proposes to vote or, in the case of a poll taken subsequently to the date of the special general meeting or any adjournment thereof, not less than 24 hours before the time appointed for the taking of the poll and in default the form of proxy shall not be treated as valid.

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6. Completion and return of the form of proxy appointing a proxy shall not preclude a member of the Company from attending and voting in person at the special general meeting or on the poll concerned and in such event, the form of proxy shall be deemed to be revoked.
7. Where there are joint holders of any share of the Company, any one of such joint holders may vote at the special general meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the special general meeting personally or by proxy, that one of the said joint holders 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.
8. As at the date of this notice, the board of the Company comprises eight Directors with Dr. Wong, Kennedy Ying Ho (Chairman), Mr. Lam Kwok Hing, Wilfred, Ms. Wong Wing Yan, Ella, Mr. Cheung Pak To, Patrick as executive directors, Dr. Hui Ho Ming, Herbert as non-executive director and Mr. Fan, Anthony Ren Da, Ms. Estella Yi Kum Ng and Mr. Wong Kam Wing as independent non-executive directors.