THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a 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 and the accompanying form of proxy to the purchaser or transferee, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an offer to issue or sell, or the solicitation of an offer to acquire, purchase or subscribe for the securities referred to in this circular.

香港資源控股
HONG KONG RESOURCES HOLDINGS

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)

CONNECTED TRANSACTION AT SUBSIDIARY LEVEL IN RELATION TO THE ACQUISITION OF 49% EQUITY INTERESTS IN TIANJIN ZHIYUN ERLING TECHNOLOGY CO., LTD. INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE AND NOTICE OF THE SGM

Independent Financial Adviser

Nuada Limited

Unless the context requires otherwise, terms used in this cover shall have the same meaning as those in the circular.

A letter from the Board is set out on pages 6 to 23 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Shareholders is set out on pages 26 to 54 of this circular and a letter from the Independent Board Committee is set out on pages 24 to 25 of this circular.

A notice convening the SGM to be held at Room 2306, 23/F, Tower One, Lippo Centre, No. 89 Queensway, Hong Kong, on Thursday, 15 December 2022 at 11 a.m. is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for the SGM is enclosed with this circular. Whether or not you intend to attend the SGM in person, you are encouraged to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible, but in any event not less than 48 hours (i.e. not later than 11 a.m. on Tuesday, 13 December 2022) before the time appointed for the holding of the SGM or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish and, in such event, the form of proxy shall be deemed to be revoked.

References to dates and time in this circular are to Hong Kong dates and time.

29 November 2022

CONTENTS

Page

Unless otherwise stated or the context requires otherwise, the terms and expression in this circular have the following meanings:

"2023 Guaranteed Profit"	the audited consolidated net profit before interest and taxation and after extraordinary or exceptional items of the Tianjin Zhiyun Group for the year ending 30 June 2023 which shall be not less than HK$9,000,000
"2024 Guaranteed Profit"	the audited consolidated net profit before interest and taxation and after extraordinary or exceptional items of the Tianjin Zhiyun Group for the year ending 30 June 2024 which shall be not less than HK$11,000,000
"Acquisition"	the acquisition of the Sale Shares and Sale Loans pursuant to the terms of the Sale and Purchase Agreement (as amended by the Supplemental Agreement)
"Board"	the board of the Directors of the Company
"Business Day"	a day (excluding Saturday, Sunday or public or statutory holiday in Hong Kong) on which licensed banks in Hong Kong are generally open for business in Hong Kong throughout their normal business hours
"Company"	Hong Kong Resources Holdings Company Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 2882)
"Completion"	the completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement (as amended by the Supplemental Agreement)
"connected persons"	has the meaning ascribed to it in the Listing Rules and "connected" shall be construed accordingly
"Consideration"	HK$15,587,000, being the aggregate consideration payable by the Company to the Vendors for the Sale Shares and Sale Loans which shall be settled by way of allotment and issue of the Consideration Shares

"Consideration Shares"	collectively, the Vendor A Consideration Shares and Vendor B Consideration Shares, representing an aggregate of 53,934,320 new Shares to be allotted and issued at the Issue Price as consideration of the Acquisition pursuant to the Sale and Purchase Agreement (as amended by the Supplemental Agreement)
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee of the Board comprising all independent non-executive Directors being formed for the purpose of advising the Shareholders in relation to the Sale and Purchase Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder
"Independent Financial Adviser"	Nuada Limited, a corporation licensed to carry on type 6 regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Shareholders on the Sale and Purchase Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder
"Issue Price"	the issue price of approximately HK$0.289 per Consideration Share
"Last Trading Day"	11 August 2022, being the last trading day of the Shares prior to the date of the Sale and Purchase Agreement (as amended by the Supplemental Agreement)
"Latest Practicable Date"	22 November 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein

"Long Stop Date"	31 December 2022 or such later date as the parties to the Sale and Purchase Agreement (as amended by the Supplemental Agreement) may agree
"PRC"	the People's Republic of China which, for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China, and Taiwan
"Profit Guarantee"	the profit guarantee given by the Vendors in relation to the Acquisition, further details are set out in the paragraph headed "Profit Guarantee" in the Letter from the Board in this Circular
"Purchaser"	Ultra Best Global Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement"	the sale and purchase agreement dated 11 August 2022 (as amended by the Supplemental Agreement) and entered into between the Purchaser, the Company and the Vendors in respect of the Acquisition
"Sale Loans"	collectively, Vendor A Sale Loan and Vendor B Sale Loan
"Sale Shares"	collectively, Vendor A Sale Shares and Vendor B Sale Shares
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened and held on Thursday, 15 December 2022 to consider and, if thought fit, to approve the grant of the Specific Mandate
"Share(s)"	share(s) of the Company
"Shareholder(s)"	holder(s) of Shares
"Specific Mandate"	a specific mandate to allot, issue or otherwise deal in the Consideration Shares to be sought from the Shareholders
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Supplemental Agreement"	the supplemental agreement to the Sale and Purchase Agreement (as amended by the Supplemental Agreement) dated 3 November 2022 and entered into between the Purchaser, the Company and the Vendors in respect of certain amendments to the Sale and Purchase Agreement (as amended by the Supplemental Agreement)
"Target Companies"	collectively, Target Company A and Target Company B
"Target Company A"	Meta Cosmos Limited, a company incorporated in Hong Kong with limited liability
"Target Company B"	Pioneer Digital Technology Co., Limited, a company incorporated in Hong Kong with limited liability
"Tianjin Zhiyun"	Tianjin Zhiyun Erling Technology Co., Ltd.* (天津智耘貳零科技有限公司), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
"Tianjin Zhiyun (Beijing)"	Tianjin Zhiyun Erling Technology Co., Ltd. Beijing Branch* (天津智耘貳零科技有限公司北京分公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Tianjin Zhiyun
"Tianjin Zhiyun Group"	Tianjin Zhiyun and its subsidiary
"USD"	United States dollars, the lawful currency of the United States of America
"Vendors"	collectively, Vendor A and Vendor B
"Vendor A"	Ms. Zhu Meizhi (朱梅芝), a PRC national
"Vendor A Consideration Shares"	44,028,016 new Shares to be allotted and issued to Vendor A at the Issue Price as consideration of the Acquisition pursuant to the Sale and Purchase Agreement (as amended by the Supplemental Agreement)
"Vendor A Sale Loan"	all obligations, liabilities and debts owing or incurred by Target Company A to Vendor A (whether actual, contingent or deferred) at Completion. As at the Latest Practicable Date, the outstanding shareholder's loan of Target Company A is HK$2,000

"Vendor A Sale Shares"	10,000 ordinary shares in, representing the entire issued share capital of, Target Company A
"Vendor B"	Mr. Wang Jifeng (王計峰), a PRC national
"Vendor B Consideration Shares"	9,906,304 new Shares to be allotted and issued to Vendor B at the Issue Price as consideration of the Acquisition pursuant to the Sale and Purchase Agreement (as amended by the Supplemental Agreement)
"Vendor B Sale Loan"	all obligations, liabilities and debts owing or incurred by Target Company B to Vendor B (whether actual, contingent or deferred) at Completion. As at the Latest Practicable Date, the outstanding shareholder's loan of Target Company B is HK$5,400
"Vendor B Sale Shares"	1,000 ordinary shares in, representing the entire issued share capital of, Target Company B
"%"	per cent.

* *The English transliteration of the Chinese names in this circular, where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names.*

香港資源控股
HONG KONG
RESOURCES
HOLDINGS

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:
Mr. Li Ning *(Chairman)*
Mr. Wang Chaoguang *(Co-chairman)*

Non-executive Director:
Mr. Hu Hongwei

Independent non-executive Directors:
Dr. Loke Yu alias Loke Hoi Lam
Dr. Fan, Anthony Ren Da
Mr. Chan Kim Sun

Registered Office:
Clarendon House
2 Church Street
Hamilton, HM11
Bermuda

Principal Place of Business in Hong Kong:
Room 2306, 23/F, Tower One,
Lippo Centre No. 89 Queensway
Hong Kong

29 November, 2022

To the Shareholders

Dear Sir/Madam,

CONNECTED TRANSACTION AT SUBSIDIARY LEVEL IN RELATION TO THE ACQUISITION OF 49% EQUITY INTERESTS IN TIANJIN ZHIYUN ERLING TECHNOLOGY CO., LTD. INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

1. INTRODUCTION

References are made to the announcements of the Company dated 11 August 2022 and 3 November 2022 in relation to, among other things, the Sale and Purchase Agreement (as amended by the Supplemental Agreement), the Supplemental Agreement, and the transactions contemplated thereunder.

On 11 August 2022 (after trading hours), the Company, the Purchaser and the Vendors entered into the Sale and Purchase Agreement (as amended by the Supplemental Agreement), pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell, (i) the Sale Shares, representing the entire issued share capital of the Target Companies, and (ii) the Sale Loans, at the Consideration of HK$15,587,000, which shall be settled by way of allotment and issue of the Consideration Shares.

The purpose of this circular is to provide the Shareholders with (i) further information on the terms of the Sale and Purchase Agreement (as amended by the Supplemental Agreement) and the Specific Mandate for the allotment and issue of the Consideration Shares; (ii) a letter from the Independent Board Committee to the Shareholders in respect of the Acquisition; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Shareholders in respect of the Acquisition; and (iv) a notice convening the SGM.

2. THE SALE AND PURCHASE AGREEMENT (AS AMENDED BY THE SUPPLEMENTAL AGREEMENT)

The principal terms of the Sale and Purchase Agreement (as amended by the Supplemental Agreement) are summarized as follows:

Date

11 August 2022

Parties

(a) the Purchaser (as purchaser);

(b) the Vendors (as vendors); and

(c) the Company (as issuer of the Consideration Shares).

As at the Latest Practicable Date, Vendor A is a substantial shareholder of Tianjin Zhiyun, hence, a connected person of the Company at subsidiary level, for details, please see the section headed “Listing Rules Implications” in this Letter from the Board of the circular.

As at the Latest Practicable Date and to the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiries, Vendor B is independent of the Company and its connected persons.

Subject matter of the Acquisition

(i) The Sale Shares, being the entire issued share capital of Target Company A and Target Company B, which in turn hold 40% and 9% of the registered capital of Tianjin Zhiyun respectively; and

(ii) the Sale Loans, being all obligations, liabilities and debts owing or incurred by the Target Companies to the Vendors (whether actual, contingent or deferred) at Completion. As at the Latest Practicable Date, the outstanding shareholder’s loan due from each of Target Company A to Vendor A and Target Company B to Vendor B is HK$2,000 and HK$5,400 respectively.

Conditions Precedent

The Completion is conditional upon, among others, the following conditions being satisfied:

(i) the transactions contemplated under the Sale and Purchase Agreement (as amended by the Supplemental Agreement) are not restricted or prohibited by any applicable laws and regulations, judicial or arbitration agency, or governmental ruling or administrative decisions;

(ii) all necessary consents and approvals required to be obtained on the part of the Vendors in respect of the Sale and Purchase Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder having been obtained and remaining in full force and effect;

(iii) all necessary consents and approvals required to be obtained on the part of the Purchaser in respect of the Sale and Purchase Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder having been obtained and remaining in full force and effect;

(iv) all necessary licenses and permits required to be obtained on the part of the Target Companies and the Tianjin Zhiyun Group in respect of the operation of the Tianjin Zhiyun Group's business having been obtained and remaining valid and in effect at Completion and that the Target Companies and the Tianjin Zhiyun Group has not carried out any conduct that may lead to the withdrawal or revocation of any necessary licenses and permits;

(v) there is no material adverse change to the Target Companies and the Tianjin Zhiyun Group;

(vi) the representations and warranties made by the Vendors under the Sale and Purchase Agreement (as amended by the Supplemental Agreement) remaining true, accurate, not misleading and without material omissions in all respects, and no event had occurred which would render the Vendors in breach of the terms of the Sale and Purchase Agreement (as amended by the Supplemental Agreement);

(vii) the Listing Committee of the Stock Exchange granting approval (subject to allotment) for the listing of and permission to deal in the Consideration Shares to be issued and such approval not being subsequently revoked;

(viii) the passing of the necessary resolution(s) at the SGM by the Shareholders to approve the Sale and Purchase Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder; and

(ix) the Vendors, at the request of the Purchaser, providing all documents or information in relation to the Target Companies and the Tianjin Zhiyun Group and the background of the Vendors, and the form and content of such documents or information so provided are to the satisfaction of the Purchaser.

The parties to the Sale and Purchase Agreement (as amended by the Supplemental Agreement) shall use all endeavours to procure the fulfilment of all the conditions above by the Long Stop Date or such other date as the parties to the Sale and Purchase Agreement (as amended by the Supplemental Agreement) may agree. Save for conditions (i), (ii), (iii), (vii) and (viii) which cannot be waived, the Purchaser can at any time, after the Vendor has applied in writing five (5) Business Days in advance, by notice in writing to the Vendors waive the other conditions. In the event that all the conditions have not been fulfilled (or waived, as the case may be) by the Long Stop Date, the Sale and Purchase Agreement (as amended by the Supplemental Agreement) will be terminated and ceased to be effective, and neither parties shall have obligations and liabilities against the other thereafter, save for any antecedent breach of the Sale and Purchase Agreements (as amended by the Supplemental Agreement).

As at the Latest Practicable Date, none of the conditions above have been fulfilled or waived.

Consideration

The total consideration payable by the Purchaser to the Vendors for the Sale Shares and Sale Loans is HK$15,587,000 of which (i) approximately HK$12,724,081.6 to be payable to Vendor A for the Vendor A Sale Shares and Vendor A Sale Loans which shall be satisfied by the Company allotting and issuing the Vendor A Consideration Shares at the Issue Price upon Completion and (ii) approximately HK$2,862,918.4 to be payable to Vendor B for the Vendor B Sale Shares and Vendor B Sale Loans which shall be satisfied by the Company allotting and issuing the Vendor B Consideration Shares at the Issue Price upon Completion.

Basis of Consideration

The Consideration was on normal commercial terms and arrived at after arm's length negotiations between the parties to the Sale and Purchase Agreement (as amended by the Supplemental Agreement) and by reference to:

(i) the Profit Guarantee;

(ii) the enterprise value to earnings before interest, tax, depreciation and amortization ("**EV/EBITDA**") ratio of 10.9 times, after taking into account and making reference to the median of the EV/EBITDA ratios of other companies actively listed for not less than one year in Hong Kong or the PRC engaging in similar business of the Tianjin Zhiyun Group, namely the provision of digital marketing and advertising services, to which over 50% of the total revenue of the said listed companies were generated from the segment(s) comparable to the Tianjin Zhiyun Group, and have recorded positive EBITDA in its preceding financial year. In arriving the above findings, a total number of 8 comparable companies were identified exhaustively by the Company on best effort basis. None of the EV/EBITDA multiples of the 8 comparable companies have been excluded in the median estimate;

(iii) prospects of digital marketing and advertising business in the PRC, for details please refer to the paragraph headed "8. Reasons for and Benefits of the Acquisition" in this Letter from the Board of the circular; and

(iv) financial performance of the Tianjin Zhiyun Group.

Having also considered and eliminated other multiples including the enterprise-value-to-sales, price-to-sales, price-to-earnings and price-to-book multiples, to which the aforesaid multiples were not adopted as it could not accurately reflect (i) the differences in cost structure between the Tianjin Zhiyun Group and the comparable companies; (ii) the growing potential profitability; (iii) the light assets business model; and (iv) the early business state of the Tianjin Zhiyun Group, and that the current set of comparable companies has been selected based on objective selection criteria without any sample being excluded subjectively, the Board is of the view that Consideration is fair and reasonable.

Lock Up Undertaking

Pursuant to the terms of the Sale and Purchase Agreement (as amended by the Supplemental Agreement), the Vendors jointly irrevocably undertake to the Company that:

(i) each of them will not, in respect of 24,270,444 of the Consideration Shares (the "**2023 Lock-up Shares**"), for a period of twelve (12) months from Completion, and in respect of the remaining 29,663,876 of the Consideration Shares (the "**2024 Lock-up Shares**"), for a period of twenty-four (24) months from Completion, offer, lend, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any of the Consideration Shares, or any interests in such Consideration Shares beneficially owned or held by each of them or enter into any swap, derivatives or similar agreement that transfers, in whole or in part, the economic consequences of ownership of such Consideration Shares; and

(ii) in relation to any disposal after such lock up period, reasonable steps will be taken by the Vendors to ensure that the disposal will not create a false or disorderly market for the Shares.

Profit Guarantee

The Vendors guarantee to the Company that the audited consolidated profit before interest and taxation and after extraordinary or exceptional items of the Tianjin Zhiyun Group for the financial year ending 30 June 2023 and 30 June 2024 will be not less than HK$9,000,000 and HK$11,000,000 respectively, to which extraordinary or exceptional items will be determined in accordance with the applicable accounting standards and will include income or expenses which arises in circumstances or from events distinct from the ordinary and usual course of business and to which are not expected to be in recurring nature, examples include government subsidies income, gain or loss arising from one-off disposal of non-current assets etc. As at the Latest Practicable Date, the Tianjin Zhiyun Group has not recorded any extraordinary or exceptional items.

In the event that (i) the actual audited profit (before interest and taxation and after extraordinary or exceptional items of the Tianjin Zhiyun Group) of the Tianjin Zhiyun Group for the financial year ending 30 June 2023 is less than the 2023 Guaranteed Profit and/or (ii) the actual audited profit of the Tianjin Zhiyun Group (before interest and taxation and after extraordinary or exceptional items of the Tianjin Zhiyun Group) for the financial year ending 30 June 2024 is less than the 2024 Guaranteed Profit:

(i) the Vendors (in proportion to their respective shareholdings in the 49% equity interests in Tianjin Zhiyun held via the Target Companies as at the date of the Sale and Purchase Agreement (as amended by the Supplemental Agreement)) shall pay to the Purchaser in cash, an amount equivalent to the shortfall on dollars for dollars basis; and

(ii) if the Vendors fail to pay the Purchaser the shortfall in cash, the Vendors shall at the request of the Purchaser:

   (a) sell and/or place all or part of the 2023 Lock-up Shares and transfer the proceeds to the Purchaser to cover the shortfall to the 2023 Guaranteed Profit; and/or

   (b) sell and/or place all or part of the 2024 Lock-up Shares and transfer the proceeds to the Purchaser to cover the shortfall to the 2024 Guaranteed Profit.

Whereas if the proceeds from selling all the 2023 Lock-up Shares or 2024 Lock-up Shares is insufficient to cover the shortfall to the 2023 Guaranteed Profit or the 2024 Guaranteed Profit (as the case may be), the Vendors (in proportion to their respective shareholdings in the 49% equity interests in Tianjin Zhiyun held via the Target Companies as at the date of the Sale and Purchase Agreement (as amended by the Supplemental Agreement)) shall pay to the Purchaser in cash, an amount equivalent to the remaining shortfall to the 2023 Guaranteed Profit or the 2024 Guaranteed Profit (as the case may be) on a dollars for dollars basis.

In the event there is an audited consolidated net loss for the year ending 30 June 2023 or 30 June 2024, the actual audited profits will be deemed to be zero for the purpose of calculating compensation payable to the Group. If the actual audited profits exceed the 2023 Guaranteed Profit or 2024 Guaranteed Profit (as the case may be), no payment shall be made by the Group to the Vendors.

The Profit Guarantee was determined based on the historical financial performance and the future operation prospect of the Tianjin Zhiyun Group and the industry as a whole. Further, when determining the profit guarantee, the Vendors were of the view that the business of Tianjin Zhiyun experiences seasonality and the financial performance is accordingly periodically affected. Based on the Vendors' experience in the PRC media and marketing industries, consumption activities in the PRC tends to be significantly active in the first and last quarters of each calendar year in comparison with the other quarters primarily due to the Chinese New Year, the PRC Golden Week Holiday and the promotional campaigns on November 11 in recent years. As a result, demand for digital marketing solution services is typically boosted during the aforesaid seasonal events or holidays, and Tianjin Zhiyun's early stage financial performance, to which Tianjin Zhiyun's business only commenced in November 2021 not long before the Chinese New Year, may not be able to accurately reflect its exponential seasonal growth potential. Accordingly, the Vendors and the Board is reasonably satisfied and optimistic that the Profit Guarantee is achievable. For further details, please refer to the paragraph headed "8. Reasons for and Benefits of the Acquisition" in this Letter from the Board of the circular.

Due diligence exercise has also been carried out against each of the Vendors in respect of their financial status. Particularly, the Company has reviewed the property ownership certificates of the properties owned by each of the Vendors and has conducted research on the market prices of comparable properties in terms of both size and location of the properties within the same housing estates. Based on the Company's research on the prevailing market prices of the said properties, the Company is reasonably satisfied that the Vendors have sufficient assets, comprising the aforesaid properties and other personal properties including but not limited to cash and the Consideration Shares, to compensate the Company if there is any shortfall to the Profit Guarantee.

Further announcement(s) will be made as and when appropriate to inform the Shareholders whether the 2023 Guaranteed Profit and 2024 Guaranteed Profit have been met and comply with the disclosure requirements under Rule 14A.63 of the Listing Rules if the actual performance fails to meet the 2023 Guaranteed Profit and/or 2024 Guaranteed Profit.

Completion

Completion shall take place within 14 Business Days from the date on which the conditions precedent have been fulfilled or as the case may be, waived, or such other date as may be agreed upon between the parties to the Sale and Purchase Agreement (as amended by the Supplemental Agreement).

3. ALLOTMENT AND ISSUE OF THE CONSIDERATION SHARES

Issue Price

The Issue Price is approximately HK$0.289 per Consideration Share, representing:

(i) a premium of approximately 5.09% over the closing price of HK$0.275 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) an approximate of the average closing price of HK$0.289 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the Lasting Trading Day;

(iii) a premium of approximately 25.7% over the average closing price of HK$0.23 for the last six months immediately prior to the Last Trading Day; and

(iv) a premium of approximately 43.8% over the closing price of HK$0.201 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Consideration Shares

The Consideration Shares comprise of 53,934,320 new Shares, representing:

(i) approximately 20% of the entire issued share capital of the Company as at the Latest Practicable Date; and

(ii) approximately 16.67% of the entire issued share capital of the Company as enlarged by the issue of the Consideration Shares.

The aggregate nominal value of the Consideration Shares will be HK$53,934.32. The Issue Price was arrived after arm's length negotiations between the Company and the Vendors with reference to the recent trading performance of the Shares.

Ranking of the Consideration Shares

The Consideration Shares, when allotted and issued, will rank equally in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Consideration Shares.

Specific Mandate to issue the Consideration Shares

The issue of Consideration Shares is subject to the Shareholders' approval and the Specific Mandate to allot, issue or otherwise deal in the Consideration Shares will be sought from the Shareholders.

Application for listing

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

4. EQUITY FUND RAISING ACTIVITIES IN THE TWELVE MONTHS IMMEDIATELY BEFORE THE LATEST PRACTICABLE DATE

The following is a summary of the equity fund raising activities of the Company in the twelve months immediately before the Latest Practicable Date:

Date of announcement/ circular	Fund raising activity	Net proceeds raised (approximately)	Unutilised net proceeds (approximately)	Intended use of net proceeds	Actual use of net proceeds	Expected timeline for utilising the unutilised net proceeds
		HK$'000	*HK$'000*			
Announcement dated 31 May 2021, 12 November 2021, 6 December 2021; circular dated 30 June 2021	Subscription of new Shares and convertible bonds under specific mandate by Grace Fountain Holding Limited, a company incorporated in the British Virgin Islands with limited liability and the entire issued share capital of which is owned by Mr. Wang Chaoguang, an executive Director	83,500	–	Repayment of indebtedness of the Group and general working capital	As intended	Not applicable
Announcement dated 31 May 2021, 12 November 2021, 6 December 2021; circular dated 30 June 2021	Subscription of new Shares and convertible bonds under specific mandate by Excel Horizon Investments Limited, a company incorporated in the British Virgin Islands with limited liability and the entire issued share capital of which is owned by Mr. Duan Guangzhi	57,500	3,500	Repayment of indebtedness of the Group and general working capital	As intended	On or before 31 December 2022

5. EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company as at the Latest Practicable Date and immediately upon Completion are set out below, for illustrative purposes only (assuming that there is no allotment and issue of new Shares from the date of this circular to Completion):

Shareholders	**As at the Latest Practicable Date**		**Immediately upon the allotment and issue of Consideration Shares**	
	No. of Shares	*approx. %*	*No. of Shares*	*approx. %*
Grace Fountain Holding Limited *(Note 1)*	65,000,000	24.10	65,000,000	20.08
Excel Horizon Investments Limited *(Note 2)*	50,000,000	18.54	50,000,000	15.45
Eminent Rise Holdings Limited *(Note 3)*	21,000,000	7.79	21,000,000	6.49
Mr. Li Ning *(Note 3)*	157,000	0.06	157,000	0.05
Vendor A	–	–	44,028,016	13.61
Vendor B	–	–	9,906,304	3.06
Other public shareholders	133,514,601	49.51	133,514,601	41.26
Total	**269,671,601**	**100.00**	**323,605,921**	**100.00**

Notes:

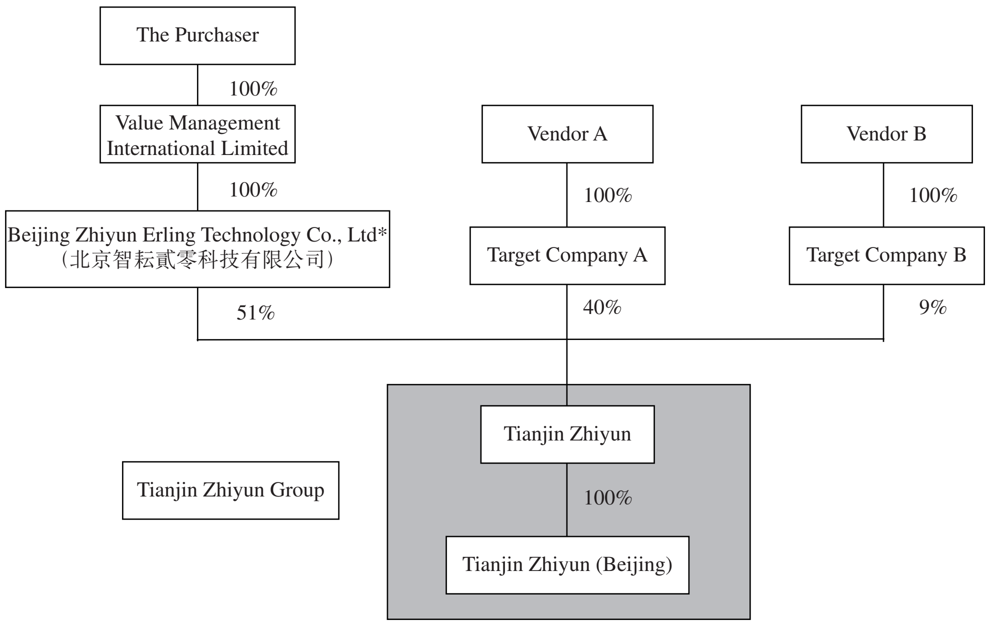
1. Grace Fountain Holding Limited ("**Grace Fountain**") is a company incorporated in the British Virgin Islands with limited liability. The entire issued share capital of Grace Fountain is owned by Mr. Wang Chaoguang ("**Mr. Wang**"), an executive Director. Mr. Wang is deemed to be interested in the 65,000,000 Shares held by Grace Fountain by virtue of the SFO.

2. Excel Horizon Investments Limited ("**Excel Horizon**") is a company incorporated in the British Virgin Islands with limited liability. The entire issued share capital of Excel Horizon is owned by Mr. Duan Guangzhi ("**Mr. Duan**"). Mr. Duan is deemed to be interested in the 50,000,000 Shares held by Excel Horizon by virtue of the SFO.

3. Eminent Rise Holdings Limited ("**Eminent Rise**") is a company incorporated in the British Virgin Islands with limited liability. The entire issued share capital of Eminent Rise is owned by Mr. Li Ning ("**Mr. Li**"), an executive Director and chairman of the Board. Mr. Li is deemed to be interested in the 21,000,000 Shares held by Eminent Rise by virtue of the SFO. Mr. Li himself is personally interested in 157,000 Shares.

6. INFORMATION OF THE TARGET COMPANIES AND THE TIANJIN ZHIYUN GROUP

Set out below is the shareholding structure of the Target Companies and the Tianjin Zhiyun Group as at the Latest Practicable Date:



Target Company A

Target Company A is a company incorporated in Hong Kong with limited liability and is the investment holding vehicle of Vendor A holding 40% equity interests in Tianjin Zhiyun.

Target Company B

Target Company B is a company incorporated in Hong Kong with limited liability and is the investment holding vehicle of Vendor B holding 9% equity interests in Tianjin Zhiyun.

Tianjin Zhiyun

Tianjin Zhiyun is a company established in the PRC on 19 November 2021 with limited liability and is principally engaged in the provision of mobile media marketing services. As at the Latest Practicable Date, Tianjin Zhiyun is an indirect non-wholly owned subsidiary of the Company and is owned as to 51% by Beijing Zhiyun Erling Technology Co., Ltd*, 40% by Target Company A and 9% by Target Company B. Upon Completion, Tianjin Zhiyun will be wholly-owned by the Company.

Tianjin Zhiyun (Beijing)

Tianjin Zhiyun (Beijing) is a company established in the PRC with limited liability and is principally engaged in the provision of mobile media marketing services. It is a wholly-owned subsidiary of Tianjin Zhiyun.

Financial information of the Tianjin Zhiyun Group

Set out below is a summary of the key financial data of the Tianjin Zhiyun Group based on the unaudited consolidated financial statements prepared in accordance with the HKFRS for the period commencing from 19 November 2021 (the date of establishment) and ended 31 December 2021, and the eight months ended 31 August 2022:

	For the period commencing from the date of establishment ended 31 December 2021 (unaudited) *HK$'000*	**For the eight months ended 31 August 2022 (unaudited)** *HK$'000*
Net profit before tax	1,021	1,710
Net profit after tax	996	1,592

As at 31 August 2022, the unaudited consolidated net asset value of Tianjin Zhiyun was approximately HK$2,551,000.

7. INFORMATION OF THE PURCHASER AND THE VENDORS

The Purchaser

The Purchaser is a company incorporated in the British Virgin Islands with limited liability and is an investment holding company. It is an indirect wholly-owned subsidiary of the Company.

Vendor A

Vendor A is a PRC national. As at the Latest Practicable Date and to the best knowledge, information and belief of the Directors, and having made all reasonable enquiries, Vendor A holds the entire issued share capital of Target Company A which in turn holds 40% of the registered capital of Tianjin Zhiyun, and therefore is a substantial shareholder of Tianjin Zhiyun and a connected person of the Company at subsidiary level under Chapter 14A of the Listing Rules. Vendor A also holds the office of sales director of Tianjin Zhiyun.

Vendor B

Vendor B is a PRC national. As at the Latest Practicable Date and to the best knowledge, information and belief of the Directors, and having made all reasonable enquiries, Vendor B holds 9% of the registered capital of Tianjin Zhiyun and also holds the office of deputy general manager of Tianjin Zhiyun and is independent of the Company and its connected persons.

8. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company and the Group is principally engaged in trademark licensing and retailing for gold and jewellery products in Hong Kong and Mainland China.

Establishment of Tianjin Zhiyun

Tianjin Zhiyun was established in November 2021 as a joint venture between Beijing Zhiyun Erling Technology Co., Ltd*, an indirect wholly-owned subsidiary of the Company and the Vendors, and is principally engaged in the provision of mobile media marketing services. Due to the ongoing COVID-19 pandemic since 2019, the operation of the Group's offline points-of-sale has been affected and contributed to the decrease in turnover and loss-making of the Group. The Company has been cautiously and strategically exploring new business opportunities with an aim to diversify the Group's revenue stream, which include a gradual increase in online business, mainly through the opening of online shopping malls in Tmall, JD and Vipshop, and a shift from franchisee management to self-operating management. Against the above backdrop, the Board, at the time of Tianjin Zhiyun's establishment, considered that the establishment of Tianjin Zhiyun would allow the Group to venture into the mobile media marketing business so as to bring in new revenue streams to the Group as well as complementing the existing businesses of the Group in terms of increasing the Group's in-house marketing capabilities to support the Group's offline and online retailing businesses.

The Board was also of the view that the joint venture parties to Tianjin Zhiyun are complimentary to each other. On one hand, the listing status of the Company and prolonged history in the retailing industry helps to disseminate reputation and endorsement for Tianjin Zhiyun's business development, on the other hand, the Vendors' over 20 years of experience, expertise and capabilities in the PRC media and marketing industries have significantly mitigated the risks of the Group in entering the new mobile media marketing business. The Company was able to take advantage of the network and clientele brought along by the Vendors, allowing the new business of Tianjin Zhiyun to hit the ground running. Further, the business model of solution services allows the Company to minimize its costs and to maximize return in comparison with other upstream or downstream market players in the digital market sector, such as marketing contents providers. Together with the industry prospect as further discussed below, the Company then considered the establishment of Tianjin Zhiyun was in the interests of the Company and the Shareholders as a whole.

Development since establishment

Despite the short operation history of the Tianjin Zhiyun Group, the Tianjin Zhiyun Group recorded promising financial performance. Since its establishment in November 2021, Tianjin Zhiyun has already successfully secured and/or performed contracts in the aggregate amount of approximately RMB185 million, with clients ranging from state-owned enterprises, listed companies to private corporations across various sectors. The Company's and the Vendors' confidence in the future prospects of Tianjin Zhiyun are also boosted by the capabilities of the Tianjin Zhiyun Group management team. Since its establishment, Tianjin Zhiyun's management has been headed by the Vendors, and leveraging on the Vendors' expertise with over 20 years of experience and established connections with business clients, content creators and media platforms in the PRC, Tianjin Zhiyun was able to provide quality mobile digital marketing solution services to its clients. In view of the Vendors' roles in Tianjin Zhiyun's operations, the Company has already secured their services by signing employment agreements with each of the Vendors and the Vendors will remain in their management offices after Completion. The Company expects Tianjin Zhiyun to continue to build on the existing business model with a stable management in place, to which the Company treats the entering into of the employment agreements with the Vendors as a know-how transfer exercise, the Company can take advantage of the experience and existing industry network of the Vendors during their employment period, whilst Tianjin Zhiyun can gradually enhance its presence in the mobile digital marketing sector and develop its own business network and clientele, and management team to takeover after the termination or cessation of the Vendors' employment.

The solution services provided by Tianjin Zhiyun mainly comprises strategical advices in respect of search engine advertising and online media platform advertising catering the business needs of clients, lining up content creators and media platforms with clients, placing and managing clients' programmatic advertisement campaigns on media platforms, and computing big data collection and analysis to review and enhance the effectiveness and efficiency of advertisement campaigns. Tianjin Zhiyun has also developed its self-operated demand-side platform (DSP) system. The DSP system allows Tianjin Zhiyun, via big data analysis, complete placements of advertising campaigns in media platforms such as Douyin in complete automation, it is also capable of conducting analytics by tracking various indicators or parameters set up in the DSP system, such as advertisement click rates, geographical location of advertisement viewers, what webpages are users visiting etc., so as to enhance advertising campaign management and improve the effectiveness of future advertising strategies and placements. In view of the satisfactory financial performance and business developments of the Tianjin Zhiyun Group over the short period of time since its establishment, the stable and capable management in place, and the prospects of the digital marketing industry as elaborated below, the Tianjin Zhiyun Group is anticipated to continue to build on the momentum.

Industry prospect

Driven by the boom in smartphone users and smartphone usages, coupled with the prevalence of various social platforms and mobile applications such as WeChat, Weibo, Xiaohonshu and TikTok, the PRC digital and online marketing sector, with a particular focus in mobile media marketing, continues to demonstrate steady growth and great potential. According to the "Digital 2022 – China" (the "**Report**"), a market research conducted and reported by We Are Social and Hootsuite, there are approximately 1.02 billion active internet users in the PRC in 2021, representing a year-on-year increase of 3.6%, with mobile phones being the predominant device (91.1% of the total internet users in the PRC) used to access internet. Further, the number of PRC e-commerce customers has reached approximately 994.0 million, creating a total annual spending on online consumer goods purchases of approximately 1.49 trillion USD, representing a year-on-year increase of 11%. The expanding applicability of internet and smartphones as well as the emergence of e-commerce have led to an increasing demand for online media marketing services. According to the Report, the total annual spendings on digital advertising in PRC reached approximately 103.3 billion USD in 2021, representing a year-on-year increase of 16%, which is also notably higher than the global rate of 4.7%. In light of the ongoing digitalization of marketing, as well as the surging popularity of e-commerce and demand for online media marketing, the Company is optimistic that the business of the Tianjin Zhiyun Group will continue to grow.

Favourable terms of Acquisition

In light of the Tianjin Zhiyun Group's financial performance since its establishment and the potential growth of the digital marketing industry in the PRC, the Board considered the early acquisition of the entire equity interest of the Tianjin Zhiyun Group sooner rather than later will be in the interest of the Group. The Board further took into account that the terms of the Sale and Purchase Agreement (as amended by the Supplemental Agreement) are favourable to the Company and Shareholders as a whole. Specifically, whilst the Consideration amounted to approximately HK$15.6 million, the Vendors have provided the Profit Guarantee, representing an aggregate of HK$20 million over the next two financial years, supported by the due diligence exercise conducted by the Company against the Vendors' financial background, as such, the Board considered that the costs and potential risk exposure of the Group in the Acquisition are significantly mitigated and the interests of the Company are sufficiently safeguarded.

Additionally, the Board considered that the payment of Consideration in the form of issue of Consideration Shares will also minimize the impact of the Acquisition on the cashflow of the Group. As at 30 June 2022, despite the Group had cash and bank balance of approximately HK$84.6 million, the Group had bank borrowings of approximately HK$1,563.5 million that are repayable within one year. In light of the relatively low cashflow of the Group, the Board is of the view that non-cash consideration would best preserve the cashflow of the Group and ensure working capital sufficiency, The Company also considered that the issue of Consideration Shares at the Issue Price had a minimal dilution effect on the interests of the existing Shareholders. Particularly, the Issue Price represented a premium to the market value of the Shares and the Board is of the view that the issue of Consideration Shares will be of minimal dilution effect to the interests of the existing Shareholders, for details of the Issue Price, please refer to the paragraph headed "3. Allotment and Issue of the Consideration Shares – Issue Price" in this Letter from the Board of the circular.

In view of the aforesaid, namely the positive development since the establishment of Tianjin Zhiyun, the prospect of Tianjin Zhiyun and the mobile media marketing industry as a whole, and the favourable terms of the Acquisition, the Directors (including the independent non-executive Directors) consider the terms of the Sale and Purchase Agreement (as amended by the Supplemental Agreement) (including the allotment and issue of Consideration Shares) for the further acquisition of the remaining 49% equity interests in Tianjin Zhiyun, are fair and reasonable, on normal or better commercial terms and in the interests of the Company and the Shareholders as a whole.

9. LISTING RULES IMPLICATIONS

As the highest applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 5% but all the percentage ratios are less than 25%, the Acquisition will constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from the shareholders approval requirement under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, Vendor A holds the entire issued share capital of Target Company A which in turn holds 40% of the registered capital of Tianjin Zhiyun, and therefore is a substantial shareholder of Tianjin Zhiyun and connected person of the Company at subsidiary level under Chapter 14A of the Listing Rules. Accordingly, the Acquisition (including the allotment and issue of Consideration Shares) constitutes a connected transaction at the subsidiary level of the Company under Chapter 14A of the Listing Rules. The Board has approved the Sale and Purchase Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder, and the independent non-executive Directors have confirmed that the terms of the Sale and Purchase Agreement (as amended by the Supplemental Agreement) are fair and reasonable, on normal or better commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the Acquisition is subject to the reporting and announcement requirements but is exempt from the shareholders approval requirement under Chapter 14A of the Listing Rules.

The Specific Mandate will be sought from the Shareholders for the allotment and issue of the Consideration Shares, including the allotment and issue of the Vendor A Consideration Shares to Vendor A who is a connected person of the Company at subsidiary level. The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the grant of the Specific Mandate for the allotment and issue of the Consideration Shares pursuant to the Sale and Purchase Agreement (as amended by the Supplemental Agreement). To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Sale and Purchase Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares). As such no Shareholder will be required to abstain from voting at the SGM.

As none of the Directors has any material interests in the Sale and Purchase Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares), none of them is required to abstain from voting on the Board resolutions approving the Sale and Purchase Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder pursuant to the bye-laws of the Company.

10. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee has been formed to advise the Shareholders in connection with the Sale and Purchase Agreement (as amended by the Supplemental Agreement), including the allotment and issue of the Consideration Shares, and the transactions contemplated thereunder. A letter from the Independent Board Committee is set out on page 24 to 25 of this circular.

Nuada Limited, a corporation licensed to carry on type 6 regulated activities under the SFO, has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders in the same regard. A letter from the Independent Financial Adviser is set out from pages 26 to 54 of this circular.

11. SGM

A notice convening the SGM to be held at Room 2306, 23/F, Tower One, Lippo Centre, No. 89 Queensway, Hong Kong, on Thursday, 15 December 2022 at 11 a.m., for the purpose of considering and, if thought fit, passing the resolution as set out therein, is set out on pages SGM-1 to SGM-3 of this circular.

A form of proxy for the SGM is enclosed with this circular. Whether or not you intend to attend the SGM in person, you are encouraged to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible, but in any event not less than 48 hours (i.e. not later than 11 a.m. on Tuesday, 13 December 2022) before the time appointed for the holding of the SGM or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish and, in such event, the form of proxy shall be deemed to be revoked.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, voting on the resolution as set out in the notice of SGM at the SGM will be taken by way of poll.

12. CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 12 December 2022 to Thursday, 15 December 2022 (both days inclusive) for determining the identity of the Shareholders who are entitled to attend and vote at the SGM. No transfer of Shares will be registered during this period. In order to be eligible to attend and vote at the SGM, unregistered holders of the Shares should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Friday, 9 December 2022.

13. RECOMMENDATION

Having considered the reasons and benefits of the Acquisition as set out in the section headed "Reasons for and benefits of the Acquisition" of this Letter from the Board, the Directors (including the independent non-executive Directors) consider that the terms of the Sale and Purchase Agreement (as amended by the Supplemental Agreement) are fair and reasonable, on normal or better commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the grant of the Specific Mandate.

The Independent Board Committee, having considered the advice of the Independent Financial Adviser, is of the view that the terms of the Sale and Purchase Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder are on normal commercial basis, fair and reasonable, and in the best interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the grant of the Specific Mandate.

14. ADDITIONAL INFORMATION

Your attention is drawn to the Letter from the Independent Board Committee, the Letter from the Independent Financial Adviser, and the additional information contained in the appendix to this circular.

Yours faithfully
For and on behalf of the Board of
Hong Kong Resources Holdings Company Limited
Li Ning
Chairman

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)

29 November 2022

To the Shareholders

Dear Sir/Madam,

CONNECTED TRANSACTION AT SUBSIDIARY LEVEL IN RELATION TO THE ACQUISITION OF 49% EQUITY INTERESTS IN TIANJIN ZHIYUN ERLING TECHNOLOGY CO., LTD. INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

We refer to the circular dated 29 November 2022 (the "**Circular**") to the Shareholders of which this letter forms a part. Unless the context requires otherwise, capitalized terms used in this letter shall have the same meanings as defined in the Circular.

We have been authorized by the Board to form the Independent Board Committee to advise the Shareholders on whether the terms of the Sale and Purchase Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including the grant of the Specific Mandate) are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

We hereby draw your attention to the letter of advice from Nuada Limited, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Shareholders on matters in relation the Sale and Purchase Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including the grant of the Specific Mandate), as set out from pages 26 to 54 of the Circular and the letter from the Board as set out from pages 6 to 23 of the Circular.

Having considered, among other factors, the terms of the Sale and Purchase Agreement (as amended by the Supplemental Agreement), the factors and reasons considered by, and the opinion of, the Independent Financial Adviser as stated in its letter of advice, we consider that although the entering into of the Sale and Purchase Agreement (as amended by the Supplemental Agreement) is not in the ordinary course of business of the Group, the terms of the Sale and Purchase Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including the grant of the Specific Mandate) are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Shareholders to vote in favour of the ordinary resolution approving the grant of the Specific Mandate to be proposed at the SGM.

Yours faithfully,
Independent Board Committee
Dr. Loke Yu alias Loke Hoi Lam **Dr. Fan, Anthony Ren Da** **Mr. Chan Kim Sun**
Independent non-executive Directors

The following is the text of a letter of advice to the Independent Board Committee and the Shareholders from Nuada Limited dated 29 November 2022 prepared for the purpose of inclusion in this circular.

Nuada Limited

Unit 1606, 16/F
OfficePlus @Sheung Wan
93-103 Wing Lok Street
Sheung Wan, Hong Kong
香港上環永樂街93-103號
協成行上環中心16樓1606室

29 November 2022

To the Independent Board Committee
and the Shareholders of
Hong Kong Resources Holdings Company Limited

Dear Sir or Madam,

CONNECTED TRANSACTION AT SUBSIDIARY LEVEL IN RELATION TO THE ACQUISITION OF 49% EQUITY INTERESTS IN TIANJIN ZHIYUN ERLING TECHNOLOGY CO., LTD. INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders in connection with the Sale and Purchase Agreement (as amended by the Supplemental Agreement), including the allotment and issue of the Consideration Shares, and the transactions contemplated thereunder, details of which are set out in the section headed "Letter from the Board" (the "**Board Letter**") in the Company's circular dated 29 November 2022 to the Shareholders, of which this letter forms part. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee. Terms used in this letter shall have the same meanings as defined in this circular unless the context requires otherwise.

On 11 August 2022 (after trading hours), the Company, the Purchaser and the Vendors entered into the Sale and Purchase Agreement (as amended by the Supplemental Agreement) pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendors has conditionally agreed to sell, (i) the Sale Shares, representing the entire issued share capital of the Target Companies, and (ii) the Sale Loans, at the Consideration of HK$15,587,000, which shall be settled by way of allotment and issue of the Consideration Shares at the Issue Price.

As at the Latest Practicable Date, Target Company A holds 40% of the registered capital of Tianjin Zhiyun while Target Company B holds 9% of the registered capital of Tianjin Zhiyun, the remaining 51% of the registered capital of Tianjian Zhiyun is already owned by the Group. Upon Completion, each of the Target Companies and each member of the Tianjin Zhiyun Group will become a wholly-owned subsidiary of the Company.

As the highest applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 5% but all the percentage ratios are less than 25%, the Acquisition will constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, Vendor A holds the entire issued share capital of Target Company A which in turn holds 40% of the registered capital of Tianjin Zhiyun, and therefore is a substantial shareholder of the Tianjin Zhiyun and connected person of the Company at subsidiary level under Chapter 14A of the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction at the subsidiary level of the Company under Chapter 14A of the Listing Rules. The Board has approved the Sale and Purchase Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder, and the independent non-executive Directors have confirmed that the terms of the Sale and Purchase Agreement (as amended by the Supplemental Agreement) are fair and reasonable, on normal or better commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the Acquisition is subject to the reporting and announcement requirements but is exempt from the shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Specific Mandate will be sought from the Shareholders for the allotment and issue of the Consideration Shares, including the allotment and issue of the Vendor A Consideration Shares to Vendor A who is a connected person of the Company at subsidiary level. The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the grant of the Specific Mandate for the allotment and issue of the Consideration Shares pursuant to the Sale and Purchase Agreement (as amended by the Supplemental Agreement). To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Sale and Purchase Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares). As such no Shareholder will be required to abstain from voting at the SGM.

An Independent Board Committee (comprising all the independent non-executive Directors) has been formed to advise the Shareholders on the Sale and Purchase Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares), and we have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders on the same.

During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, save for (i) the appointment as the independent financial adviser in respect of subscription of Shares by a connected person of the Company, details of which are set out in the circular of the Company dated 30 June 2021; and (ii) this appointment as the Independent Financial Adviser in respect of the Sale and Purchase Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder, there were no other engagements between the Group and Nuada Limited. Apart from normal professional fees for our services to the Company in connection the aforesaid appointments, no other arrangement exists whereby we have received/will receive any fees and/or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we are independent from, and are not associated with the Company or its substantial Shareholder(s) or connected person(s) as defined under the Listing Rules, and are considered eligible to give independent advice on the Sale and Purchase Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in this circular and the information and representations provided to us by the Company, the Directors and the management of the Company (the "**Management**"). We have no reason to believe that any information or representation relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in this circular, which have been provided by the Company, the Directors and the Management and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true up to the date of the SGM and should there be any material changes after the despatch of this circular, the Shareholders would be notified as soon as possible.

The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in this circular and have confirmed in this circular, having made all reasonable inquiries, that to the best of their knowledge, opinion expressed in this circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in this circular misleading.

Our review and analysis were based upon, among other things, the information provided by the Company including the Sale and Purchase Agreement (as amended by the Supplemental Agreement), the announcement in relation to the Sale and Purchase Agreement (as amended by the Supplemental Agreement) and this circular, and certain published information from the public domain including trading performance of the Shares on the Stock Exchange, announcements in respect of comparable transactions published by companies listed in Hong Kong, the annual reports of the Company for the year ended 30 June 2021 ("**Annual Report 2021**") and 30 June 2022 ("**Annual Report 2022**") respectively and the relevant statistics released by China Internet Network Information Center* (中國互聯網絡信息中心, "**CNNIC**").

We consider that we have reviewed sufficient information, including relevant information and documents provided by the Company and the Directors and the information published by the Company, to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in this circular and to provide a reasonable basis for our opinions and advice. We have not, however, carried out any independent verification of the information provided by the Company and the Directors, nor have we conducted an independent in-depth investigation into the business and affairs, financial condition and future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our advice in respect of the Sale and Purchase Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares), we have taken into consideration the following principal factors and reasons:

1. Information on the Group

(a) Principal business of the Group

The Group is principally engaged in trademark licensing and retailing for gold and jewellery products in Hong Kong and Mainland China.

(b) Financial information of the Group

The table below summarises the financial results of the Group for the three financial years ended 30 June 2020 ("**FY2020**"), 30 June 2021 ("**FY2021**") and 30 June 2022 ("**FY2022**") respectively as extracted from Annual Report 2021 and Annual Report 2022.

	For the year ended		
	30 June 2022 (audited)	**30 June 2021 (audited)**	**30 June 2020 (audited)**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	901,974	855,820	804,863
Gross profit	196,150	268,286	277,919
Profit/(loss) for the year/period attributable to the owners of the Company	(78,919)	(15,112)	(62,721)

Financial performance for FY2021

The revenue of the Group for FY2021 amounted to approximately HK$855.8 million, representing a slight increase of approximately 6.3% as compared with approximately HK$804.9 million for FY2020. Meanwhile, the gross profit of the Group decreased from approximately HK$277.9 million for FY2020 to approximately HK$268.3 million for FY2021, representing a slight decrease of approximately 3.5%. As disclosed in Annual Report 2021 and according to the Management, the slight increase in revenue was mainly due to the growth in retail of gold and jewellery products in Mainland China, being the Group's major market, and partially offset by the decrease in retail revenue from Hong Kong and Macau market, while the slight decrease in gross profit despite a slight increase in revenue was mainly due to the decrease in gross profit margin in view of market conditions. The loss attributable to the owners of the Company was approximately HK$15.1 million for FY2021, showing improvement from that of approximately HK$62.7 million for FY2020. As disclosed in Annual Report 2021 and according to the Management, such improvement was mainly due to successful implemental of various cost control measures leading to lower general and administrative expenses by approximately HK$17.5 million and decrease in finance costs by approximately HK$35.1 million.

Financial performance for FY2022

The Group recorded a revenue of approximately HK$902.0 million for FY2022, representing an increase of approximately 5.4% as compared with that of approximately HK$855.8 million for FY2021. Nevertheless, the gross profit of the Group decreased from approximately HK$268.3 million for FY2021 to approximately HK$196.2 million for FY2022, representing a decrease of approximately 26.9%. According to the Management, such changes were mainly due to the change of product mix of the Group as a result of the worsening of the market conditions and business environment, which led to increase in sales at the cost of a lower gross profit margin. The Group also recorded an increase in loss attributable to owners of the Company of approximately HK$78.9 million for FY2022 from that of approximately HK$15.1 million for FY2021. According to the Management, the increase in loss attributable to owners of the Company was mainly due to the aforesaid decrease in gross profit by approximately HK$72.1 million.

Financial position as at 30 June 2022 and 30 June 2021

	As at 30 June 2022 (audited) *(HK$'000)*	As at 30 June 2021 (audited) *(HK$'000)*
Current assets	1,563,879	1,618,653
Current liabilities	1,736,507	1,732,670
Net current liabilities	(172,628)	(114,017)
Total assets	1,786,258	1,828,079
Total liabilities	1,965,298	1,949,698
Net liabilities	(179,040)	(121,619)
Deficit attributable to owners of the Company	(80,931)	(66,792)
Bank balances and cash	84,599	96,158
Pledged bank deposits	797,759	766,348

As stated in Annual Report 2022, as at 30 June 2022, net current liabilities of the Company amounted to approximately HK$172.6 million as compared with that of approximately HK$114.0 million as at 30 June 2021, while the net liabilities amounted to approximately HK$179.0 million as compared with that of approximately HK$121.6 million as at 30 June 2021.

As at 30 June 2022, the current liabilities comprising mainly bank and other borrowing of approximately HK$1,563.5 million and trade and other payables, accruals and deposits received of approximately HK$134.8 million.

2. Information on the Target Companies and the Tianjin Zhiyun Group

(a) Principal business of the Target Companies and the Tianjin Zhiyun Group

Please refer to the section headed "INFORMATION OF THE TARGET COMPANIES AND THE TIANJIN ZHIYUN GROUP" in the Board Letter for the graphical representation of the shareholding structure of the Target Companies and the Tianjin Zhiyun Group.

Target Company A

Target Company A is a company incorporated in Hong Kong with limited liability and is the investment holding vehicle of Vendor A holding 40% equity interests in Tianjin Zhiyun.

Target Company B

Target Company B is a company incorporated in Hong Kong with limited liability and is the investment holding vehicle of Vendor B holding 9% equity interests in Tianjin Zhiyun.

Tianjin Zhiyun

Tianjin Zhiyun is a company established in the PRC on 19 November 2021 with limited liability and is principally engaged in the provision of mobile media marketing services. As at the Latest Practicable Date, Tianjin Zhiyun is an indirect non-wholly owned subsidiary of the Company and is owned as to 51% by Beijing Zhiyun Erling Technology Co., Ltd* (北京智耘貳零科技有限公司), 40% by Target Company A and 9% by Target Company B. Upon Completion, Tianjin Zhiyun will be wholly-owned by the Company.

Tianjin Zhiyun (Beijing)

Tianjin Zhiyun (Beijing) is a company established in the PRC with limited liability and is principally engaged in the provision of mobile media marketing services. It is a wholly-owned subsidiary of Tianjin Zhiyun.

(b) Financial information of the Tianjin Zhiyun Group

Set out below is a summary of the key financial data of the Tianjin Zhiyun Group based on the unaudited consolidated financial statements prepared in accordance with the HKFRS for the period commencing from 19 November 2021 (the date of establishment) and ended 31 December 2021, and the eight months ended 31 August 2022:

	For the period commencing from the date of establishment ended 31 December 2021 (unaudited) *HK$'000*	**For the eight months ended 31 August 2022 (unaudited)** *HK$'000*
Net profit before tax	1,021	1,710
Net profit after tax	996	1,592

As at 31 August 2022, the unaudited consolidated net asset value of Tianjin Zhiyun was approximately HK$2,551,000.

(c) Business outlook of the Tianjin Zhiyun Group

We noted that the Tianjin Zhiyun Group is principally engaged in the provision of mobile media marketing services, with target customers solely in the PRC. In particular, as discussed with the Management, Tianjin Zhiyun Group will connect merchants with media publishers to place advertisements on the Internet and leading media platforms, such as WeChat, TouTiao.com and TikTok as users have shifted from traditional consumption patterns to online consumption, which in turn foster digital marketing.

To further understand the business outlook of digital and online media marketing in the PRC, we have studied the relevant statistics released by CNNIC, which is an organisation under the Ministry of Industry and Information Technology* (工業和信息化部) of the PRC government. Set out below are the user statistics according to the 49th Statistical Report on China's Internet Development* (第49次中國互聯網絡發展狀況統計報告, the "**Statistical Report**") published by CNNIC in February 2022:

Number of users for	**December 2018**	**March 2020** *(Note 1)*	**December 2020**	**December 2021**	**Cumulative annual growth rate**	**Utilisation rate as at December 2021** *(Note 2)*
Internet	82,851	90,359	98,899	103,195	7.6%	-
Instant messaging	79,172	89,613	98,111	100,666	8.3%	97.5%
Online video	72,486	85,044	92,677	97,471	10.4%	94.5%
Online shopping	61,011	71,027	78,241	84,210	11.3%	81.6%

Source: Statistical Report by CNNIC

Notes:

(1) According to the Statistical Report, the survey for usage in 2019 was delayed as affected by the COVID-19 epidemic.

(2) Utilisation rate is defined as number of users for that usage divided by the number of users for internet.

We noted that the numbers of users for instant messaging (which include application such as WeChat), online video (which include applications such as TikTok) and online shopping have all had utilisation rate of over 80% and have shown continuous growth. They had cumulative annual growth rates of over 8% which were higher than that for number of internet users in general of approximately 7.6%, reflecting that the adoption rates for those internet usage grew faster than the growth of internet penetration. In particular, it is noted in the Statistical Report that online shopping has becoming an important force in driving consumer expansion, which was reflected by the fact that the online retail sales reached RMB13.1 trillion in 2021, representing a year-on-year increase of approximately 14.1%. As stated in the Statistical Report, it is expected that online shopping will benefit from advanced domestic circulation due to improved rural e-commerce logistics. Besides, the user bases of online video and live streaming also grew drastically due to, among others, high-quality products and application of new services and technologies. Live commerce, being one of the most prominent types of live streaming in 2021, was stated in the Statistical Report to experience (i) diversification of market players with growing number of small and medium-sized merchants developing their channels; (ii) localisation of commodities promoting quality national and agricultural brands; and (iii) standardisation of operation with implementation of "Guidelines on Strengthening the Standardized Management of Live Streaming"* (關於加強網絡直播規範管理工作的指導意見) jointly published by several state agencies of the PRC, including the National Radio and Television Administration* (國家廣播電視總局) and the Ministry of Industry and Information Technology* (工業和信息化部), as well as other policies to enhance the protection of consumer rights and interests.

In view of the continuous growth of users for various internet usage including instant messaging and online video, both of which foster online marketing, and online shopping, we are of the view that the Tianjin Zhiyun Group has a promising business outlook.

3. Reasons for and benefits of the Acquisition

As disclosed in the Board Letter, the Company is an investment holding company and the Group is principally engaged in trademark licensing and retailing for gold and jewellery products in Hong Kong and Mainland China. Due to the ongoing COVID-19 pandemic since 2019, the operation of the Group's offline points-of-sale has been affected and contributed to the decrease in turnover and loss-making of the Group. The Company has been cautiously and strategically exploring new business opportunities with an aim to diversify the Group's revenue stream, which include a gradual increase in online business, mainly through the opening of online shopping malls in Tmall, JD and Vipshop, and a shift from franchisee management to self-operating management. Against the above backdrop, the Board, at the time of Tianjin Zhiyun's establishment, considered that the establishment of Tianjin Zhiyun would allow the Group to venture into the mobile media marketing business so as to bring in new revenue streams to the Group as well as complementing the existing businesses of the Group in terms of increasing the Group's in-house marketing capabilities to support the Group's offline and online retailing businesses.

Despite the short operation history of the Tianjin Zhiyun Group, the Tianjin Zhiyun Group recorded promising financial performance. In view of the satisfactory financial performance and business developments of the Tianjin Zhiyun Group over the short period of time since its establishment, the stable and capable management in place, and the prospects of the digital marketing industry as elaborated below, the Company anticipates that the Tianjin Zhiyun Group will continue to build on the momentum.

As disclosed in the Board Letter, in light of the ongoing digitalization of marketing, as well as the surging popularity of e-commerce and demand for online media marketing, the Company is optimistic that the business of the Tianjin Zhiyun Group will continue to grow. The Company also considers that by positioning itself as a solution and services provider, the Tianjin Zhiyun Group's role is primarily to provide strategical and analytical services, to devise the appropriate marketing strategies in accordance with the business needs of the clients, and to carry out such strategies by lining-up its clients with marketing content creators or providers.

As detailed in the Board Letter, in light of the Tianjin Zhiyun Group's financial performance since its establishment and the potential growth of the digital marketing industry in the PRC, the Board considered the early acquisition of the entire equity interest of the Tianjin Zhiyun Group sooner rather than later will be in the interest of the Group. The Board further took into account that the terms of the Sale and Purchase Agreement (as amended by the Supplemental Agreement) are favourable to the Company and Shareholders as a whole. Specifically, whilst the Consideration amounted to approximately HK$15.6 million, the Vendors have provided the Profit Guarantee, representing an aggregate of HK$20 million over the next two financial years after the due diligence exercise conducted by the Company against the Vendors' financial background, as such, the Board considered that the costs and potential risk exposure of the Group in the Acquisition and entering the mobile media marketing services sector are significantly mitigated and the interests of the Company are sufficiently safeguarded. Additionally, the Board considered that the payment of Consideration in the form of issue of Consideration Shares will also minimize the impact of the Acquisition on the cashflow of the Group.

In view of the aforesaid, namely the positive development since the establishment of Tianjin Zhiyun, the prospect of Tianjin Zhiyun and the mobile media marketing industry as a whole, and the favourable terms of the Acquisition, the Directors (including the independent non-executive Directors) consider the terms of the Sale and Purchase Agreement (as amended by the Supplemental Agreement) (including the allotment and issue of Consideration Shares) for the further acquisition of the remaining 49% equity interests in Tianjin Zhiyun, are fair and reasonable, on normal or better commercial terms and in the interests of the Company and the Shareholders as a whole.

Having taken into consideration (i) despite a short operation history of less than a year, the Tianjin Zhiyun Group has been making profit shortly after its establishment as stated in the paragraph headed "(b) Financial information of the Tianjin Zhiyun Group" above in this letter; (ii) the business outlook of the Tianjin Zhiyun Group is promising with continuous growth in users for various internet usages in the PRC as stated in the paragraph headed "(c) Business outlook of the Tianjin Zhiyun Group" above in this letter; and (iii) while not being in the ordinary and usual course of business of the Group, the Sale and Purchase Agreement (as amended by the Supplemental Agreement) (including the Consideration and the Issue Price) is on normal commercial terms and the terms of the Acquisition are fair and reasonable as analysed in the sub-sections headed "4. Principal terms of the Sale and Purchase Agreement (as amended by the Supplemental Agreement)", "5. Analysis of the Consideration" and "6. Analysis of the

Issue Price" below in this letter, which includes discussion with Management regarding the basis of Consideration and comparable analysis on the Consideration and the Issue Price, we are of the view and concur with the view of the Directors that the Acquisition is in the interest of the Company and the Shareholders as a whole.

4. Principal terms of the Sale and Purchase Agreement (as amended by the Supplemental Agreement)

Set out below are the principal terms of the Sale and Purchase Agreement (as amended by the Supplemental Agreement). For details, please refer to the section headed "THE SALE AND PURCHASE AGREEMENT (AS AMENDED BY THE SUPPLEMENTAL AGREEMENT)" in the Board Letter.

(a) Subject matter of the Acquisition

(i) The Sale Shares, being the entire issued share capital of Target Company A and Target Company B, which in turn hold 40% and 9% of the registered capital of Tianjin Zhiyun respectively, and

(ii) the Sale Loans, being all obligations, liabilities and debts owing or incurred by the Target Companies to the Vendors (whether actual, contingent or deferred) at Completion. As at the Latest Practicable Date, the outstanding shareholder's loan due from each of Target Company A to Vendor A and Target Company B to Vendor B is HK$2,000 and HK$5,400 respectively.

(b) Consideration and basis of Consideration

The total consideration payable by the Purchaser to the Vendors for the Sale Shares and Sale Loans is HK$15,587,000 of which (i) approximately HK$12,724,081.6 to be payable to Vendor A for the Vendor A Sale Shares and Vendor A Sale Loans which shall be satisfied by the Company allotting and issuing the Vendor A Consideration Shares at the Issue Price upon Completion and (ii) approximately HK$2,862,918.4 to be payable to Vendor B for the Vendor B Sale Shares and Vendor B Sale Loans which shall be satisfied by the Company allotting and issuing the Vendor B Consideration Shares at the Issue Price upon Completion.

As stated in the Board Letter, the Consideration was on normal commercial terms and arrived at after arm's length negotiations between the parties to the Sale and Purchase Agreement (as amended by the Supplemental Agreement) and by reference to:

(i) the Profit Guarantee;

(ii) the enterprise value to earnings before interest, tax, depreciation and amortization ("**EV/EBITDA**") ratio of 10.9 times, after taking into account the median of the EV/EBITDA ratios of other companies actively listed for not less than one year in Hong Kong or the PRC engaging in similar business of the Tianjin Zhiyun Group, namely the provision of digital marketing and advertising services, to which over 50% of the total revenue of the said listed companies were generated from the segment(s) comparable to the Tianjin Zhiyun Group, and have recorded positive earnings before interest, tax, depreciation and amortization ("**EBITDA**") in its preceding financial year. In arriving the above findings, a total number of 8 comparable companies were identified exhaustively by the Company on best effort basis. None of the EV/EBITDA multiples of the 8 comparable companies have been excluded in the median estimate;

(iii) prospects of digital marketing and advertising business in the PRC, for details please refer to the paragraph headed "8. Reasons for and Benefits of the Acquisition" in the Board Letter; and

(iv) financial performance of the Tianjin Zhiyun Group (please refer to the paragraph headed "Financial information of the Tianjin Zhiyun Group" in the Board Letter for details).

For our analysis of the Consideration, please refer to the sub-section headed "5. Analysis of the Consideration" below in this letter for details.

(c) Consideration Shares and Issue Price

The Consideration Shares comprise of 53,934,320 new Shares, representing:

(i) approximately 20% of the entire issued share capital of the Company as at the Latest Practicable Date; and

(ii) approximately 16.67% of the entire issued share capital of the Company as enlarged by the issue of the Consideration Shares.

The aggregate nominal value of the Consideration Shares will be HK$53,934.32. The Issue Price was arrived after arm's length negotiations between the Company and the Vendors with reference to the recent trading performance of the Shares.

For our analysis of the potential dilution effect on the shareholding interests of the existing public Shareholders, please refer to the sub-section headed "8. Potential dilution effect" below in this letter for details.

The Issue Price is approximately HK$0.289 per Consideration Share, representing:

(i) a premium of approximately 43.8% over the closing price of HK$0.201 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a premium of approximately 5.09% over the closing price of HK$0.275 per Share as quoted on the Stock Exchange on the Last Trading Day; and

(iii) an approximate of the average closing price of HK$0.289 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the Lasting Trading Day.

For our analysis of the Issue Price, please refer to the sub-section headed "6. Analysis of the Issue Price" below in this letter for details.

(d) Conditions Precedent

The Completion is conditional upon, among others, the following conditions being satisfied:

(i) the transactions contemplated under the Sale and Purchase Agreement (as amended by the Supplemental Agreement) are not restricted or prohibited by any applicable laws and regulations, judicial or arbitration agency, or governmental ruling or administrative decisions;

(ii) all necessary consents and approvals required to be obtained on the part of the Vendors in respect of the Sale and Purchase Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder having been obtained and remaining in full force and effect;

(iii) all necessary consents and approvals required to be obtained on the part of the Purchaser in respect of the Sale and Purchase Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder having been obtained and remaining in full force and effect;

(iv) all necessary licenses and permits required to be obtained on the part of the Target Companies and the Tianjin Zhiyun Group in respect of the operation of the Tianjin Zhiyun Group's business having been obtained and remaining valid and in effect at Completion and that the Target Companies and the Tianjin Zhiyun Group has not carried out any conduct that may lead to the withdrawal or revocation of any necessary licenses and permits;

(v) there is no material adverse change to the Target Companies and the Tianjin Zhiyun Group;

(vi) the representations and warranties made by the Vendors under the Sale and Purchase Agreement (as amended by the Supplemental Agreement) remaining true, accurate, not misleading and without material omissions in all respects, and no event had occurred which would render the Vendors in breach of the terms of the Sale and Purchase Agreement (as amended by the Supplemental Agreement);

(vii) the Listing Committee of the Stock Exchange granting approval (subject to allotment) for the listing of and permission to deal in the Consideration Shares to be issued and such approval not being subsequently revoked;

(viii) the passing of the necessary resolution(s) at the SGM by the Shareholders to approve the Sale and Purchase Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder; and

(ix) the Vendors, at the request of the Purchaser, providing all documents or information in relation to the Target Companies and the Tianjin Zhiyun Group and the background of the Vendors, and the form and content of such documents or information so provided are to the satisfaction of the Purchaser.

The parties to the Sale and Purchase Agreement (as amended by the Supplemental Agreement) shall use all endeavours to procure the fulfilment of all the conditions above by the Long Stop Date or such other date as the parties to the Sale and Purchase Agreement (as amended by the Supplemental Agreement) may agree. Save for conditions (i), (ii), (iii), (vii) and (viii) which cannot be waived, the Purchaser can at any time, after the Vendor has applied in writing five (5) Business Days in advance, by notice in writing to the Vendors waive the other conditions. In the event that all the conditions have not been fulfilled (or waived, as the case may be) by the Long Stop Date, the Sale and Purchase Agreement (as amended by the Supplemental Agreement) will be terminated and ceased to be effective, and neither parties shall have obligations and liabilities against the other thereafter, save for any antecedent breach of the Sale and Purchase Agreement (as amended by the Supplemental Agreement).

As at the Latest Practicable Date, none of the conditions above have been fulfilled or waived.

(e) Lock Up Undertaking

Pursuant to the terms of the Sale and Purchase Agreement (as amended by the Supplemental Agreement), the Vendors jointly irrevocably undertake to the Company that:

(i) each of them will not, in respect of 24,270,444 of the Consideration Shares (the "**2023 Lock-up Shares**"), for a period of twelve (12) months from Completion, and in respect of the remaining 29,663,876 of the Consideration Shares (the "**2024 Lock-up Shares**"), for a period of twenty-four (24) months from Completion, offer, lend, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any of the Consideration Shares, or any interests in such Consideration Shares beneficially owned or held by each of them or enter into any swap, derivatives or similar agreement that transfers, in whole or in part, the economic consequences of ownership of such Consideration Shares; and

(ii) in relation to any disposal after such lock up period, reasonable steps will be taken by the Vendors to ensure that the disposal will not create a false or disorderly market for the Shares.

We consider that the Lock Up Undertaking will minimise the potential selling pressure on the market prices of the Shares and is in the interests of the Company and the Shareholders as a whole.

(f) Profit Guarantee

The Vendors guarantee to the Company that the audited consolidated profit before interest and taxation and after extraordinary or exceptional items of the Tianjin Zhiyun Group for the financial year ending 30 June 2023 and 30 June 2024 will be not less than HK$9,000,000 (the "**2023 Guaranteed Profit**") and HK$11,000,000 (the "**2024 Guaranteed Profit**") respectively, to which extraordinary or exceptional items will be determined in accordance with the applicable accounting standards and will include income or expenses which arises in circumstances or from events distinct from the ordinary and usual course of business and to which are not expected to be in recurring nature, examples include income government subsidies, gain or loss arising from one-off disposal of non-current assets etc. As at the Latest Practicable Date, the Tianjin Zhiyun Group has not recorded any extraordinary or exceptional items.

In the event that (i) the actual audited profit (before interest and taxation and after extraordinary or exceptional items of the Tianjin Zhiyun Group) of the Tianjin Zhiyun Group for the financial year ending 30 June 2023 is less than the 2023 Guaranteed Profit and/or (ii) that the actual audited profit of the Tianjin Zhiyun Group (before interest and taxation and after extraordinary or exceptional items of the Tianjin Zhiyun Group) for the financial year ending 30 June 2024 is less than the 2024 Guaranteed Profit:

(i) the Vendors (in proportion to their respective shareholdings in the 49% equity interests in Tianjin Zhiyun held via the Target Companies as at the date of the Sale and Purchase Agreement (as amended by the Supplemental Agreement)) shall pay to the Purchaser in cash, an amount equivalent to the shortfall on dollars for dollars basis; and

(ii) if the Vendors fail to pay the Purchaser the shortfall in cash, the Vendors shall at the request of the Purchaser:

(a) sell and/or place all or part of the 2023 Lock-up Shares and transfer the proceeds to the Purchaser to cover the shortfall to the 2023 Guaranteed Profit; and/or

(b) sell and/or place all or part of the 2024 Lock-up Shares and transfer the proceeds to the Purchaser to cover the shortfall to the 2024 Guaranteed Profit.

Whereas if the proceeds from selling all the 2023 Lock-up Shares or 2024 Lock-up Shares is insufficient to cover the shortfall to the 2023 Guaranteed Profit or the 2024 Guaranteed Profit (as the case may be), the Vendors (in proportion to their respective shareholdings in the 49% equity interests in Tianjin Zhiyun held via the Target Companies as at the date of the Sale and Purchase Agreement (as amended by the Supplemental Agreement)) shall pay to the Purchaser in cash, an amount equivalent to the remaining shortfall to the 2023 Guaranteed Profit or the 2024 Guaranteed Profit (as the case may be) on a dollars for dollars basis.

In the event there is an audited consolidated net loss for the year ending 30 June 2023 or 30 June 2024, the actual audited profits will be deemed to be zero for the purpose of calculating compensation payable to the Group. If the actual audited profits exceed the 2023 Guaranteed Profit or 2024 Guaranteed Profit (as the case may be), no payment shall be made by the Group to the Vendors.

As discussed with the Management, the Profit Guarantee was suggested by the Vendors and determined based on the historical financial performance and the future operation prospect of the Tianjin Zhiyun Group and the industry as a whole. Further, when determining the profit guarantee, the Vendors were of the view that the business of Tianjin Zhiyun experiences seasonality and the financial performance is accordingly periodically affected. Based on the Vendors' experience in the PRC media and marketing industries, consumption activities in the PRC tends to be significantly active in the first and last quarters of each calendar year in comparison with the other quarters primarily due to the Chinese New Year, the PRC Golden Week Holiday and the promotional campaigns on November 11 in recent years. As a result, demand for digital marketing solution services is typically boosted during the aforesaid seasonal events or holidays, and Tianjin Zhiyun's early stage financial performance, to which Tianjin Zhiyun's business only commenced in November 2021 not long before the Chinese New Year, may not be able to accurately reflect its exponential seasonal growth potential. Accordingly, the Vendors and the Board is reasonably satisfied and optimistic that the Profit Guarantee is achievable.

We noted from the annual report of Alibaba Group Holding Limited for the year ended 31 March 2022 that, the value of confirmed orders of products and services on the marketplaces operated by Alibaba Group Holding Limited (which include Taobao and Tmall) for the 11-day campaign since 11 November 2021 amounted to approximately RMB540.3 billion, representing approximately 6.5% of that for the year of approximately RMB8,317 billion. Taking into account (i) the scale of the seasonal events or holidays, in particular promotional 11-day campaign in November; (ii) Tianjin Zhiyun being newly set up shortly prior to Chinese New Year; and (iii) the continuous growth in Internet users reflecting a larger target audience as stated in the paragraph headed "(c) Business outlook of the Tianjin Zhiyun Group" above in this letter, we are of the view and concur with the view of the Directors that the latest available management accounts up to 31 August 2022 of Tianjin Zhiyun may not fully reflect its growth potential.

Due diligence exercise has also been carried out against each of the Vendors in respect of their financial status. Particularly, the Company has reviewed the property ownership certificates of the properties owned by each of the Vendors and has conducted research on the market prices of comparable properties in terms of both size and location of the properties within the same housing estates. Based on the Company's research on the prevailing market prices of the said properties, the Company is reasonably satisfied that the Vendors have sufficient assets, comprising the aforesaid properties and other personal properties including but not limited to cash and the Consideration Shares, to compensate the Company if there is any shortfall to the Profit Guarantee.

As discussed with the Management, we have obtained and reviewed property ownership certificates of the properties owned by each of the Vendors and the market prices of comparable properties in terms of both size and location of the properties within the same housing estates. Having considered the properties owned by the Vendors and their other assets including the Consideration Shares (the latter of which are subject to lock up period of twelve (12) months and twenty-four (24) months from Completion respectively), we consider that the Vendors would have sufficient assets to compensate the Company if there is any shortfall to the Profit Guarantee. Regarding the basis of the Profit Guarantee, we have considered (i) the satisfying historical financial performance of the Tianjin Zhiyun Group which is profit making within a short operation period; and (ii) the promising prospect of the digital and online media marketing industry. Also taken into account that the total amount of the Profit Guarantee of HK$20,000,000 is greater than the amount of Consideration of HK$15,587,000, we consider that the Profit Guarantee mitigates the potential risk exposure in the event that of shortfall of profit and is in the interests of the Company and the Shareholders as a whole.

(g) Our view on the terms of the Agreement

We have reviewed the terms of the Sale and Purchase Agreement (as amended by the Supplemental Agreement) (including the Consideration, the Issue Price, the Conditions Precedent, the Lock Up Undertaking and the Profit Guarantee) and having taking into account that (i) as detailed in the sub-section headed "5. Analysis of the Consideration" below in this letter, the Consideration is fair and reasonable; (ii) as detailed in the sub-section headed "6. Analysis of the Issue Price" below in this letter, the Issue Price at which the Consideration Shares will be issued to satisfy the Consideration is fair and reasonable; (iii) the Vendors provide guarantee in favour of the Company in respect of the profit of the Tianjin Zhiyun Group for the financial years ending 30 June 2023 and 30 June 2024 respectively and will compensate for the shortfall on dollars for dollars basis in proportion to their respective shareholdings in the 49% equity interests in Tianjin Zhiyun held via the Target Companies as at the date of the Sale and Purchase Agreement (as amended by the Supplemental Agreement); and (iv) the other terms of the Sale and Purchase Agreement (as amended by the Supplemental Agreement) are normal commercial terms, we are of the view and concur with the view of the Management that the terms of the Sale and Purchase Agreement (as amended by the Supplemental Agreement) are fair and reasonable.

5. Analysis of the Consideration

(a) Discussion on the EV/EBITDA multiples

As discussed with the Management, we noted that the Company has taken into consideration, among others, the EV/EBITDA ratios of other listed companies in Hong Kong and the PRC engaging in similar business of the Tianjin Zhiyun Group. In this regard, we have enquired into the Management and reviewed the list of such companies and the respective EV/EBITDA. As stated in the paragraph headed "Basis of Consideration" in the Board Letter, the Board has also considered and eliminated other multiples including the enterprise-value-to-sales, price-to-sales, price-to-earnings and price-to-book multiples, to which the aforesaid multiples were not adopted as it could not accurately reflect (i) the differences in cost structure between the Tianjin Zhiyun Group and the comparable companies; (ii) the growing potential profitability; (iii) the light assets business model; and (iv) the early business state of the Tianjin Zhiyun Group.

In searching for publicly listed companies, we are advised that the selection criteria include (i) the companies are principally engaged in digital marketing and advertising services in the PRC, which is close to the Tianjin Zhiyun Group's business; (ii) over 50% of the total revenue of the companies were generated from the segment(s) comparable to the Tianjin Zhiyun Group in its preceding financial year; (iii) the companies have recorded positive EBITDA in its preceding financial year; and (iv) the companies are actively listed for not less than one year in PRC or Hong Kong and relevant financial information are publicly available. Based on the above selection criteria, the Management identified an exhaustive list of eight comparable companies ("**EV/EBITDA Comparables**"). According to the relevant data extracted from Bloomberg terminal, the median EV/EBITDA of the EV/EBITDA Comparables at relevant time was 10.9 times. To account for the fact that the Tianjin Zhiyun Group are privately held companies and are normally less marketable than listed shares, a marketability discount of approximately 20.6% has been considered with reference to Stout Restricted Stock Study Companion Guide 2021 published by Stout Risius Ross, LLC.

We understand that such EV/EBITDA ratio was only one of the factors taken into account and the Consideration was not determined solely by multiplying the EV/EBITDA by the earnings before interest, tax, depreciation and amortization. For other factors, including prospects of digital marketing and advertising business in the PRC, please refer to the paragraph headed "(c) Business outlook of the Tianjin Zhiyun Group" above in this letter and also our comparable analysis below.

(b) Comparable analysis on the Consideration

We have also conducted our independent comparable analysis in assessing the fairness and reasonableness of the Consideration. As an alternative, we attempted to compare the price-to-earnings ratio ("**PE Ratio**"), which is a commonly used benchmark in addition to EV/EBITDA in valuing a company which is profit-making by comparing its profits with its market capitalisation or consideration, with listed companies on the Stock Exchange which are principally engaged in business similar to the Tianjin Zhiyun Group. A relatively lower PE Ratio implies that the price of target company is more favourable to the buyer.

We have also considered the use of price-to-book ratio, another commonly adopted benchmark in valuing a company by comparing its net assets with its market capitalisation or consideration. However, as discussed with the Management, we understand that the business nature of the Tianjin Zhiyun Group, being provision of mobile media marketing services, is not asset-intensive and price-to-book ratio does not take into account the profitability of the Tianjin Zhiyun Group. As such, we are of the view that a price-to-book ratio may not accurately reflects the fairness and reasonableness of the Consideration.

In addition, we have also considered enterprise-value-to-sales and price-to-sales ratios, both of which compare a company's enterprise value and market capitalisation/consideration with its revenue. However, we consider that these ratios do not take into account the differences in cost structure and profitability between the Tianjin Zhiyun Group and the comparable companies and are thus may not be suitable for comparison purpose.

Despite established in November 2021 with relatively short operation history, based on the financial information provided by the Management, the Tianjin Zhiyun Group has been profit making since the one month ended 31 December 2021. In addition, as discussed with the Management, since its establishment, the management of Tianjin Zhiyun has been headed by the Vendors, with Vendor A holding the office of sales director and Vendor B holding the office of deputy general manager of Tianjin Zhiyun respectively, both having over 20 years of experience, expertise and capabilities in the PRC media and marketing industries. The Company expects to leverage on the experience and network and clientele of the Vendors, who will remain in the management offices after Completion to further enhance the financial performance of the Tianjin Zhiyun Group. While we have taken into consideration that PE Ratio do not reflect the differences in net cash/(debt) levels between the Tianjin Zhiyun Group and comparable companies, we are of the view that PE Ratio can provide an alternative to EV/EBITDA for assessing the fairness and reasonableness of the Consideration when price-to-book, enterprise-value-to-sales and price-to-sales ratios are not suitable. In light of the above, as well as the promising business outlook as discussed paragraph headed "(c) Business outlook of the Tianjin Zhiyun Group" above in this letter, we consider that the adoption of PE Ratio, which makes reference to the net profit after tax for nine months ended 31 August 2022 of the Tianjin Zhiyun Group, for assessing the Consideration is fair and reasonable.

For the comparable analysis, we have searched for listed companies on the Stock Exchange (the "**Comparable Companies**") where they are principally engaged in provision of online/digital/mobile media marketing services in the PRC, which is similar to that of the Tianjin Zhiyun Group, with relevant revenue from the segment contributing to not less than 50% of the total revenue of such listed companies. We considered that our comparable analysis using the PE Ratios of the Comparable Companies can serve as an alternative to and can complement the EV/EBITDA considered by the Management, and therefore can provide additional information for Shareholders to consider. To the best of our knowledge, we identified an exhaustive list of ten Comparable Companies.

The numbers of Comparable Companies and EV/EBITDA Comparables differ because of difference in selection criteria chosen. The ten Comparable Companies have six overlaps with the eight EV/EBITDA Comparables, while the remaining four of the Comparable Companies were not included in EV/EBITDA Comparables by the Management on the ground that (i) Comparable Companies Nos. 1, 4 and 6 did not have EBITDA; and (ii) Comparable Company No. 7 was listed less than one year ago. Meanwhile, two of the EV/EBITDA Comparables are companies listed in the PRC and therefore do not fulfil our criterion of companies listed on the Stock Exchange and were excluded in the Comparable Companies.

Details of the Comparable Companies and their PE Ratios are as follows:

No.	Stock Code	Company name	Principal business	Closing price *(Note 1)*	Earnings per share *(Note 2)*	PE Ratio *(Note 3)*
1.	745	China National Culture Group Limited	E-commerce, advertisement and movie production businesses	HK$0.154	Loss	N/A
2.	1351	Bright Future Technology Holdings Limited	Provision of mobile advertising services	HK$0.49	Loss	N/A
3.	1640	Ruicheng (China) Media Group Limited	Provision of advertising services	HK$0.45	RMB0.0011	352.66
4.	1753	Duiba Group Limited	User management Software as a Service platform business, interactive advertising business and other businesses	HK$0.97	Loss	N/A

No.	Stock Code	Company name	Principal business	Closing price *(Note 1)*	Earnings per share *(Note 2)*	PE Ratio *(Note 3)*
5.	1762	Wanka Online Inc	Provision of mobile advertising, online video product distribution and Android content distribution services related to game intermodal	HK$0.31	RMB0.0400	6.68
6.	1917	Doumob	Provision of online advertising services and online sales services	HK$0.055	Loss	N/A
7.	1948	Uju Holding Limited	Provision of online marketing service	HK$4.29	RMB0.5200	7.11
8.	2131	Netjoy Holdings Limited	Provision of online advertising solutions services	HK$1.38	RMB0.1470	8.09
9.	6988	Joy Spreader Group Inc.	Provision of mobile new media performance-based marketing and marketing software as a service	HK$1.16	RMB0.1130	8.85
10.	9919	Activation Group Holdings Limited	Provision of (i) experiential marketing; (ii) digital and communication; and (iii) intellectual property development	HK$0.99	RMB0.1251	6.82
				Mean *(Note 4)*		**7.51**
				Median		**7.60**
				Maximum		**352.66**
				Minimum		**6.68**
				Target Group *(Note 5)*		**9.22**

Notes:

1. The closing prices of the shares of the Comparable Companies are quoted on the Stock Exchange as at the date of the Sale and Purchase Agreement (as amended by the Supplemental Agreement).

2. The earnings per share for the Comparable Companies are respectively referenced to the annual reports of the Comparable Companies for the respective latest financial year.

3. PE Ratio is calculated as closing price divided by earnings per share.

4. The PE Ratios of Ruicheng (China) Media Group Limited is substantially higher than the other Comparable Companies. Therefore, its PE Ratio is excluded in computing the mean PE Ratio of the Comparable Companies.

5. The PE Ratio of the Target Group implied by the Acquisition (the "**Implied PE Ratio**") are calculated as the Consideration divided by the product of (i) 49% (as the Consideration is for the 49% equity interests in Tianjin Zhiyun) and (ii) the annualised net profit after tax of Tianjin Zhiyun Group for the nine months ended 31 August 2022, i.e. HK$15,587,000 ÷ (49% × 2 × HK$2,588,000).

6. In this comparable analysis, conversion of RMB into HK$ is calculated at the approximate exchange rates of RMB1 to HK$1.16. Such exchange rate is adopted for the purpose of illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this rate or any other rate at all.

As shown in the above table, the PE Ratios of the Comparable Companies range from approximately 6.68 times to 352.66 times. After excluding Comparable Company No. 4 with substantially higher PE Ratios, the range of PE ratios would be from approximately 6.68 times to 8.85 times, with mean and median of approximately 7.51 and 7.60 times respectively. The Implied PE Ratio of approximately 9.22 times is slightly above the corresponding mean, median and the upper range of the Comparable Companies.

In addition, we have considered that the Tianjin Zhiyun Group is not a listed company and therefore a discount may usually be applied to adjust the valuation/ PE Ratio of such company. Based on Stout Restricted Stock Study Companion Guide 2021 published by Stout Risius Ross, LLC, which is the one adopted by the Company, we applied a marketability discount would be approximately 20.6% to the mean, median and upper range of PE Ratios, which would become approximately 5.96, 6.03 and 7.03 times respectively, and the Implied PE Ratio of 9.22 times would be slight above the aforesaid adjusted mean, median and upper range.

Notwithstanding the above, counterbalanced by the fact that (i) there are several promotional events and holidays for the first and last quarters for the each calendar year which may boost the financial performance of Tianjin Zhiyun Group; (ii) the Consideration will be satisfied by the issue of the Consideration Shares which would not have material impact on the cashflow of the Group; (iii) the Issue Price represents premiums of approximately 5.09% and 43.8% over the closing prices of the Shares on the Last Trading Day and the Latest Practicable Date; (iv) the Profit Guarantee mitigates the costs and potential risk exposure in the event that of shortfall of profit; and (v) the prospect of the industry remains positive, we consider that the slightly-above-average Implied PE Ratio and adjusted Implied PE Ratio are justifiable.

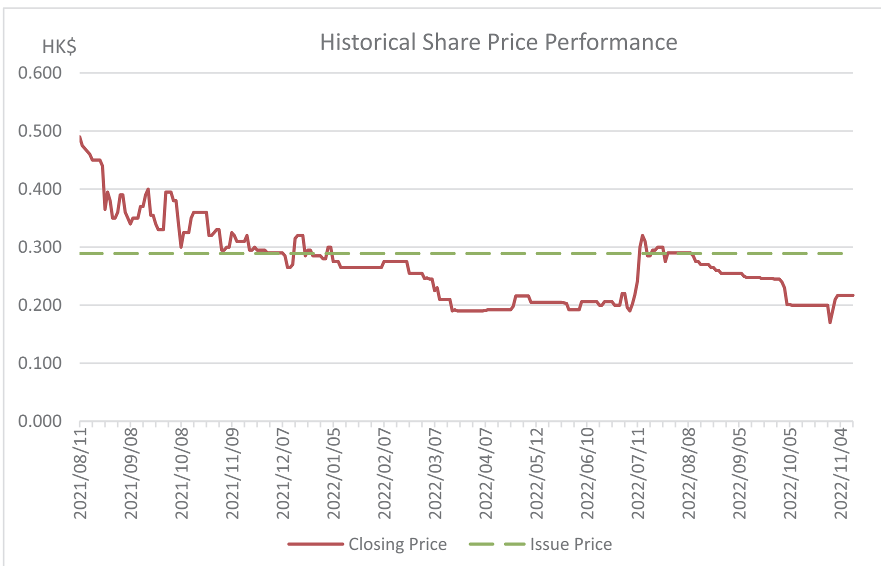
(c) Our view on the Consideration

Having taking into account (i) the satisfying financial performance despite the short operation history of the Tianjin Zhiyun Group; (ii) the promising market outlook for the Tianjin Zhiyun Group as discussed in the paragraph headed "(c) Business outlook of the Tianjin Zhiyun Group" above in this letter; (iii) the Profit Guarantee provided by the Vendors in favour of the Company regarding the profit of the Tianjin Zhiyun Group for the two coming financial years; and (iv) our analysis on the Comparable Companies above, we are of the view and concur with the view of the Management that the Consideration is fair and reasonable.

6. Analysis of the Issue Price

(a) Historical Share price performance

The historical closing prices of the Shares for the period from 11 August 2021 to 11 August 2022, being a twelve months period from the date of the Sale and Purchase Agreement, and further three months up to 11 November 2022 (the "**Review Period**"), are plotted below against the Issue Price. We consider that a review period of fifteen months would be sufficient to illustrate the most recent performance of the closing prices of the Shares for reference, and is therefore representative and fair and reasonable for comparison purpose.



Source: Website of the Stock Exchange

During the Review Period, the closing prices of the Shares showed a generally decreasing trend and have remained at a level around HK$0.2 per Share since late March 2022. The closing prices of the Shares then experienced a spike in early July 2022 to a level around HK$0.3 per Share in mid-July. We have reviewed the announcements published by the Company at the relevant times, save and except for the announcement of the Company dated 6 July 2022 in relation to the downward adjustment to recurring franchise fee and service fee payable by a subsidiary of the Company, we are not aware of other announcement made by the Company which may be price sensitive. We have also discussed with the Management and understand that they are not aware of any other price sensitive information at the relevant times. The closing prices of the Shares experienced a general downward trend since then and had been slightly above HK$0.2 since early November 2022. The closing prices of the Shares range from

HK$0.490 (recorded on 11 August 2021) to HK$0.170 (recorded on 31 October 2022), with an average of approximately HK$0.268 during the Review Period. Further, since 1 January 2022 and up to 11 November 2022, the closing prices of the Shares were below the Issue Prices most of the time, i.e. 188 out of 208 trading days.

The Issue Price of HK$0.289 represents, during the Review Period, (i) a premium of approximately 70.0% over the lowest closing price of the Shares of HK$0.170; (ii) a discount of approximately 41.0% to the highest closing price of the Shares of HK$0.490; and (iii) a slight premium of approximately 8.0% over the average closing price of the Shares of approximately HK$0.268.

(b) Comparable analysis on the Issue Price

In further assessing whether the Issue Price is fair and reasonable, we carried out a comparable analysis of consideration issues (the "**Comparable Consideration Issue(s)**") as announced by companies listed on the Stock Exchange through the HKEXnews website with the criteria that (i) the relevant initial announcements are published during the period from 11 August 2021 to 11 August 2022, being a twelve months period from the date of the Sale and Purchase Agreement (the "**Comparable Period**"); (ii) the shares will be issued under specific mandate; (iii) the shares will be issued to connected persons of the relevant companies; (iv) the shares to be issued are not domestic shares. Although we have considered to adopt a shorter review period of 6 months to analyse the terms of consideration issues in a more recent period, we note that there would only be 3 such consideration issues based on such criteria (i.e. Comparable Consideration Issues nos. 7, 8 and 9 below). Therefore, we extend the review period to 12 months covering the Comparable Period to include more samples. To the best of our knowledge, based on the aforesaid criteria, we identified an exhaustive list of 9 Comparable Consideration Issues. We consider that the 12-month period are representative as it demonstrates the market practice and market sentiments prior to the date of the Sale and Purchase Agreement. Since there are sufficient number of Comparable Consideration Issues under the selection criteria mentioned above, we are of the view that such comparable analysis is fair and reasonable regarding consideration issue to connected persons under specific mandate in the recent period.

Details of the Comparable Consideration Issues are set out below:

No.	Company name	Stock code	Date of initial announcement	Premium/ (Discount) of issue price to closing price on last trading day (%) *(Note 1)*	Premium/ (Discount) of issue price to average closing price on last five consecutive trading days (%) *(Note 1)*
1.	CN Logistics International Holdings Limited	2130	16 September 2021	7.20	2.80
2.	Newborn Town Inc.	9911	10 October 2021	0.00	3.96
3.	Geely Automobile Holdings Limited	175	29 October 2021	(11.42)	(12.65)
4.	Auto Italia Holdings Limited	720	26 November 2021	(16.36)	(16.36)
5.	EC Healthcare	2138	29 November 2021	(0.18)	(1.03)
6.	CN Logistics International Holdings Limited	2130	31 December 2021	(8.90)	(7.40)
7.	C&D International Investment Group Limited	1908	29 March 2022	(14.90)	(13.56)
8.	Furniweb Holdings Limited	8480	8 June 2022	73.27 *(Note 2)*	74.30 *(Note 2)*
9.	China Power International Development Limited	2380	30 June 2022	(4.34)	(8.49)
		Mean		**(6.11)**	**(6.59)**
		Median		**(6.62)**	**(7.97)**
		Maximum premium		**7.20**	**3.96**
		Maximum discount		**(16.36)**	**(16.36)**
		Issue of the Consideration Shares		**5.09**	**Nil**

Source: Website of the Stock Exchange

Notes:

1. Unless specified, the premiums/discounts represented by the issue prices over/to (i) the closing prices on the respective last trading day; and (ii) the average closing price on last five consecutive trading days are extracted from the respective announcements of the Comparable Consideration Issues.

2. Furniweb Holdings Limited is excluded as an outlier given the substantially high premium represented by issue price to the closing prices on the respective last trading day and the average closing price on the respective last five consecutive trading days.

As shown above, excluding one outlier,

(i) the premium/(discount) of the subscription prices over/to the closing price of the Comparable Consideration Issues on the respective last trading day range from a discount of approximately 16.36% to a premium of approximately 7.20%, with a mean and median discount of approximately 6.11% and approximately 6.62% respectively; and

(ii) the premium/(discount) of subscription prices over/to average closing price per share on the last five trading days prior to/on the date of the relevant announcement/agreement of the Comparable Consideration Issues range from a discount of approximately 16.36% to the a premium of approximately 3.96%, with a mean and median discount of approximately 6.59% and approximately 7.97% respectively.

The Issue Price represents premiums of approximately 5.09% and nil to the closing price of the Shares on the Last Trading Day and average closing price on the last five trading days immediately prior to the Lasting Trading Day, which are more favorable than the average discounts represented by the Comparable Consideration Issues.

(c) Our view on the Issue Price

Having taken into account that (i) during the Review Period, the Issue Price represents a slight premium of approximately 8.0% over the average closing price of the Shares; (ii) the Issue Price represents premiums of approximately 5.09% over the closing price on the Last Trading Day and nil over the average closing price of for the last five consecutive trading days immediately prior to the Lasting Trading Day, as compared with discounts represented by the Comparable Consideration Issues; (iii) the Issue Price is HK$0.289 per Share while the net asset value per Share is negative given the net liability position of the Group (please refer to the section headed "7. Financial impact" below in this letter); and (iv) the Consideration is fair and reasonable as discussed in the sub-section headed "5. Analysis of the Consideration" above in this letter, we consider that the Issue Price is fair and reasonable so far as the Shareholders are concerned.

7. Financial impact

(a) Earnings

As at the Latest Practical Date, each of the Target Companies and each member of the Tianjin Zhiyun Group is a non-wholly owned subsidiary of the Company. Upon Completion, each of the Target Companies and each member of the Tianjin Zhiyun Group will become a wholly-owned subsidiary of the Company. As disclosed in the paragraph headed "(b) Financial information of the Tianjin Zhiyun Group" above in this letter, the Tianjin Zhiyun Group recorded an unaudited profit after tax for the period commencing from the date of establishment and ended 31 December 2021 and for the eight months ended 31

August 2022. Considering the profit-making position of the Tianjin Zhiyun Group, we concur with the view of the Management that the Acquisition is expected to bring positive contribution to the earnings of the Group.

(b) Net assets/(liabilities)

As stated in Annual Report 2022, the consolidated net liabilities of the Group amounted to approximately HK$179.0 million as at 30 June 2022. Given that the Consideration will be satisfied by the issue of Consideration Shares, it is expected that there will not be any material adverse effect on the net liabilities position of the Group. Meanwhile, as the Consideration Shares will be issued at premium to the market prices of the Shares and the Group was in a net liabilities position (representing a negative net asset value of approximately HK$0.6638 per Share), the net asset value per Share of the Group would improve upon Completion.

It should be noted that the aforementioned analyses are for illustrative purpose only and does not purport to represent how the financial performance and position of the Group would be following Completion and the issue of the Consideration Shares pursuant to the Sale and Purchase Agreement (as amended by the Supplemental Agreement).

8. Potential dilution effect

The shareholding structure of the Company as at the Latest Practicable Date and immediately upon Completion are set out below, for illustrative purposes only (assuming that there is no allotment and issue of new Shares from the Latest Practicable Date to Completion):

	As at the Latest Practicable Date		Immediately upon the allotment and issue of Consideration Shares	
Shareholders	*No. of Shares*	*Approx. %*	*No. of Shares*	*Approx. %*
Grace Fountain Holding Limited *(Note 1)*	65,000,000	24.10	65,000,000	20.08
Excel Horizon Investments Limited *(Note 2)*	50,000,000	18.54	50,000,000	15.45
Eminent Rise Holdings Limited *(Note 3)*	21,000,000	7.79	21,000,000	6.49
Mr. Li Ning *(Note 3)*	157,000	0.06	157,000	0.05
Vendor A	–	–	44,028,016	13.61
Vendor B	–	–	9,906,304	3.06
Other public Shareholders	133,514,601	49.51	133,514,601	41.26
Total	269,671,601	100.00%	323,605,921	100.00%

Notes:

1. Grace Fountain Holding Limited ("**Grace Fountain**") is a company incorporated in the British Virgin Islands with limited liability. The entire issued share capital of Grace Fountain is owned by Mr. Wang Chaoguang, an executive Director. Mr. Wang is deemed to be interested in the 65,000,000 Shares held by Grace Fountain by virtue of the SFO.

2. Excel Horizon Investments Limited ("**Excel Horizon**") is a company incorporated in the British Virgin Islands with limited liability. The entire issued share capital of Excel Horizon is owned by Mr. Duang Guangzhi. Mr. Duan is deemed to be interested in the 50,000,000 Shares held by Excel Horizon by virtue of the SFO.

3. Eminent Rise Holdings Limited ("**Eminent Rise**") is a company incorporated in the British Virgin Islands with limited liability. The entire issued share capital of Eminent Rise is owned by Mr. Li Ning, an executive Director and chairman of the Board. Mr. Li is deemed to be interested in the 21,000,000 Shares held by Eminent Rise by virtue of the SFO. Mr. Li himself is personally interested in 157,000 Shares.

As shown under the section headed "5. EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY" in the Board Letter, assuming there is no other change in the issued share capital and shareholding structure of the Company, the shareholding in the Company held by existing public Shareholders would be diluted from approximately 49.51% as at the Latest Practicable Date to approximately 41.26% upon completion of the issue of the Consideration Shares.

Taking into account (i) the terms of the Sale and Purchase Agreement (as amended by the Supplemental Agreement) (including the Issue Price) are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole; (ii) the Group was in a net current liabilities position as at 30 June 2022; and (iii) the issue of Consideration Shares instead of cash payment for the Consideration will minimise the impact of the Acquisition on the cashflow of the Group, we consider that the potential dilution effect on the shareholding of existing public Shareholders in the Company is acceptable so far as they are concerned.

RECOMMENDATION

Having considered the aforementioned principal factors and reasons, we are of the view that (i) the Acquisition is in the interests of the Company and the Shareholders as a whole; (ii) the Acquisition is on normal commercial terms but not in the ordinary and usual course of business of the Group; and (iii) the terms of the Sale and Purchase Agreement (as amended by the Supplemental Agreement) (including the Issue Price) are fair and reasonable so far as the Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Shareholders, and we also recommend the Shareholders, to vote in favour of the relevant resolution(s) to be proposed at the SGM to approve the grant of the Specific Mandate for the allotment and issue of the Consideration Shares and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Nuada Limited

Kevin Wong
Vice President

Nigel Ng
Manager

Mr. Kevin Wong is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 15 years of experience in corporate finance industry.

Mr. Nigel Ng is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 7 years of experience in corporate finance industry.

* *The English names of PRC nationals, entities, facilities and localities are unofficial translation or transliteration from their Chinese names and are for identification purposes only.*

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

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the following Directors had interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model code for Securities Transactions by Directors of Listed Issuers:

(i) Long position in shares and underlying shares of equity derivatives:

Name of Director	Capacity/ Nature of interest	Number of ordinary shares	Number of derivative shares	Percentage of issued ordinary shares *(%)*
Mr. Li Ning *(Note 1)*	Beneficial owner Interest of controlled corporation	157,000 21,000,000	–	7.85
Mr. Wang Chaoguang *(Note 2)*	Interest of controlled corporation	65,000,000	80,000,000	53.77
Dr. Loke Yu alias Loke Hoi Lam *(Note 3)*	Beneficial owner	–	87,500	0.03
Dr. Fan, Anthony Ren Da *(Note 4)*	Beneficial owner	–	132,500	0.04

Notes:

1. Eminent Rise is the beneficial owner of 21,000,000 Shares and is a company wholly-owned by Mr. Li, as such Mr. Li is deemed to have an interest in all the Shares in which Eminent Rise is interested pursuant to the SFO.

2. Grace Fountain is the beneficial owner of 65,000,000 Shares and the convertible bonds convertible to 80,000,000 Shares upon exercise of the conversion rights, it is a company wholly-owned by Mr. Wang, as such Mr. Wang is deemed to have an interest in all the Shares in which Grace Fountain is interested pursuant to the SFO.

3. Dr. Loke Yu alias Loke Hoi Lam is interested in 87,500 underlying Shares pursuant to the share options granted under the share option scheme adopted by the Company on 23 January 2009 (the "**Share Option Scheme**").

4. Dr. Fan, Anthony Ren Da is interested in 132,500 underlying Shares pursuant to the share options granted under the Share Option Scheme.

Save as disclosed above, as at the Latest Practicable Date, no Directors or chief executives of the Company had any interests or short positions in the shares, underlaying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or are deemed to have taken under such provisions of the SFO); or (ii) to be and were entered into in the register that was required to be kept under Section 352 of the SFO; or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

As at the Latest Practicable Date, so far as any Directors are aware, the interest or short positions owned by the following parties (other than the Directors or chief executive of the Company) in the Shares, underlying Shares or debentures of the Company which are required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

(i) Long position in shares and underlying shares of equity derivatives:

Name of Substantial Shareholder	Capacity/ Nature of interest	Number of ordinary shares	Number of derivative shares	Percentage of issued ordinary shares *(%)*
Mr. Wang	Interest of controlled corporation	65,000,000	80,000,000	53.77
Grace Fountain	Beneficial owner	65,000,000	80,000,000	53.77
Mr. Duan *(Note 1)*	Interest of controlled corporation	50,000,000	50,000,000	37.08
Excel Horizon *(Note 1)*	Beneficial owner	50,000,000	50,000,000	37.08
Ms. Hao Yuanyuan *(Note 2)*	Interest of controlled corporation	28,000,000	–	10.38
Well Pop Group Limited *(Note 2)*	Beneficial owner	28,000,000	–	10.38
Mr. Wen Jialong *(Note 3)*	Beneficial owner Interest of controlled corporation	141,548 25,105,561	–	9.36
Mr. Zheng Yue Wen *(Note 3)*	Interest of controlled corporation	25,105,561	–	9.31

Name of Substantial Shareholder	Capacity/ Nature of interest	Number of ordinary shares	Number of derivative shares	Percentage of issued ordinary shares *(%)*
Hallow King Global Investment Limited *(Note 3)*	Interest of controlled corporation	25,105,561	–	9.31
Kerui Jinrong Company Limited *(Note 3)*	Interest of controlled corporation	25,105,561	–	9.31
Weltrade Group Limited *(Note 3)*	Beneficial owner	25,105,561	–	9.31
Mr. Li	Beneficial owner Interest of controlled corporation	157,000 21,000,000	–	7.85
Eminent Rise	Beneficial owner	21,000,000	–	7.79

Notes:

1. Excel Horizon is the beneficial owner of 50,000,000 Shares and the convertible bonds convertible to 50,000,000 Shares upon exercise of the conversion rights, it is a company wholly-owned by Mr. Duan, as such Mr. Duan is deemed to have an interest in all the Shares in which Excel Horizon is interested pursuant to the SFO.

2. Well Pop Group Limited ("**Well Pop**") is the beneficial owner of 28,000,000 Shares and is a company wholly-owned by Ms. Hao Yuanyuan ("**Ms. Hao**"), as such Ms. Hao is deemed to have an interest in all the Shares in which Well Pop is interested pursuant to the SFO.

3. Weltrade Group Limited ("**Weltrade**") is the beneficial owner of 25,105,561 Shares and is a company wholly-owned by Kerui Jinrong Company Limited ("**Kerui Jinrong**"), which in turn is own as to 40% by Mr. Zheng Yue Wen ("**Mr. Zheng**"), 20% by Mr. Xiang Hong, and 40% by Hallow King Global Investments Limited ("**Hallow King**"), the latter being a company wholly-owned by Mr. Wen Jialong ("**Mr. Wen**"). As such, each of Mr. Wen, Hallow King, Mr. Zheng and Kerui Jinrong is deemed to have an interest in all the Shares in which Weltrade is interested pursuant to the SFO.

Save as disclosed above, so far as is known to any Directors or chief executive of the Company, as at the Latest Practicable Date, no other persons (other than a Director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which are required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register kept pursuant to Section 336 of the SFO.

(c) As at the Latest Practicable Date, so far as was known to the Directors, the following Directors are also directors or employees of Eminent Rise or Grace Fountain (as the case may be):

Name of Director	Position held in Eminent Rise or Grace Fountain
Mr. Li Ning	director of Eminent Rise
Mr. Wang Chaoguang	director of Grace Fountain

3. NO MATERIAL INTERESTS

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 members of the Group since 30 June 2022, being the date to which the latest published audited financial statements of the Group were made up.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries, which was subsisting and was significant in relation to the business of the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service agreement with any member of the Group (excluding contracts expiring or determinable by the Company within one year without payment of compensation (other than statutory compensation)).

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or any of their respective associates were considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses to which the Directors were nominated and appointed as directors and/or senior management to represent the interests of the Company and/or the Group.

6. EXPERT'S QUALIFICATION AND CONSENT

The following is the expert, and its qualification, who has given opinion or advice contained in this circular:

Name of expert	Qualification
Nuada Limited	a corporation licensed to carry on type 6 regulated activities under the SFO

Nuada Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter of advice, and references to its name and/or logo in the form and context in which they respectively appeared.

As at the Latest Practicable Date, Nuada Limited was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group nor did it have any interests, either direct or indirect, in any assets which have been, since 30 June 2022 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 30 June 2022 being the date to which the latest published audited consolidated accounts of the Group were made up.

8. LITIGATION

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group that would have a material adverse effect on the results of operations or financial conditions of the Group.

9. DOCUMENTS ON DISPLAY

The following documents are available on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.hkrh.hk) from the date of this circular up to and including the date of the SGM (being not less than 14 days from the date of this circular):

(a) the Sale and Purchase Agreement (as amended by the Supplemental Agreement);

(b) the Supplemental Agreement;

(c) the letter from the Independent Board Committee to the Shareholders, the text of which is set out on pages 24 to 25 of this circular;

(d) the letter from the Independent Financial Adviser to the Independent Board Committee and the Shareholders, the text of which is set out on pages 26 to 54 of this circular;

(e) the written consents as referred to in the section headed "Expert's Qualification and Consent" in this Appendix; and

(f) this circular.

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 SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT a special general meeting (the "**Meeting**") of Hong Kong Resources Holdings Company Limited (the "**Company**") will be held at Room 2306, 23/F, Tower One, Lippo Centre, No. 89 Queensway, Hong Kong on Thursday, 15 December 2022 at 11 a.m. for the purpose of considering and, if thought fit, passing with or without amendments the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

(a) the allotment and issue of an aggregate of 53,934,320 new shares of HK$0.001 each in the share capital of the Company (the "**Consideration Shares**"), credited as fully paid, at the issue price of approximately HK$0.289 per Consideration Share to Ms. Zhu Meizhi (朱梅芝) and Mr. Wang Jifeng (王計峰) (collectively, the "**Vendors**") pursuant to the terms and conditions of the sale and purchase agreement (as amended by the Supplemental Agreement) dated 11 August 2022 (the "**Sale and Purchase Agreement**") entered into among (i) Ultra Best Global Limited as purchaser (the "**Purchaser**"); (ii) the Vendors as vendors; and (iii) the Company as issuer of the Consideration Shares, in relation to the acquisition by the Purchaser of the entire issued share capital of Meta Cosmos Limited and Pioneer Digital Technology Co., Limited which in turn holds an aggregate of 49% of the equity interests in Tianjin Zhiyun Erling Technology Co., Ltd.* (天津智耘貳零科技有限公司), for an aggregate consideration of HK$15,587,000, and the transactions contemplated thereunder, be and is hereby approved;

(b) subject to the Listing Committee of The Stock Exchange of Hong Kong Limited granting and not having withdrawn or revoked the approval for the listing of, and permission to deal in the Consideration Shares, the directors of the Company (the "**Directors**") be and are hereby granted a specific mandate (the "**Specific Mandate**") to allot, issue, credited as fully paid, the Consideration Shares ; and

(c) any one Director be and is hereby authorized to do all such acts and things and execute all such documents which he/she considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the allotment and issue of the Consideration Shares under the Specific Mandate and the transactions contemplated thereunder, as are, in the opinion of the Director, in the interests of the Company and its shareholders as a whole."

By order of the Board
Hong Kong Resources Holdings Company Limited
Li Ning
Chairman

Hong Kong, 29 November 2022

Notes:

1. The resolution at the Meeting will be taken by poll (except where the chairman in good faith, decides to allow a resolution purely relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Company's bye-laws and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.

2. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, subject to the provisions of the bye-laws of the Company, to vote on his/her/its behalf. A proxy need not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed. Should you wish to vote on any resolution of the Meeting, you are recommended to appoint the chairman of the Meeting as proxy to exercise the right to vote at the Meeting in accordance with your instructions by completing and returning a form of proxy.

3. In the case of joint holders of a share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he was solely entitled thereto; but if more than one of such joint holders are present at the Meeting, the vote of the person, whether attending in person or by proxy, whose name stands first on the register of members of the Company in respect of such Share shall be accepted to the exclusion of the vote(s) of the other joint holder(s).

4. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible, but in any event not less than 48 hours (i.e. not later than 11 a.m. on Tuesday, 13 December 2022) before the time appointed for the holding of the Meeting or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Meeting or any adjournment thereof if you so wish and, in such event, the form of proxy shall be deemed to be revoked.

5. For the purpose of determining the entitlement to attend and vote at the Meeting, the register of members of the Company will be closed from Monday, 12 December 2022 to Thursday, 15 December 2022, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Meeting, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 9 December 2022.

   In the event that the Meeting is adjourned to a date later than Thursday, 15 December 2022 because of bad weather or other reasons, the book closure period and record date for determination of entitlement to attend and vote at the above meeting will remain the same as stated above.

6. If a tropical cyclone warning signal number 8 or above is hoisted or is expected to be hoisted or "extreme conditions" caused by super typhoons or a black rainstorm warning signal is in force or expected to be in force in Hong Kong at any time after 8:30 a.m. on the date of the Meeting, the Meeting will be automatically postponed to a later date. The Company will post an announcement on the websites of Hong Kong Exchanges and Clearing Limited and the Company to notify shareholders of the date, time and location of the rescheduled meeting.

   The Meeting will be held as scheduled when an amber or a red rainstorm warning signal is in force in Hong Kong. Shareholders should in any event exercise due care and caution when deciding to attend the Meeting in adverse weather conditions.

7. In view of the ongoing Novel Coronavirus (COVID-19) pandemic, the Company will implement the following precautionary measures at the Meeting to protect attending shareholders, staff and stakeholders from the risk of infection: -

   (i) compulsory body temperature checks will be conducted for every shareholder, proxy or other attendee at each entrance of the Meeting venue. Any person with a body temperature of over 37.4 degrees Celsius or flu-like symptoms or is otherwise unwell may be denied entry into the Meeting venue or be required to leave the Meeting venue;

   (ii) compulsory wearing of a surgical face mask by all attendees prior to admission to the Meeting venue and throughout the Meeting;

   (iii) maintenance of a safe distance between seats, and the Company may limit the number of attendees at the Meeting as may be necessary to avoid over-crowding; and

   (iv) no refreshment will be served and no souvenirs or corporate gifts will be distributed at the Meeting.

8. References to time and dates in this notice are to Hong Kong time and dates.

9. In case of any inconsistency between the Chinese translation and the English text hereof, the English text shall prevail.

As at the date of this notice, the Board comprises Mr. Li Ning (Chairman) and Mr. Wang Chaoguang (Co-chairman) as executive Directors; Mr. Hu Hongwei as non-executive Director; and Dr. Loke Yu alias Loke Hoi Lam, Dr. Fan, Anthony Ren Da and Mr. Chan Kim Sun as independent non-executive Directors.

* *The English translation of the Chinese names in this circular, where indicated, is included for information only, and should not be regarded as the official English name of such Chinese names.*