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If you have sold or transferred all your shares in the Hong Kong Resources Holdings Company Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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HONG KONG RESOURCES HOLDINGS COMPANY LIMITED

香港資源控股有限公司

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

CONNECTED AND DISCLOSEABLE TRANSACTION INVOLVING DISPOSAL OF BRAND NEW MANAGEMENT LIMITED AND SPECIAL DEAL; AND NOTICE OF SPECIAL GENERAL MEETING

**Independent financial adviser to the Independent Board Committee and
the Independent Shareholders**

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 7 to 16 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 17 to 18 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 41 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 Monday, 30 October 2023 at 11:00 a.m. is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for use at the SGM is also enclosed with this circular. Whether or not you are able to attend SGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event no less than 48 hours before the time appointed for the holding of the SGM (i.e. before 11:00 a.m. on Saturday, 28 October 2023) or any adjournment thereof. 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.

11 October 2023

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DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“Board”	the board of Directors of the Company
“Brand New Management”	Brand New Management Limited, a company incorporated in BVI with limited liability and a direct wholly-owned subsidiary of the Company as at the Latest Practicable Date
“BNM Sale Shares”	the entire issued share capital in Brand New Management
“BVI”	the British Virgin Islands
“Company”	Hong Kong Resources Holdings Company Limited (香港資源控股有限公司), 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)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Convertible Bonds”	collectively, the First Convertible Bonds and the Second Convertible Bonds
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of BNM Sale Shares pursuant to the Disposal Agreement
“Disposal Agreement”	the conditional agreement dated 28 July 2023 entered into between the Company as vendor and Mr. Li as purchaser in respect of the sale and purchase of the BNM Sale Shares
“Disposal Certificate”	the written certificate, to be issued by the auditors of the Company or such qualified accountant in Hong Kong jointly appointed by the Company and Mr. Li, showing the net asset value of the Disposal Group as at the consolidated audited accounts of Brand New Management as at 30 June 2023

DEFINITIONS

“Disposal Completion”	the completion of the sale and purchase of the BNM Sale Shares pursuant to the Disposal Agreement
“Disposal Condition(s)”	the condition(s) set out in the paragraph headed “Conditions under the Disposal Agreement” in this circular
“Disposal Consideration”	the consideration payable by Mr. Li to the Company for the purchase of the BNM Sale Shares under the Disposal Agreement
“Disposal Group”	Brand New Management and its subsidiaries to be disposed of by the Company under the Disposal Agreement
“Eminent Rise”	Eminent Rise Holdings Limited, a company incorporated in BVI and wholly owned by Mr. Li
“Eminent Rise Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 28 July 2023 entered into among the Offeror, Mr. Li and Eminent Rise in respect of the sale and purchase of the Eminent Rise Sale Shares
“Eminent Rise Sale Shares”	collectively, 21,000,000 Shares to be acquired by the Offeror from Eminent Rise pursuant to the terms of the Eminent Rise Sale and Purchase Agreement
“Excel Horizon”	Excel Horizon Investments Limited, a company incorporated in BVI and wholly owned by Mr. Duan
“Excel Horizon Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 28 July 2023 entered into among the Offeror, Excel Horizon and Mr. Duan in respect of the sale and purchase of the Excel Horizon Sale Shares and the Second Convertible Bonds
“Excel Horizon Sale Shares”	collectively, 50,000,000 Shares to be acquired by the Offeror from Excel Horizon pursuant to the terms of the Excel Horizon Sale and Purchase Agreement
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director

DEFINITIONS

“First Convertible Bonds”	the 4% per annum convertible bonds due 2023 in the aggregate principal amount of HK\$52,000,000 issued by the Company on 12 November 2021 which may be converted into 80,000,000 Shares at the current conversion price of HK\$0.65 per conversion share, which is held by Grace Fountain
“Grace Fountain”	Grace Fountain Holdings Limited, a company incorporated in BVI and wholly owned by Mr. Wang
“Grace Fountain Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 28 July 2023 entered into among the Offeror, Grace Fountain and Mr. Wang in respect of the sale and purchase of the Grace Fountain Sale Shares and the First Convertible Bonds
“Grace Fountain Sale Shares”	collectively, 65,000,000 Shares to be acquired by the Offeror from Grace Fountain pursuant to the terms of the Grace Fountain Sale and Purchase Agreement
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the board of directors of the Company comprising non-executive Director, Mr. HU Hongwei and all independent non-executive Directors established for the purpose of advising the Independent Shareholders as to whether the terms of the Special Deal are fair and reasonable and as to the voting action at the SGM
“Independent Shareholders”	the Shareholders other than the Offeror, the Offeror Concert Parties, Mr. Li, Eminent Rise, Mr. Wang, Grace Fountain, Mr. Duan, Excel Horizon and their respective associates and parties acting in concert with any of them

DEFINITIONS

“Independent Financial Adviser” or “Nuada”	Nuada Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, appointed by the Company as the independent financial adviser for the purpose of advising the Independent Board Committee in respect of (i) the Offers and in particular as to whether the terms of the Offers are fair and reasonable and as to acceptance of the Offers; and (ii) the Disposal Agreement and in particular as to whether the terms of the Disposal Agreement are fair and reasonable
“Joint Announcement”	the announcement dated 28 July 2023 jointly issued by the Company and the Offeror in relation to, among others, the Sale and Purchase Agreements, the Special Deal, the Disposal Agreement and the Share Offers
“Latest Practicable Date”	9 October 2023 being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Duan”	Mr. DUAN Guangzhi, a substantial Shareholder
“Mr. Li”	Mr. Li Ning, the chairman of the Board and an executive Director and a Shareholder
“Mr. Li Sale Shares”	collectively, 157,000 Shares to be acquired by the Offeror from Mr. Li pursuant to the terms of the Eminent Rise Sale and Purchase Agreement
“Mr. Li’s Shareholder Loan”	the shareholder loan advanced and to be advanced by Mr. Li to the Company before the Disposal Completion, and as at 30 June 2023, Mr. Li’s Shareholder Loan amounted to HK\$1,819,300.73
“Mr. Wang”	Mr. WANG Chaoguang, the co-chairman of the Board and an executive Director and a substantial Shareholder
“New Media Marketing Business”	the new media marketing service business in Mainland China carried out by the subsidiaries of Brand New Management
“Offeror”	Luk Fook 3D Investment Holding Company Limited (六福至尊投資集團有限公司), an indirect wholly-owned subsidiary of Luk Fook Holdings

DEFINITIONS

“Offeror Concert Parties”	any parties acting in concert, or presumed to be acting in concert, with the Offeror under the definition of “acting in concert” under the Takeovers Code
“PRC”	the People’s Republic of China, which for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Retained Business”	the retail sales and franchising operations for gold and jewellery products in Hong Kong and Mainland China; and the wholesaling and contracting operations of gold and jewellery products in Mainland China
“Retained Group”	group of companies comprising the Company and its subsidiaries upon completion of the disposal of Brand New Management
“Sale and Purchase Agreements”	collectively, the Eminent Rise Sale and Purchase Agreement, the Grace Fountain Sale and Purchase Agreement and the Excel Horizon Sale and Purchase Agreement
“Sale Shares”	collectively, the Eminent Rise Sale Shares, Mr. Li Sale Shares, Grace Fountain Sale Shares and Excel Horizon Sale Shares
“Second Convertible Bonds”	the 4% per annum convertible bonds due 2023 in the aggregate principal amount of HK\$32,500,000 issued by the Company on 6 December 2021 which may be converted into 50,000,000 Shares at the current conversion price of HK\$0.65 per conversion share, which is held by Excel Horizon
“SFC”	the Securities and Futures Commission of Hong Kong
“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 30 October 2023 to consider and, if thought fit, to approve the Disposal Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

DEFINITIONS

“Share Offer”	the possible unconditional mandatory cash offer by Optima Capital Limited for and on behalf of the Offeror to acquire all issued Shares in the Company (other than those already owned or agreed to be acquired by the Offeror and the Offeror Concert Parties) in accordance with the Takeovers Code
“Special Deal”	the Disposal, which constitutes special deal for the Company under Rule 25 of the Takeovers Code
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Vendors”	Mr. Li, Eminent Rise, Grace Fountain and Excel Horizon
“%”	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.*

LETTER FROM THE BOARD



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

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

Executive Directors:

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

Non-executive Directors:

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

11 October 2023

To the Shareholders

Dear Sir or Madam,

**CONNECTED AND DISCLOSEABLE TRANSACTION INVOLVING
DISPOSAL OF BRAND NEW MANAGEMENT LIMITED
AND SPECIAL DEAL;
AND
NOTICE OF SPECIAL GENERAL MEETING**

1. INTRODUCTION

In the Joint Announcement dated 28 July 2023, the Company and the Offeror jointly announced that:

- (a) on 28 July 2023 (after trading hours), (i) the Offeror (as purchaser) and the Vendors entered into the Sale and Purchase Agreements pursuant to which the Vendors conditionally agreed to sell and the Offeror conditionally agreed to

LETTER FROM THE BOARD

acquire the Sale Shares, representing approximately 51.40% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) the Convertible Bonds; and

- (b) on 28 July 2023, the Company and Mr. Li entered into the Disposal Agreement, pursuant to which the Company conditionally agreed to sell, and Mr. Li conditionally agreed to purchase, the BNM Sale Shares, representing the entire issued share capital of Brand New Management, for a total consideration of HK\$9 million (subject to adjustment).

The purpose of this circular is to provide you with details of, among others, (i) the Disposal Agreement and the Special Deal, (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Disposal Agreement; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Disposal Agreement and the transactions contemplated thereunder; and (iv) a notice of the SGM.

2. THE DISPOSAL AGREEMENT

Date : 28 July 2023

Parties : the Company, as vendor; and Mr. Li, as purchaser.

Brand New Management is a wholly-owned subsidiary of the Company. Mr. Li is an executive Director and a Shareholder. Mr. Li, beneficially and through Eminent Rise, his controlled corporation, is in aggregate holding 21,157,000 Shares, representing approximately 7.85% shareholding of the Company. The Disposal constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules.

Subject matters of the Disposal

On 28 July 2023, the Company and Mr. Li entered into the Disposal Agreement, pursuant to which the Company conditionally agreed to sell, and Mr. Li conditionally agreed to purchase, the BNM Sale Shares, representing the entire issued share capital of Brand New Management, for a total consideration of HK\$9 million (subject to adjustment as detailed under the paragraph headed “Disposal Consideration for the BNM Sale Shares” of this circular).

The Disposal Completion is conditional in all respects upon fulfilment of the Disposal Conditions as set out under the paragraph headed “Conditions under the Disposal Agreement” of this circular.

Disposal Consideration for the BNM Sale Shares

The Disposal Consideration was initially HK\$9 million, which is subject to adjustment on a dollar-for-dollar basis at the net asset value of the Disposal Group as at 30 June 2023 as shown on the Disposal Certificate. As reflected in the audited results of the Disposal Group for the year ended 30 June 2023, the net asset value of

LETTER FROM THE BOARD

the Disposal Group as at 30 June 2023 was HK\$8,896,000, the Disposal Consideration should accordingly be HK\$8,896,000. The Disposal Consideration shall be set off against Mr. Li's Shareholder Loan on a dollar-for-dollar basis on the day of the Disposal Completion. As at 31 August 2023, Mr. Li's Shareholder Loan was HK\$1,903,867.55. If Mr. Li's Shareholder Loan as at the day of the Disposal Completion, is less than the Disposal Consideration, Mr Li shall pay to the Company the difference in cash. The Disposal Consideration is determined after arm's length negotiation of the Company and Mr. Li with reference to the net assets of the Disposal Group as at 31 May 2023 which was about HK\$9 million and the future prospects of the New Media Marketing Business.

Conditions under the Disposal Agreement

The Disposal Completion is conditional upon the fulfilment of the following conditions:

- (a) the passing by the Independent Shareholders of an ordinary resolution in the SGM to approve the Disposal Agreement and the transactions contemplated thereunder in accordance with the requirements of the Listing Rules and the Takeovers Code;
- (b) the consent of the Executive in relation to the Disposal Agreement and the transactions contemplated thereunder as a Special Deal having been obtained, and such consent not having been revoked prior to the Disposal Completion;
- (c) all necessary consents and approvals (including but not limited to board approval and shareholder approval) required to be obtained on the part of the Company in respect of the Disposal Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect;
- (d) the Sale and Purchase Agreements having become unconditional (save as to the condition requiring the simultaneous completion of the Disposal Agreement);
- (e) the warranties given by the Company under the Disposal Agreement remaining true and accurate in all material respects; and
- (f) the warranties given by Mr. Li under the Disposal Agreement remaining true and accurate in all material respects.

Save for Disposal Conditions (c) and (e) which may be waived by Mr. Li and Disposal Condition (f) which may be waived by the Company, none of the Disposal Conditions above are capable of being waived by any party to the Disposal Agreement. The Company and Mr. Li shall use their respective best endeavours to procure the fulfilment of the Disposal Conditions. As at the Latest Practicable Date, none of the above Disposal Conditions were fulfilled, waived by Mr. Li or waived by the Company.

LETTER FROM THE BOARD

If the Disposal Conditions set out above have not been satisfied (or, as appropriate, waived) on or before 4:00 p.m. on 30 November 2023, or such other date as Mr. Li and the Company may agree in writing, the Disposal Agreement shall cease and determine (save and except certain surviving provisions) and thereafter neither party shall have any obligations and liabilities thereunder save for any antecedent breaches of the terms thereof.

Completion under the Disposal Agreement

Upon fulfilment (or, as appropriate, waiver) of all the Disposal Conditions, the Disposal Completion shall take place on the day of the Disposal Completion. The parties agree that the Disposal Completion and the completion of the Sale and Purchase Agreements shall take place contemporaneously. Upon Disposal Completion, the Company will no longer have any interest in Brand New Management and Brand New Management will cease to be accounted as a subsidiary of the Group.

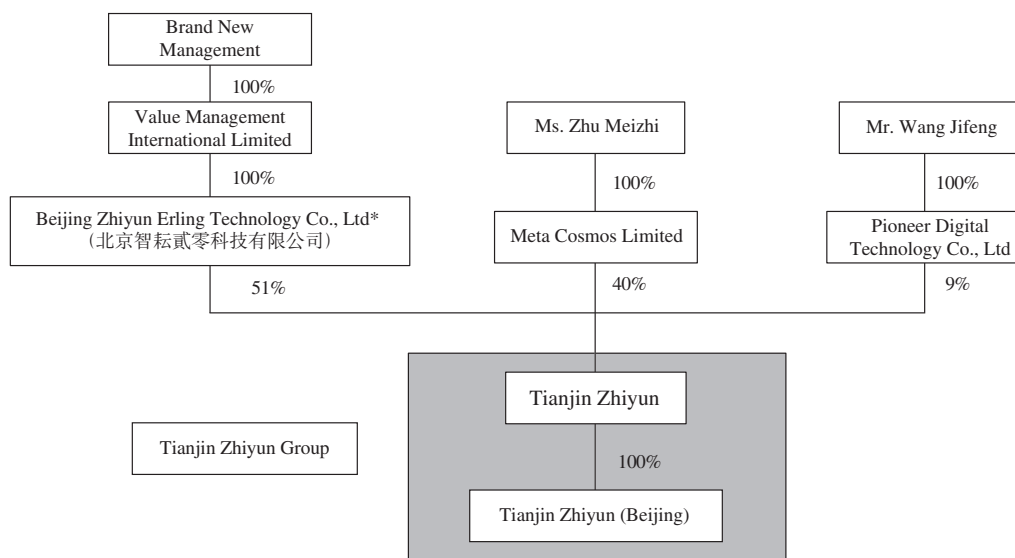
3. INFORMATION ON THE COMPANY

The Company was incorporated in Bermuda as a company with limited liability. The Company is an investment holding company, and its subsidiaries are principally engaged in (i) the retail sales and franchising operations for gold and jewellery products in Hong Kong and Mainland China; (ii) the wholesaling and contracting operations of gold and jewellery products in Mainland China; and (iii) new media marketing service business in Mainland China.

4. INFORMATION ON BRAND NEW MANAGEMENT AND ITS SUBSIDIARIES ENGAGED IN THE NEW MEDIA MARKETING BUSINESS

Brand New Management was incorporated in BVI with limited liability in 2007 and is a direct wholly-owned subsidiary of the Company as at the Latest Practicable Date. Brand New Management is an investment holding company and its major operating subsidiaries are principally engaged in new media marketing service business in Mainland China. Set out below is the shareholding structure of the New Media Marketing Business of Brand New Management as at the Latest Practicable Date.

LETTER FROM THE BOARD



As at the date of the Disposal Agreement, Brand New Management held the entire issued share capital of Value Management International Limited (“**Value Management**”), a company incorporated in Hong Kong on 30 March 2020 with limited liability and is principally engaged in investment holding. Value Management held the entire 100% registered capital of Beijing Zhiyun Erling Technology Co., Ltd* (北京智耘贰零科技有限公司) (“**Beijing Zhiyun**”). Beijing Zhiyun owned 51% of Tianjin Zhiyun Erling Technology Co., Ltd.* (天津智耘贰零科技有限公司) (“**Tianjin Zhiyun**”) which in turn wholly owned Tianjin Zhiyun Erling Technology Co., Ltd. Beijing Branch* (天津智耘贰零科技有限公司北京分公司) (“**Tianjin Zhiyun (Beijing)**”). The Group’s New Media Marketing Business is mainly carried out by Tianjin Zhiyun and Tianjin Zhiyun (Beijing).

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, 40% by Meta Cosmos Limited and 9% by Pioneer Digital Technology Co., Limited. Meta Cosmos Limited is wholly-owned by Ms. Zhu Meizhi, a PRC national and an Independent Third Party, while Pioneer Digital Technology Co., Limited is wholly-owned by Mr. Wang Jifeng, a PRC national who is also the deputy general manager of Tianjin Zhiyun.

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 the Tianjin Zhiyun.

Set out below is a summary of the key financial data of the Disposal Group based on the audited consolidated accounts for the two financial years ended 30 June 2023 are as follows:

LETTER FROM THE BOARD

	For the year ended 30 June 2022 <i>(audited)</i> HK\$('000)	For the year ended 30 June 2023 <i>(audited)</i> HK\$('000)
Revenue	181,761	185,778
Net profit before tax	316	1,559
Net profit after tax	189	1,200
Net loss attributable to owners of the company	(839)	(1,801)

As at 30 June 2023, the audited consolidated net asset value of the Disposal Group was HK\$8,896,000.

It is expected that the Group will not record any material gain or loss on disposal as the Disposal Consideration is subject to adjustment on a dollar-for-dollar basis at the net asset value of the Disposal Group as at 30 June 2023 as shown on the Disposal Certificate. Given that the audited consolidated net asset value of the Disposal Group as at 30 June 2023 was HK\$8,896,000. The Disposal Consideration will be HK\$8,896,000 and the net asset value of the Disposal Group as shown on the Disposal Certificate will be the same, i.e. HK\$8,896,000. As provided in the Disposal Agreement, the Disposal Consideration will be set off against Mr. Li's Shareholder Loan on a dollar-for-dollar basis on the day of the Disposal Completion. As at 31 August 2023, Mr. Li's Shareholder Loan was HK\$1,903,867.55. Assuming Mr. Li's Shareholder Loan will not have material movement remain unchanged, the Company will be able to receive proceeds from the Disposal, being the difference between HK\$8,896,000 and Mr. Li's Shareholder Loan as at the date of the Disposal Completion. The Company intends to use the proceeds from the Disposal for its general working capital.

5. REASONS FOR AND BENEFIT OF THE DISPOSAL AGREEMENT

Pursuant to the Sale and Purchase Agreements, it is conditionally agreed between the Vendors and the Offeror that the New Media Marketing Business shall be disposed of by the Company to Mr. Li so that it will no longer be part of the Retained Group after the Disposal Completion and the Completion. The Disposal Completion shall take place contemporaneously with the Completion. The main reason for separating the New Media Marketing Business and the Retained Business is that, during the negotiations between the parties to the Sale and Purchase Agreements, the Offeror has expressed its intention to retain the Retained Business and to dispose of the New Media Marketing Business while Mr. Li has expressed his intention to retain the New Media Marketing Business.

Having considered the above, the Board considers that the Disposal will facilitate the completion of the Sale and Purchase Agreements and, accordingly, the Share Offer to the Shareholders.

LETTER FROM THE BOARD

The Disposal Agreement was negotiated between the Directors (excluding Mr. Li, being the interested Director and the independent non-executive Directors) and Mr. Li on an arm's length basis and based on normal commercial terms. The Disposal Consideration of HK\$9.0 million (subject to adjustment) was determined mainly by the unaudited net asset value of the Disposal Group as at 31 May 2023 and the future prospects of the New Media Marketing Business.

After having actively participated in the management of the new media marketing service business of the subsidiaries of Brand New Management since December 2021, the Company has noted that it might heavily strain the Group's resources to cater for the lengthy time and substantial investment required to build up a sizeable and sustainable business network for the new media marketing service business. The growth of the Disposal Group's New Media Marketing Business has reached plateau as the Disposal Group does not provide credit term to its clients. For the new media marketing business in the PRC, despite media platform suppliers required the new media marketing service providers (such as the Disposal Group) to make prepayment, most of the new media marketing service providers will give one to three months credit term for its clients. In order to accelerate the growth and increase its competitiveness, the Disposal Group also plan to give credit term to its clients. However, the mismatch in the credit term strains the Group's resources. Given that the Offeror is not interested in the New Media Marketing Business, the Group does not intend to put additional resources in the New Media Marketing Business and hence the Disposal Group is unable to secure new clients. This hinders the development of the Disposal Group's New Media Marketing Business. The Disposal will enable the Group to focus more resources on its retail sales and franchising operations, and the wholesaling and contracting operations of gold and jewellery products businesses. After the Disposal Completion, the Group will no longer be engaged in New Media Marketing Business.

The Directors (excluding (i) Mr. Li, being the interested Director and (ii) Mr. Wang, whose wholly-owned corporation, namely Grace Fountain, is one of the Vendors to the Sale and Purchase Agreements, but including the non-executive Directors and the independent non-executive Directors whose views are set out in the Letter of the Independent Board Committee after taking into account the advice to be provided by the Independent Financial Adviser) consider that the Disposal Agreement and the transaction contemplated thereunder was, in the context of the sale and purchase under the Sales and Purchase Agreements and the Offers taken as a whole, entered into on an arm's length basis, on normal commercial terms, are fair and reasonable and are in the interest of the Company and Shareholders taken as a whole.

6. INDEPENDENT BOARD COMMITTEE OF THE COMPANY AND INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee comprising non-executive Director, Mr. Hu Hongwei and all independent non-executive Directors, namely Dr. Loke Yu alias Loke Hoi Lam, Dr. Fan, Anthony Ren Da and Mr. Chan Kim Sun, has been established by the Board to advise the Independent Shareholders as to whether the terms of the Special Deal are fair and reasonable and as to the voting action at the SGM.

LETTER FROM THE BOARD

Nuada has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Disposal Agreement and, in particular, as to whether the terms of the Disposal Agreement are fair and reasonable. The Independent Board Committee has approved the appointment of Nuada as the Independent Financial Adviser pursuant to Rule 2.1 of the Takeovers Code.

7. LISTING RULES AND TAKEOVERS CODE IMPLICATIONS

The Disposal Agreement and the transactions contemplated thereunder constitute a Special Deal. The Disposal Agreement and the transactions contemplated thereunder are therefore subject to the approval of the Independent Shareholders in general meeting and require the consent of the Executive. An application has been made to the Executive for consent under Rule 25 of the Takeovers Code in relation to the Disposal Agreement and the transactions contemplated thereunder.

Such consent, if granted, will be subject to (i) the Independent Financial Adviser publicly stating that in its opinion the terms of the Disposal Agreement and the transactions contemplated thereunder are fair and reasonable; and (ii) the approval of the Disposal Agreement and the transactions contemplated thereunder by the Independent Shareholders by way of a poll at the general meeting of the Company. Shareholders including (i) Mr. Li, Eminent Rise, Mr. Wang, Grace Fountain, Mr. Duan, Excel Horizon, their respective associates and parties acting in concert with any of them; (ii) the Offeror Concert Parties; and (iii) any other Shareholders who are involved or interested in the Disposal Agreement, the Sale and Purchase Agreements or the transactions contemplated thereunder, will be required to abstain from voting on the resolution in respect of the Disposal Agreement at the SGM.

In addition, as one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal is more than 5% but less than 25% and the total consideration is less than HK\$10,000,000, the entering into of the Disposal Agreement and the transaction contemplated thereunder constitute a discloseable transaction on the part of the Company.

Brand New Management is a wholly-owned subsidiary of the Company. Mr. Li, beneficially and through Eminent Rise, his controlled corporation, are in aggregate holding 21,157,000 Shares, representing approximately 7.85% shareholding of the Company. Mr. Li is a connected person of the Company and the Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The Disposal Agreement and the transaction contemplated thereunder is subject to reporting, announcement but exempt from the circular (including independent financial advice) and Shareholders' approval requirements.

8. SGM

The SGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Disposal Agreement and the transactions contemplated thereunder. Shareholders including (i) Mr. Li, Eminent Rise, Mr. Wang, Grace Fountain, Mr. Duan, Excel Horizon, their respective associates and parties acting in concert with any of them; (ii)

LETTER FROM THE BOARD

the Offeror Concert Parties; and (iii) any other Shareholders who are involved or interested in the Disposal Agreement, the Sale and Purchase Agreements or the transactions contemplated thereunder, will be required to abstain from voting on the resolution in respect of the Disposal Agreement at the SGM.

As disclosed in the Takeovers Bulletin Issue No.60 March 2022, the Executive expects all meetings with Codes-related resolutions requiring approval of disinterested or independent shareholders to be chaired by a person who is disinterested and independent (as defined under the relevant provisions of the Codes). Given that both the executive Director, Mr. Li and Mr. Wang have interest in the Special Deal, they will not act as the chairman of the SGM. Mr. Hu Hongwei, the non-executive Director, who is a disinterested Director will act as the chairman of the SGM.

A notice convening the SGM to be held at Room 2306, 23/F, Tower One, Lippo Centre, No. 89 Queensway, Hong Kong on Monday, 30 October 2023 at 11:00 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 use at the SGM is also enclosed with this circular. Whether or not you are able to attend SGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event no less than 48 hours before the time appointed for the holding of the SGM (i.e. before 11:00 a.m. on Saturday, 28 October 2023) or any adjournment thereof. 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.

For the purpose of determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Friday, 27 October 2023 to Monday, 30 October 2023, both dates inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the SGM, 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 Thursday, 26 October 2023.

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.

After the conclusion of the SGM, the poll results will be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.hkrh.hk).

LETTER FROM THE BOARD

9. RECOMMENDATION

The Board (including the Independent Board Committee after taking into account the advice from the Independent Financial Adviser) considers that the terms of the Disposal Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Independent Shareholders. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Disposal Agreement and the transactions contemplated thereunder.

10. 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 appendices to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Disposal Agreement, the Disposal, the Special Deal:



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)*

11 October 2023

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED AND DISCLOSEABLE TRANSACTION INVOLVING
DISPOSAL OF BRAND NEW MANAGEMENT LIMITED
AND SPECIAL DEAL;
AND
NOTICE OF SPECIAL GENERAL MEETING**

We refer to the circular of the Company dated 11 October 2023 (the “**Circular**”) of which this letter forms part. Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in this Circular.

We have been appointed as members of the Independent Board Committee to consider the terms of the Disposal Agreement, the transactions contemplated thereunder including the Disposal and the Special Deal, to advise you as to whether the terms of the Disposal Agreement are fair and reasonable so far as the Independent Shareholders are concerned, whether the Disposal and the Special Deal are in the interests of the Company and the Shareholders as a whole, and to recommend whether or not you should approve the Disposal Agreement and the transactions contemplated thereunder including the Disposal and Special Deal. Nuada Limited has been appointed as the independent financial adviser to advise us and you in this regard.

We wish to draw your attention to the letter from the Board set out on pages 7 to 16 of the Circular and the letter from Nuada Limited set out on pages 19 to 41 of the Circular which contains its advice to us and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder including the Disposal and the Special Deal; and the additional information set out in the appendices to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the reasons for and benefits of the Disposal and the advice of the Independent Financial Adviser, we consider that although the Disposal Agreement and the transactions contemplated thereunder are not in the ordinary and usual course of business of the Company, they are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the Disposal Agreement and the transactions contemplated thereunder, including the Special Deal, particulars of which are set out in the notice of the SGM set out on pages SGM-1 to SGM-3 of this Circular.

Yours faithfully,
For an on behalf of the Independent Board Committee,

Mr. HU Hongwei
Non-executive Directors

Dr. LOKE Yu alias LOKE Hoi Lam Dr. FAN, Anthony Ren Da Mr. CHAN Kim Sun
Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from Nuada Limited dated 11 October 2023 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

11 October 2023

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

Dear Sir or Madam,

CONNECTED AND DISCLOSEABLE TRANSACTION INVOLVING DISPOSAL OF BRAND NEW MANAGEMENT LIMITED AND SPECIAL DEAL

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Disposal Agreement 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 11 October 2023 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.

In the Joint Announcement dated 28 July 2023, the Company and the Offeror jointly announced that:

- (a) on 28 July 2023 (after trading hours), (i) the Offeror (as purchaser) and the Vendors entered into the Sale and Purchase Agreements pursuant to which the Vendors conditionally agreed to sell and the Offeror conditionally agreed to acquire the Sale Shares, representing approximately 51.40% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) the Convertible Bonds; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (b) on 28 July 2023, the Company and Mr. Li entered into the Disposal Agreement, pursuant to which the Company conditionally agreed to sell, and Mr. Li conditionally agreed to purchase, the BNM Sale Shares, representing the entire issued share capital of Brand New Management, for a total consideration of HK\$9 million (subject to adjustment as detailed under the paragraph headed “Disposal Consideration for the BNM Sale Shares” of the Board Letter).

The Disposal Agreement and the transactions contemplated thereunder constitute a Special Deal. The Disposal Agreement and the transactions contemplated thereunder are therefore subject to the approval of the Independent Shareholders in general meeting and require the consent of the Executive. An application has been made to the Executive for consent under Rule 25 of the Takeovers Code in relation to the Disposal Agreement and the transactions contemplated thereunder.

In addition, as one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal is more than 5% but less than 25% and the total consideration is less than HK\$10,000,000, the entering into of the Disposal Agreement and the transaction contemplated thereunder constitute a discloseable transaction on the part of the Company.

Brand New Management is a wholly-owned subsidiary of the Company. Mr. Li, beneficially and through Eminent Rise, his controlled corporation, are in aggregate holding 21,157,000 Shares, representing approximately 7.85% shareholding of the Company. Mr. Li is a connected person of the Company and the Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The Disposal Agreement and the transaction contemplated thereunder is subject to reporting, announcement but exempt from the circular (including independent financial advice) and the Shareholders’ approval requirement.

Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee comprising non-executive Director, Mr. Hu Hongwei and all independent non-executive Directors, namely Dr. Loke Yu alias Loke Hoi Lam, Dr. Fan, Anthony Ren Da and Mr. Chan Kim Sun, has been established by the Board to advise, among others, the Independent Shareholders as to whether the terms of the Special Deal are fair and reasonable and as to the voting action at the SGM.

We, Nuada Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of, among others, the Disposal Agreement and, in particular, as to whether the terms of the Disposal Agreement are fair and reasonable. The Independent Board Committee has approved our appointment as the Independent Financial Adviser pursuant to Rule 2.1 of the Takeovers Code.

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 to the Company in respect of possible acquisition of 49% equity interest in Tianjin Zhiyun Erling Technology Co., Ltd. * (天津智耘贰零科技有限公司) by the Group, details of which are set out in the circular of the Company dated 29 November 2022; (ii) this appointment as the Independent Financial Adviser in respect of the Disposal Agreement

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

and the transactions contemplated thereunder; and (iii) the appointment as the independent financial adviser to the Company in respect of the Share Offer by Optima Capital Limited for and on behalf of the Offeror, details of which are set out in the Joint Announcement, there were no other engagements between the Group, the Offeror or Mr. Li 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 Group, the Offeror, Mr. Li or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 2 of the Takeovers Code and Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to give independent advices on the Disposal Agreement and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent 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 Latest Practicable Date 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 Disposal Agreement, the financial information of the Disposal Group for the financial years ended 30 June 2022 and 2023 respectively, the Joint Announcement in relation to the Disposal Agreement and this circular, and certain public information including announcements and financial reports published by companies listed in Hong Kong, share prices of companies listed on the Stock Exchange as disclosed on the website of the Stock Exchange, the annual report of the Company for the financial year ended 30 June 2022 (“**Annual Report 2022**”) and the annual results announcement of the Company for the financial year ended 30 June 2023 (“**Annual Results 2023**”) respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 FOR THE DISPOSAL

In formulating our advice in respect of the Disposal Agreement and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

1. Information on the Group

(a) Principal business of the Group

The Company was incorporated in Bermuda as a company with limited liability. The Company is an investment holding company, and its subsidiaries are principally engaged in (i) the retail sales and franchising operations for gold and jewellery products in Hong Kong, Macau and Mainland China; (ii) the wholesaling and contracting operations of gold and jewellery products in Mainland China; and (iii) new media marketing service business in the PRC.

(b) Financial information of the Group

The table below summarises the financial results of the Group for the financial year ended 30 June 2021 (“FY2021”), 30 June 2022 (“FY2022”) and 30 June 2023 (“FY2023”) respectively as extracted from Annual Report 2022 and Annual Results 2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	For the year ended		
	30 June 2023	30 June 2022	30 June 2021
	(Audited)	(Audited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	804,292	901,974	855,820
– <i>Gold and jewellery retail business in Mainland China</i>	530,486	646,457	748,409
– <i>Gold and jewellery retail business in Hong Kong and Macau</i>	88,028	71,424	91,060
– <i>New Media Marketing Business</i>	183,802	183,725	–
– <i>Other</i>	1,976	368	16,351
Gross profit	171,560	196,150	268,286
Selling expenses	(177,533)	(197,366)	(221,248)
General and administrative expenses	(72,550)	(76,140)	(65,920)
Finance costs	(79,033)	(42,250)	(46,612)
Income tax credit/(expense)	2,677	12,955	(5,349)
(Loss)/profit for the year	(155,719)	(116,804)	(13,977)
– <i>attributable to owners of the Company</i>	(89,744)	(78,919)	(15,112)
– <i>attributable to non-controlling interests</i>	(65,975)	(37,885)	1,135

Financial performance of FY2022 vs FY2021

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. According to Annual Report 2022, approximately HK\$646.5 million (approximately 71.7% of the revenue of the Group) was generated from the gold and jewellery retail business in Mainland China for FY2022, representing a decrease from approximately HK\$748.4 million (approximately 87.4% of the revenue of the Group) generated from the same segment for FY2021. Similarly, approximately HK\$71.4 million (approximately 7.9% of the revenue of the Group) was generated from the gold and jewellery retail business in Hong Kong and Macau for FY2022, representing a decrease from approximately HK\$91.1 million (approximately 10.6% of the revenue of the Group) generated from the same segment for FY2021. The New Media Marketing Business, which commenced in FY2022, contributed approximately HK\$183.7 million (approximately 20.4% of the total revenue of the Group) for FY2022.

Notwithstanding an increase in revenue, 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 (i) the New Media Marketing Business having low profit margin (please refer to the paragraph headed “(a) Principal business of the Brand New Management and its subsidiaries” below in this letter for details); and (ii) the change of product mix of the Group of the gold and jewellery retail business as a result of the worsening of the market conditions and business environment in China, which led to a lower

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

gross profit margin for the segment. 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 change to loss attributable to owners of the Company was mainly due to the aforesaid decrease in gross profit by approximately HK\$72.1 million.

Financial performance of FY2023 vs FY2022

The revenue of the Group for FY2023 amounted to approximately HK\$804.3 million, representing a decrease of approximately 10.8% as compared with that of approximately HK\$902.0 million for FY2022. According to Annual Results 2023, approximately HK\$530.5 million (approximately 66.0% of the revenue of the Group) was generated from the gold and jewellery retail business in Mainland China for FY2023, representing a decrease of approximately 17.9% as compared with that of approximately HK\$646.5 million (approximately 71.7% of the revenue of the Group) generated from the same segment for FY2022. Similarly, approximately HK\$88.0 million (approximately 10.9% of the revenue of the Group) was generated from the gold and jewellery retail business in Hong Kong and Macau for FY2023, representing an increase of approximately 23.2% as compared with that of approximately HK\$71.4 million (approximately 7.9% of the revenue of the Group) generated from the same segment for FY2022. The New Media Marketing Business contributed approximately HK\$183.8 million (approximately 22.9% of the total revenue of the Group) for FY2023, which remained at a similar level as that of approximately HK\$183.7 million (approximately 20.4% of the total revenue of the Group) generated from the same segment for FY2022. As disclosed in Annual Results 2023 and according to the Management, the decrease in revenue was mainly due to the continuous decrease in retail and franchising revenue from the gold and jewellery retail business in Mainland China. There were COVID-19 infected cases causing suspension of shops in various regions of Mainland China in both FY2022 and FY2023, leading to negative sentiment among the retail market as well as decrease of points-of-sale of the gold and jewellery retail business in Mainland China, from 340 shops as at 30 June 2021 to 298 shops as at 30 June 2022 and further to 267 shops as at 30 June 2023.

Meanwhile, the gross profit of the Group decreased from approximately HK\$196.2 million for FY2022 to approximately HK\$171.6 million for FY2023, representing a decrease of approximately 12.5%. As disclosed in Annual Results 2023 and according to the Management, the decrease in gross profit was generally in line with the decrease in revenue as discussed above. The loss attributable to owners of the Company was approximately HK\$89.7 million for FY2023, representing an increase from that of approximately HK\$78.9 million for FY2022 by approximately HK\$10.8 million. As disclosed in Annual Results 2023 and according to the Management, the increase in loss was primarily attributable to (i) the increase in finance cost by approximately HK\$36.8 million, which was mainly due to the increase in bank borrowings and interest rates; (ii) the aforesaid decrease in gross profit by approximately HK\$24.6 million for FY2023; and (iii)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

decrease in tax income credit by approximately HK\$10.3 million (as there was an one-off over-provision of tax for FY2022 amounting to approximately HK\$9.1 million while there was nil for FY2023), and partially offset by (i) the increase in loss attributable to non-controlling interests by approximately HK\$28.1 million, which was mainly related to the loss of the gold and jewellery retail business, the operating subsidiaries of which are non-wholly owned subsidiaries of the Company; and (ii) the decrease in selling expenses by approximately HK\$19.8 million (or 10.0%), which was generally in line with the decrease in revenue by approximately 10.8% as stated above.

Financial position as at 30 June 2022 and 30 June 2023

	As at 30 June 2023 (Audited) (HK\$'000)	As at 30 June 2022 (Audited) (HK\$'000)
Current assets	1,555,992	1,563,879
– Pledged bank deposits	864,396	797,759
– Inventories	532,889	602,939
– Trade and other receivables and deposits paid	75,236	74,182
– Bank balances and cash	71,229	84,599
Current liabilities	2,006,898	1,736,507
– Bank and other borrowings	1,715,211	1,563,500
– Trade and other payables, accruals and deposits received	152,852	134,793
– Convertible bonds	87,452	–
Net current liabilities	(450,906)	(172,628)
Non-current assets	224,301	222,379
– Intangible assets	168,066	168,066
Non-current liabilities	144,134	228,791
– Loan from a non-controlling shareholder of a subsidiary	100,000	100,000
– Convertible bonds	–	81,072
Net liabilities/total deficit	(370,739)	(179,040)
– Deficit attributable to owners of the Company	(191,723)	(80,931)
– Non-controlling interests	(179,016)	(98,109)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stated in Annual Results 2023, net current liabilities of the Group increased to approximately HK\$450.9 million as at 30 June 2023 as compared with that of approximately HK\$172.6 million as at 30 June 2022 by approximately HK\$278.3 million, which was mainly due to (i) the decrease in inventories by approximately HK\$70.1 million; (ii) the convertible bonds changed from non-current liabilities amounting to approximately HK\$81.1 million as at 30 June 2022 to current liabilities amounting to approximately HK\$87.5 million as at 30 June 2023 (of which approximately HK\$53.9 million are due in November 2023 and approximately HK\$33.6 million are due in December 2023); and (iii) the increase in bank and other borrowings by approximately HK\$151.7 million.

As stated in Annual Results 2023, the net liabilities of the Group increased to approximately HK\$370.7 million as at 30 June 2023 from that of approximately HK\$179.0 million as at 30 June 2022 by approximately HK\$191.7 million, which was mainly due to the aforesaid increase in net current liabilities of the Group by approximately HK\$278.3 million netting off the effect from the change of nature of the aforesaid convertible bonds (from non-current liabilities to current liabilities) of approximately HK\$81.1 million.

As disclosed in Annual Results 2023, the Group incurred a net loss of approximately HK\$155.7 million for FY2023 and as at 30 June 2023, the Group had net current liabilities and net liabilities of approximately HK\$450.9 million and HK\$370.7 million respectively, all of which are substantially attributable to operating and financial difficulties sustained by China Gold Silver Group Company Limited (“CGS”), a non-wholly owned subsidiary of the Company, whereas the Group only had bank balances and cash of approximately HK\$71.2 million as at 30 June 2023. The above conditions indicate the existence of material uncertainties which may cast significant doubt on the Group’s ability to continue as a going concern.

As disclosed in Annual Results 2023, in view of such circumstances, the Directors have given careful consideration to the future liquidity and the financial position of the Group and the Group’s available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. The Group has taken plans and measures to mitigate its liquidity pressure and improve its financial position, including active negotiation with Luk Fook Holdings (International) Limited (“Luk Fook”), the ultimate holding company of the non-controlling shareholder of CGS, to provide sufficient financial support to CGS after the completion of the acquisitions of the Company’s shares and convertible bonds by Luk Fook 3D Investment Holding Company Limited, a wholly-owned subsidiary of Luk Fook, whereas the details of the acquisitions are set out in the Joint Announcement. Up to the date of the approval for issuance of Annual Results 2023 and the Latest Practicable Date, the aforesaid acquisitions are not yet completed.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Because of the above matters, the auditor of the Company do not express an opinion on the consolidated financial statements of the Group for FY2023. Please refer to the section headed “Extract of Independent Auditor’s Report” in Annual Results 2023 for details.

In view of the above financial conditions of the Group and the disclaimer of opinions issued by the auditor of the Company, we are of the view that there are uncertainties which may cast significant doubt on the Group’s ability to continue as a going concern.

2. Information on Brand New Management and its subsidiaries engaged in the New Media Marketing Business

(a) *Principal business of the Brand New Management and its subsidiaries*

Please refer to the section headed “INFORMATION ON BRAND NEW MANAGEMENT AND ITS SUBSIDIARIES ENGAGED IN THE NEW MEDIA MARKETING BUSINESS” in the Board Letter for the shareholding structure of the New Media Marketing Business of Brand New Management as at the Latest Practicable Date.

As at the Latest Practicable Date, Brand New Management held the entire issued share capital of Value Management International Limited (“**Value Management**”), a company incorporated in Hong Kong on 30 March 2020 with limited liability and is principally engaged in investment holding. Value Management held the entire 100% registered capital of Beijing Zhiyun Erling Technology Co., Ltd* (北京智耘贰零科技有限公司) (“**Beijing Zhiyun**”). Beijing Zhiyun owned 51% of Tianjin Zhiyun Erling Technology Co., Ltd.* (天津智耘贰零科技有限公司) (“**Tianjin Zhiyun**”) which in turn wholly owned Tianjin Zhiyun Erling Technology Co., Ltd. Beijing Branch* (天津智耘贰零科技有限公司北京分公司) (“**Tianjin Zhiyun (Beijing)**”). The Group’s New Media Marketing Business is mainly carried out by Tianjin Zhiyun and Tianjin Zhiyun (Beijing).

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, 40% by Meta Cosmos Limited and 9% by Pioneer Digital Technology Co., Limited. Meta Cosmos Limited is wholly owned by Ms. Zhu Meizhi, a PRC national and an Independent Third Party, while Pioneer Digital Technology Co., Limited is wholly owned by Mr. Wang Jifeng, a PRC national who is also the deputy general manager of Tianjin Zhiyun.

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As discussed with the Management, under the New Media Marketing Business (which is carried out solely by the Disposal Group), the Disposal Group primarily provides strategical and analytical services, devises the appropriate marketing strategies in accordance with the business needs of the clients (which are merchants for all types of products from consumer products to industrial products in the PRC), and carries out such strategies by lining-up its clients with marketing content creators or providers. Such marketing content creators or providers, which are directly engaged by the clients, would be responsible for producing the advertising content in the form of text, images, videos, etc., for the clients. After the advertising content are finalised, the Disposal Group normally acquires advertising traffic of different online platforms from the media platform suppliers and places the advertising content in the appropriate media platforms which can target the interests of their subscribers. The Disposal Group recorded the revenue earned and costs incurred related to the transactions on a gross basis. In other words, the revenue generated from the business consists of two components: (i) the commission fee charged by the Disposal Group to the clients; and (ii) the cost for advertising traffic charged by the media platform suppliers, for which the Disposal Group normally made prepayment and was in turn charged to the clients by the Disposal Group. Despite a large amount of revenue contribution of approximately HK\$181.8 million and approximately HK\$185.8 million to the total revenue of the Group for FY2022 and FY2023 respectively, as the cost for advertising traffic accounted for a significant amount of the revenue, the Disposal Group recorded a relatively low gross profit of approximately HK\$5.0 million or a margin of approximately 2.8% for FY2022 and gross profit of approximately HK\$10.3 million or a margin of approximately 5.5% for FY2023 respectively.

(b) Financial information of Brand New Management

Set out below is a summary of the financial results of Brand New Management based on the audited consolidated accounts for the two years ended 30 June 2023:

	For the year ended 30 June 2023	For the year ended 30 June 2022
	<i>(audited)</i>	<i>(audited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	185,778	181,761
Cost of services rendered	(175,491)	(176,759)
Gross profit	10,287	5,002
Net profit before tax	1,559	316
Net profit after tax	1,200	189
Net loss attributable to owners of the company	(1,801)	(839)

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Revenue of the Disposal Group was approximately HK\$185.8 million for FY2023, which remained at a similar level of approximately HK\$181.8 million for FY2022. Having taking into account that Tianjin Zhiyun was established in November 2021 with less than eight months of operation for FY2022, the revenue for FY2023 in fact decreased as compared with that for FY2022 on a pro-rata basis. As discussed with the Management, it was mainly due to the limited financial resources available to the Disposal Group for the development of the New Media Marketing Business. As stated in the Board Letter, for the new media marketing business in the PRC, despite media platform suppliers normally required the new media marketing service providers (such as the Disposal Group) to make prepayment, most of the new media marketing service providers will give one to three months credit term for its clients. In order to accelerate the growth and increase its competitiveness, the Disposal Group also plans to give similar credit term to its clients. However, the mismatch in the credit term strains the Group's resources. In particular, bank balances and cash of the Disposal Group amounted to approximately HK\$7.0 million only as at 30 June 2023 while cost of services rendered of the Disposal Group amounted to approximately HK\$175.5 million for FY2023. Given that the Offeror is not interested in the New Media Marketing Business, the Group does not intend to put additional resources in the New Media Marketing Business and hence the Disposal Group is unable to secure new clients.

Meanwhile, gross profit increased from approximately HK\$5.0 million from FY2022 to approximately HK\$10.3 million for FY2023, representing an increase of approximately 105.7%. According to the Management, such increase was mainly due to revenue of approximately HK\$2.0 million for FY2023 generated by other business of the Disposal Group, i.e. provision of cloud computer solution services, as compared with approximately HK\$0.4 million for FY2022. As discussed with the Management, for the provision of cloud computer solution services, the Disposal Group acts as the intermediary between cloud computer service providers (e.g. Google) and service clients and receives a fixed rebate rate from the service providers. As there was no cost of services rendered related to this business, the increase in revenue for this business in FY2023 led to the increase in gross profit margin of the Disposal Group for FY2023. The Disposal recorded net profit after tax of approximately HK\$1.2 million for FY2023 as compared with that of approximately HK\$0.2 million for FY2022, which was mainly due to the increase in gross profit as mentioned above.

As discussed with the Management, given that most of the revenue and hence profit of the Disposal Group were contributed by Tianjin Zhiyun and its subsidiaries, which are non-wholly owned subsidiaries of the Disposal Group, the Disposal Group recorded a net loss attributable to owners of the company of approximately HK\$1.8 million for FY2023 after deducting profit attributable to non-controlling interests for FY2023 despite recording net profit after tax of approximately HK\$1.2 million for FY2023.

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Set out below is a summary of the financial position of Brand New Management based on the audited consolidated accounts for the two years ended 30 June 2023:

	As at 30 June 2023 <i>(audited)</i> <i>(HK\$'000)</i>	As at 30 June 2022 <i>(audited)</i> <i>(HK\$'000)</i>
Current assets	28,975	9,463
– <i>Trade and other receivables and deposits paid</i>	22,022	5,232
– <i>Bank balances and cash</i>	6,953	4,230
Current liabilities	26,051	217,580
– <i>Trade and other payables, accruals and deposits received</i>	20,074	2,971
– <i>Amount due to ultimate holding company</i>	–	213,523
Net current assets/(liabilities)	2,924	(208,117)
Non-current assets	6,140	1,697
– <i>Deposits paid</i>	4,122	–
Non-current liabilities	168	781
Net assets/(liabilities)	8,896	(207,201)

As at 30 June 2023, the audited consolidated current assets of Brand New Management was approximately HK\$29.0 million, which mainly consisted of trade and other receivables and deposits paid of approximately HK\$22.0 million and bank balances and cash of approximately HK\$7.0 million, while the audited consolidated current liabilities of Brand New Management was approximately HK\$26.1 million, which mainly consisted of trade and other payables, accruals and deposits received of approximately HK\$20.1 million. Accordingly, Brand New Management had an audited consolidated net current assets of approximately HK\$2.9 million as at 30 June 2023. As at 30 June 2022, the Disposal Group had an amount due to ultimate holding company amounting to approximately HK\$213.5 million which was settled in FY2023 and was nil as at 30 June 2023.

As at 30 June 2023, the audited consolidated net asset value of Brand New Management was HK\$8,896,000, which mainly consisted of the net current assets as discussed above and deposits paid of approximately HK\$4.1 million, the latter of which mainly represented deposits for software development.

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(c) Industry overview for the Disposal Group

To further understand the industry overview for the Disposal Group, we have studied the statistics related to online retail sales and online marketing service released by Ministry of Commerce* (商務部, “MOC”) of the PRC. Set out below are the relevant statistics according to the report titled “E-Commerce in China 2022*” (中國電子商務報告(2022), the “E-Commerce Report”) published by MOC in June 2023:

	2018	2019	2020	2021	2022
Online retail sales amount (trillion RMB)	9.0	10.6	11.8	13.1	13.8
<i>Growth rate (%)</i>	–	18.0	10.6	11.3	5.3
Online marketing service total contract value (billion US\$)	28.8	41.7	46.4	60.7	78.2
<i>Growth rate (%)</i>	–	44.8	11.3	30.8	28.8
Online marketing service executed contract value (billion US\$)	23.1	28.0	30.2	37.7	50.1
<i>Growth rate (%)</i>	–	21.2	7.9	24.8	32.9

Source: E-Commerce Report by MOC

We note that the online retail sales amount shown continuous growth in the past five years, from approximately RMB9.0 trillion for 2018 to approximately RMB13.8 trillion for 2022, representing a cumulative annual growth rate of approximately 11.3%. Nevertheless, the growth rate displayed decreasing rate from approximately 18.0% for 2019 to approximately 5.3% for 2022. Despite the slowing growth in online retail sales, online marketing services grew rapidly with double-digit growth rate for most of the time during the past five years. The total contract value and executed contract value (i.e. where services of the contract have been rendered) of online marketing services increased from approximately US\$28.8 billion and US\$23.1 billion for 2018 to approximately US\$78.2 billion and US\$50.1 billion respectively, representing cumulative annual growth rates of approximately 28.4% and 21.4% respectively.

We have also studied the statistics related to internet usage released by China Internet Network Information Center* (中國互聯網絡信息中心, “CNNIC”), an agency under the Ministry of Industry and Information Technology* (工業和信息化部) of the PRC. We considered that the numbers of users of different internet activities reflect the potential audience of and hence demand for online marketing service. Set out below are the user statistics according to the report titled

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“51th Statistical Report on China’s Internet Development*” (第 51 次中國互聯網絡發展狀況統計報告, the “**Statistical Report**”) published by CNNIC in March 2023:

Number of users (millions) for	December 2018	March 2020 <i>(Note 1)</i>	December 2020	December 2021	December 2022
Internet	828.5	903.6	989.0	1,032.0	1,067.4
– Growth rate (%)	–	9.1	9.5	4.3	3.4
– Penetration rate ^(Notes 2) (%)	59.6	64.5	70.4	73.0	75.6
Instant messaging	791.7	896.1	981.1	1,006.7	1,038.1
– Growth rate (%)	–	13.2	9.5	2.6	3.1
– Utilisation rate ^(Notes 3) (%)	95.6	99.2	99.2	97.5	97.2
Online video	724.9	850.4	926.8	974.7	1,030.6
– Growth rate (%)	–	17.3	9.0	5.2	5.7
– Utilisation rate ^(Notes 3) (%)	87.5	94.1	93.7	94.5	96.5
Online shopping	610.1	710.3	782.4	842.1	845.3
– Growth rate (%)	–	16.4	10.2	7.6	0.4
– Utilisation rate ^(Notes 3) (%)	73.6	78.6	79.1	81.6	79.2

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) Penetration rate is defined as number of users for internet divided by the total population of the PRC.
- (3) Utilisation rate is defined as number of users for that usage divided by the number of users for internet.

We noted that the number of users for internet, instant messaging (which include application such as WeChat), online video (which include applications such as TikTok) and online shopping have been growing in the past four years, from approximately 828.5 million, 791.7 million, 724.9 million and 610.1 million for December 2018 respectively to approximately 1,067.4 million, 1,038.1 million, 1,030.6 million and 845.3 million for December 2022 respectively. The utilisation rates for instant messaging, online video and online shopping also raised from approximately 95.6%, 87.5% and 73.6% for December 2018 respectively to approximately 97.2%, 96.5% and 79.2% for December 2022 respectively. Nevertheless, internet penetration rate increased at a decreasing rate from approximately 9.1% for March 2020 to approximately 3.4% for December 2022 as it has arrived at a top level of approximately 75.6% for December 2022. As disclosed in the Statistical Report, internet penetration rate for urban region was approximately 83.1% for December 2022 as opposed to approximately 61.9% for rural region. The growth rate in number of users for instant messaging, online video and especially online shopping also displayed decreasing rate from double-digit growth rates in March 2020 to as low as 0.4% in December 2022.

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In view of the above statistics, we noted that while online retail sales and internet application users may showed slowing growth (the latter especially because of high utilisation rate), online advertising industry has grown rapidly as reflected by the growth in recent years in terms of contract value of the industry.

As disclosed in the E-Commerce Report, e-commerce market in general in PRC may face challenges as a result of slowed economic growth and low retail market sentiment. Nevertheless, regarding online marketing, it is noted in the E-Commerce Report that with popularity of technological applications such as streaming media, online interaction, virtual reality and artificial intelligence, live show, short video and social media have become important channels for online marketing which also provide more immersive shopping experience. Overall, outlook of the online advertising industry in the PRC remains positive.

3. Reasons for and benefits of the Disposal

As disclosed in the Board Letter, pursuant to the Sale and Purchase Agreements, it is conditionally agreed between the Vendors and the Offeror that the New Media Marketing Business shall be disposed of by the Company to Mr. Li so that it will no longer be part of the Retained Group after the Disposal Completion and the Completion. The Disposal Completion shall take place contemporaneously with the Completion. The main reason for separating the New Media Marketing Business and the Retained Business is that, during the negotiations between the parties to the Sale and Purchase Agreements, the Offeror has expressed its intention to retain the Retained Business and to dispose of the New Media Marketing Business while Mr. Li has expressed his intention to retain the New Media Marketing Business. Having considered the above, the Board considers that the Disposal will facilitate the completion of the Sale and Purchase Agreements and, accordingly, the Share Offer to the Shareholders.

As disclosed in the Board Letter, after having actively participated in the management of the new media marketing service business of the subsidiaries of Brand New Management since December 2021, the Company has noted that it might heavily strain the Group's resources to cater for the lengthy time and substantial investment required to build up a sizeable and sustainable business network for the new media marketing service business. The growth of the Disposal Group's New Media Marketing Business has reached plateau as the Disposal Group generally does not provide credit term to its clients. For the new media marketing business in the PRC, despite media platform suppliers normally required the new media marketing service providers (such as the Disposal Group) to make prepayment, most of the new media marketing service providers will give one to three months credit term for its clients. In order to accelerate the growth and increase its competitiveness, the Disposal Group also plans to give credit term to its clients. However, the mismatch in the credit term strains the Group's resources. Given that the Offeror is not interested in the New Media Marketing Business, the Group does not intend to put additional resources in the New Media Marketing Business and hence the Disposal Group is unable to secure new clients. This hinders the development of the Disposal Group's New Media Marketing Business. The Disposal will enable the Group to focus more resources on its retail sales and

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franchising operations, and the wholesaling and contracting operations of gold and jewellery products businesses. After the Disposal Completion, the Group will no longer be engaged in New Media Marketing Business.

Having taken into consideration that (i) the Disposal Group recorded no growth in revenue for the latest financial year as well as loss attributable to owners of the company for two consecutive financial years in spite of a rapidly growing industry, as development of the New Media Marketing Business was hindered by financial resources available to the Disposal Group; (ii) the Disposal Agreement (including the Disposal Consideration) is on normal commercial terms and the terms of the Disposal are fair and reasonable as analysed in the sub-sections headed “4. Principal terms of the Disposal Agreement” and “5. Analysis of the Disposal Consideration” below in this letter; and (iii) the Disposal is in line with the intention of the Offeror, we are of the view and concur with the view of the Directors that the Disposal (being the Special Deal) is in the interest of the Company and the Independent Shareholders as a whole.

4. Principal terms of the Disposal Agreement

Set out below are the principal terms of the Disposal Agreement. For details, please refer to the section headed “THE DISPOSAL AGREEMENT” in the Board Letter.

(a) Subject matter of the Disposal

Pursuant to the Disposal Agreement, the Company conditionally agreed to sell, and Mr. Li conditionally agreed to purchase, the BNM Sale Shares, representing the entire issued share capital of Brand New Management, for a total consideration of HK\$9 million (subject to adjustment as detailed below).

(b) Disposal Consideration

The Disposal Consideration was initially HK\$9 million, which is subject to adjustment on a dollar for dollar basis at the net asset value of the Disposal Group as at 30 June 2023 as shown on the Disposal Certificate. As reflected in the audited results of the Disposal Group for the year ended 30 June 2023, the net asset value of the Disposal Group as at 30 June 2023 was HK\$8,896,000, the Disposal Consideration should accordingly be HK\$8,896,000. The Disposal Consideration shall be set off against Mr. Li Shareholder’s Loan on a dollar for dollar basis on the day of the Disposal Completion. As at 31 August 2023, Mr. Li’s Shareholder Loan was HK\$1,903,867.55. If Mr. Li Shareholder’s Loan as at the day of the Disposal Completion is less than the Disposal Consideration, Mr Li shall pay to the Company the difference in cash. The Disposal Consideration is determined after arm’s length negotiation of the Company and Mr. Li with reference to the net assets of the Disposal Group as at 31 May 2023 which was about HK\$9 million and the future prospects of the New Media Marketing Business.

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

(c) Conditions Precedent

The Disposal Completion is conditional upon the fulfilment of the following conditions:

- (a) the passing by the independent shareholders of the Company of an ordinary resolution in the SGM to approve the Disposal Agreement and the transactions contemplated thereunder in accordance with the requirements of the Listing Rules and the Takeovers Code;
- (b) the consent of the Executive in relation to the Disposal Agreement and the transactions contemplated thereunder as a Special Deal having been obtained, and such consent not having been revoked prior to the Disposal Completion;
- (c) all necessary consents and approvals (including but not limited to board approval and shareholder approval) required to be obtained on the part of the Company in respect of the Disposal Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect;
- (d) the Sale and Purchase Agreements having become unconditional (save as to the condition requiring the simultaneous completion of the Disposal Agreement);
- (e) the warranties given by the Company under the Disposal Agreement remaining true and accurate in all material respects; and
- (f) the warranties given by Mr. Li under the Disposal Agreement remaining true and accurate in all material respects.

Save for Disposal Conditions (c) and (e) which may be waived by Mr. Li and Disposal Condition (f) which may be waived by the Company, none of the Disposal Conditions above are capable of being waived by any party to the Disposal Agreement. The Company and Mr. Li shall use their respective best endeavours to procure the fulfilment of the Disposal Conditions. As at the Latest Practicable Date, none of the above Disposal Conditions were fulfilled, waived by Mr. Li or waived by the Company.

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If the Disposal Conditions set out above have not been satisfied (or, as appropriate, waived) on or before 4:00 p.m. on 30 November 2023, or such other date as Mr. Li and the Company may agree in writing, the Disposal Agreement shall cease and determine (save and except certain surviving provisions) and thereafter neither party shall have any obligations and liabilities thereunder save for any antecedent breaches of the terms thereof.

(d) Our view on the terms of the Disposal Agreement

We have reviewed the terms of the Disposal Agreement (including the Disposal Consideration) and having taking into account that (i) as detailed in the sub-section headed “5. Analysis of the Disposal Consideration” below in this letter, the Disposal Consideration is fair and reasonable; (ii) the other terms of the Disposal Agreement such as the conditions precedent are normal commercial terms, we are of the view and concur with the view of the Management that the terms of the Disposal Agreement are fair and reasonable.

5. Analysis of the Disposal Consideration

We have conducted our independent comparable analysis in assessing the fairness and reasonableness of the Disposal Consideration. We have attempted to compare the price-to-earnings ratio (“**PE Ratio**”) and price-to-book ratio (“**PB Ratio**”), which are two commonly used benchmark in valuing a company by comparing its profit attributable to owners of the company and net assets with its market capitalisation respectively, with companies which are principally engaged in business similar to the Disposal Group. A relatively lower PE Ratio or PB Ratio implies that the price of target company is more favourable to the buyer. However, given that the Disposal Group recorded loss attributable to owners of the company for the year ended 30 June 2023, PE Ratio is not applicable and we have relied on the PB Ratio for our comparable analysis on the Disposal Consideration.

For the comparable analysis, we have attempted to searched for acquisitions/disposal of private companies, which are principally engaged in business similar to that of the Disposal Group with relevant revenue from the segment contributing to not less than 50% of the total revenue, by companies listed on the Stock Exchange for a one-year period from the date of Disposal Agreement (i.e. 28 July 2023). Nevertheless, we are not aware of any such transaction even when we extended our search period to a two-year period prior to the date of the Disposal Agreement. As such, we instead searched for listed companies on the Stock Exchange (the “**Similar Business 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 Disposal Group, with relevant revenue from the segment contributing to not less than 50% of the total

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revenue of such listed companies. We identified an exhaustive list of 11 Similar Business Companies. Details of the Similar Business Companies are as follows:

Stock No. Code	Company name	Principal business (Note 1)	Closing price (Note 2)	Net asset value per share (Note 3)	PB Ratio (Note 4)
1. 745	China National Culture Group Limited	E-commerce, advertisement and movie production businesses	HK\$0.039	HK\$0.08	0.50
2. 1351	Bright Future Technology Holdings Limited	Provision of mobile advertising services	HK\$0.29	HK\$0.26	1.01
3. 1640	Ruicheng China Media Group Limited	Provision of online, television, outdoor and other advertising services	HK\$0.29	HK\$0.52	0.52
4. 1753	Duiba Group Limited	User management software as a service platform business, interactive advertising business and other businesses	HK\$0.33	HK\$1.21	0.25
5. 1762	Wanka Online Inc	Provision of mobile advertising, online video product distribution and Android content distribution services related to game intermodal	HK\$0.182	HK\$0.90	0.19
6. 1917	Doumob	Provision of online advertising services and online sales services	HK\$0.130	HK\$0.03	4.24 (Note 5)
7. 1948	Uju Holding Limited	Provision of online marketing service	HK\$2.70	HK\$2.21	1.12
8. 2131	Netjoy Holdings Limited	Provision of online advertising solutions services	HK\$0.85	HK\$1.72	0.45
9. 6610	Flowing Cloud Technology Limited	Provision of augmented reality/virtual reality (“AR/VR”) marketing services, AR/VR content and related services	HK\$1.76	HK\$0.68	2.38
10. 6988	Joy Spreader Group Inc.	Provision of mobile new media performance-based marketing and marketing software as a service	HK\$0.82	HK\$1.02	0.81
11. 9919	Activation Group Holdings Limited	Provision of (i) experiential marketing; (ii) digital and communication; and (iii) intellectual property development	HK\$1.29	HK\$0.47	2.49
				Mean	0.97
				Median	0.66
				Maximum	2.49
				Minimum	0.19
				Disposal Group (Note 6)	1.00

Source: Website of the Stock Exchange

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Notes:

1. For avoidance of doubt, while the descriptions of the principal business are based on the company profile as disclosed on the website of the Stock Exchange and may include business other than online/digital/mobile media marketing service, we have reviewed the latest financial reports of the Similar Business Companies to ensure that not less than 50% of their revenue were contributed by online/digital/mobile media marketing service in the latest financial year/period.
2. The closing prices of the shares of the Similar Business Companies are quoted on the Stock Exchange as at the date of the Disposal Agreement.
3. The net asset value per share for the Similar Business Companies are calculated based on (i) the amount of net assets as stated in the annual reports of the Similar Business Companies for the respective latest financial year/period; divided by (ii) the number of issued shares of the Similar Business Companies as at the date of the Disposal Agreement.
4. PB Ratio is calculated as closing price divided by net asset value per share.
5. We noted that the PB Ratio for Similar Business Company No. 6 was above 1 time during most of the time in 2022 and had gradually increased to above 2 times since early April 2023. The PB Ratio then surged further as closing price of the shares of Similar Business Company No. 6 surged in May 2023 and was as high as 5.96 times during that month despite the lack of material corporate action before the surge. The PB Ratio dropped gradually but was still above 4 times throughout July 2023 and as at the date of the Disposal Agreement. Given that it was generally below 2 times for over a year before April 2023 and surged to a peak of 5.96 times within two months while there were no material corporate action announced, we consider that Similar Business Company No. 6 to be an outlier and was excluded when considering maximum/mean/median of the PB Ratio of Similar Business Companies.
6. The PB Ratio of the Disposal Group implied by the Acquisition (the “**Implied PB Ratio**”) are calculated as the Disposal Consideration divided by the net asset of the Disposal Group, which will always be 1 according to the adjustment mechanism of the Disposal Consideration under the Disposal Agreement.
7. In this comparable analysis, conversion of RMB into HK\$ is calculated at the approximate exchange rates of RMB1 to HK\$1.09. 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 PB Ratios of the Similar Business Companies range from approximately 0.19 time to 2.49 time, with mean and median of approximately 0.97 time and 0.66 time respectively. The Implied PB Ratio of approximately 1 time is slightly above the corresponding mean and the median PB Ratio of all Similar Business Companies.

Given that the Similar Business Companies are companies listed on the Stock Exchange whereas Brand New Management is a private company, with difference in scale of operation and market capitalisation, their PB Ratios may not be directly comparable. Therefore, the above comparable analysis is for reference only and should not be taken into consideration alone as the only deciding factor for the fairness and reasonableness of the Disposal Consideration. Nonetheless, we noted that generally for companies listed on the Stock Exchange with business similar to the Disposal Group, their market prices on average represent discounts to their net asset values.

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In assessing the fairness and reasonableness of the Disposal Consideration, we have considered that (i) the online advertising industry has been rapidly growing with promising outlook as analysed in the paragraph headed “(c) Business outlook of the Disposal Group” above in this letter; (ii) notwithstanding a growing industry, the financial performance of the Disposal Group was not satisfactory, recording no growth in revenue for the latest financial year as well as loss attributable to owners of the company for two consecutive financial years due to lack of additional financial resources for securing new clients as disclosed in the paragraph headed “(b) Financial information of Brand New Management” above in this letter; (iii) while the PB Ratios of Similar Business Companies and the Implied PB Ratio may not be directly comparable, market prices of the Similar Business Companies on average represent discounts to their net asset values, which form a reference for the basis of net asset value of the Disposal Group as the Disposal Consideration; (iv) it is expected that there will not be any material adverse financial impact of the Disposal as discussed in the sub-section headed “6. Financial impact” below in this letter; (v) the Disposal Consideration is subject to adjustment on a dollar-for-dollar basis at the net asset value of the Disposal Group as shown on the Disposal Certificate such that the Group will not record any material gain or loss on disposal, we are of the view and concur with the view of the Management that the Disposal Consideration based on the net asset value of the Disposal Group in view of the continuous loss making position of the Disposal Group is fair and reasonable.

6. Financial impact

(a) Earnings

As disclosed in the Board Letter, upon the Disposal Completion, the Company will no longer have any interest in Brand New Management and Brand New Management will cease to be accounted as a subsidiary of the Group. It is expected that the Group will not record any material gain or loss on disposal as the Disposal Consideration is subject to adjustment on a dollar-for-dollar basis at the net asset value of the Disposal Group as shown on the Disposal Certificate.

(b) Net assets/(liabilities)

According to the terms of the Disposal Agreement, the Disposal Consideration is subject to adjustment on a dollar-for-dollar basis at the net asset value of the Disposal Group as shown on the Disposal Certificate. Accordingly, it is expected that the Disposal will not have any material effect on the net liabilities position of the Group.

(c) Liquidity

Based on the audited consolidated accounts of the Disposal Group, the Disposal Group had bank balances and cash and net current assets of approximately HK\$7.0 million and HK\$2.9 million respectively as at 30 June 2023. Taking into account that Mr. Li shall pay to the Company the difference between the Disposal Consideration (i.e. HK\$8,896,000) and Mr. Li’s Shareholder

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Loan (approximately HK\$1.9 million as at 31 August 2023) in cash after setting off against Mr. Li's Shareholder Loan on a dollar-for-dollar basis (i.e. approximately HK\$7.0 million), it is expected that the Disposal will not have any material effect on the liquidity position of the Group.

It should be noted that the aforementioned analysis are for illustrative purpose only and does not purport to represent how the financial performance and position of the Group would be following Disposal Completion pursuant to the Disposal Agreement.

RECOMMENDATION

Having considered the aforementioned principal factors and reasons, in particular:

- (i) notwithstanding the historical rapid growth and an optimistic prospect of the online marketing industry in the PRC, the financial performance of the Disposal Group was not satisfactory, recording no growth in revenue for the latest financial year as well as loss attributable to owners of the company for two consecutive financial years;
- (ii) the Disposal Consideration was set at the same as the net asset value of the Disposal Group;
- (iii) for illustrative purpose, the Implied PB Ratio is slightly above the corresponding mean and the median PB Ratio of all Similar Business Companies; and
- (iv) there is no material adverse financial impact of the Disposal regarding earnings, net liabilities and liquidity position of the Group,

we are of the view that (i) the Disposal (being the Special Deal) is in the interests of the Company and the Independent Shareholders as a whole; (ii) the Disposal (being the Special Deal) is on normal commercial terms but not in the ordinary and usual course of business of the Group; and (iii) the terms of the Disposal Agreement are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, and we also recommend the Independent Shareholders, to vote in favour of the relevant resolution(s) to be proposed at the SGM to approve the Disposal (being the Special Deal).

Yours faithfully,
For and on behalf of
Nuada Limited

Kim Chan
Executive Director

Kevin Wong
Vice President

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Mr. Kim Chan 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 18 years of experience in corporate finance industry.

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.

** 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.*

Part A: Report from Crowe (HK) CPA Limited



國富浩華（香港）會計師事務所有限公司
Crowe (HK) CPA Limited
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

11 October 2023

The Board of Directors

Hong Kong Resources Holdings Company Limited
Room 2306, 23/F
Tower One, Lippo Centre
No. 89 Queensway
Hong Kong

Dear Sirs

Hong Kong Resources Holdings Company Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”)

Expected gain or loss on disposal of Brand New Management Limited and its subsidiaries (collectively referred to as the “Disposal Group”)

We refer to the statement as set out in the circular of the Company dated 11 October 2023 (the “**Circular**”) in relation to the expected gain or loss on the disposal of Disposal Group. As extracted from the section headed “Letter from the Board” in the Circular that “*It is expected that the Group will not record any material gain or loss on disposal as the Disposal Consideration is subject to adjustment on a dollar-for-dollar basis at the net asset value of the Disposal Group as at 30 June 2023 as shown on the Disposal Certificate.*” (“**Expected Gain or Loss**”), whereas the capitalised terms used in this statement shall have the same meanings as those defined in the Circular unless otherwise specified.

The Expected Gain or Loss has been prepared by the directors of the Company and constitutes a profit forecast under Rule 10 of the Code on Takeovers and Mergers issued by The Securities and Futures Commission.

Directors’ Responsibilities

The Expected Gain or Loss has been prepared by the directors of the Company based on the audited consolidated accounts of the Disposal Group for the year ended 30 June 2023.

The Company’s directors are solely responsible for the determination and calculation of Expected Gain or Loss.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the “*Code of Ethics for Professional Accountants*” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management 1 “*Quality Management for Firms that Perform Audits and Reviews of Financial Statements, or Other Assurance or Related Services Engagements*” issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Expected Gain or Loss based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 “*Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness*” and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) “*Assurance Engagements Other than Audits or Reviews of Historical Financial Information*” issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the directors of the Company have compiled the Expected Gain or Loss in accordance with the bases adopted by the directors of the Company and as to whether the Expected Gain or Loss is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, and on the basis that the completion of the disposal of the Disposal Group had occurred on 30 June 2023, the Expected Gain or Loss has been properly compiled in accordance with the bases adopted by the directors of the Company as set out in the section headed “Letter from the Board” in the Circular and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the published consolidated financial statements for the year ended 30 June 2022 included in the 2021/2022 annual report of the Company dated 29 September 2022, and those relevant amendments to Hong Kong Financial Reporting Standards mandatorily effective and adopted by the Group for the year ended 30 June 2022 as set out in the published consolidated financial statements for the

six months ended 31 December 2022 included in the 2022/2023 interim report of the Company dated 27 February 2023. The disposal of the Disposal Group is yet to be completed up to the date of this letter and the actual gain or loss on disposal of the Disposal Group shall be subject to the net asset values of the Disposal Group on the date of completion of disposal.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong

Chan Wing Fai
Practising Certificate Number P07327

Part B: Report from Nuada Limited**Nuada Limited**

Unit 1805-08, 18/F
OfficePlus@Sheung Wan
93-103 Wing Lok Street
Sheung Wan, Hong Kong
洛爾達有限公司
香港上環永樂街93-103號
協成行上環中心18樓1805-08室

Phone/電話: 2544-9978

Fax/傳真: 2544-0023

11 October 2023

The Board of Directors
Hong Kong Resources Holdings Company Limited
Room 2306, 23/F
Tower One, Lippo Centre
No. 89 Queensway
Hong Kong

Dear Sirs,

REPORT ON EXPECTED GAIN OR LOSS

Reference is made to the circular dated 11 October 2023 (the “**Circular**”) issued by Hong Kong Resources Holdings Company Limited (the “**Company**”). Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless otherwise specified.

We refer to the statement as set out in the Circular in relation to the expected gain or loss on the disposal of the Disposal Group (the “**Financial Effect**”). The Financial Effect is regarded as profit forecast under Rule 10 of the Takeovers Code and therefore are required to be reported on by the Company’s financial adviser and its auditors or accountants. This letter is issued in compliance with the requirement under Rule 10.4 of the Takeovers Code.

We have discussed with you the bases upon which the Financial Effect is prepared, i.e. the audited consolidated accounts of the Disposal Group for the year ended 30 June 2023, the formula for calculation and adjustment mechanism of the Disposal Consideration. We have also considered the report contained in part A of Appendix I to the Circular issued by Crowe (HK) CPA Limited, the consulting accountants appointed by the Company, which stated that so far as the accounting policies and calculations are concerned, and on the basis that the completion of the disposal of the Disposal Group had occurred on 30 June 2023, the Financial Effect has been properly compiled in accordance with the bases adopted by the directors of the Company as set out in the section headed “Letter from the Board” in the Circular and is presented on a basis consistent in all material respects with the accounting

policies normally adopted by the Group as set out in the published consolidated financial statements for the year ended 30 June 2022 included in the 2021/2022 annual report of the Company dated 29 September 2022, and those relevant amendments to Hong Kong Financial Reporting Standards mandatorily effective and adopted by the Group for the year ended 30 June 2022 as set out in the published consolidated financial statements for the six months ended 31 December 2022 included in the 2022/2023 interim report of the Company dated 27 February 2023.

The review carried out by us as described above is primarily based on the information and materials supplied to us by or on behalf of the Company, and the opinions expressed by, and the representations of, the employees and/or the senior management of the Company. We have relied upon the accuracy and completeness of all of such information and materials that were made available to us or were discussed with or reviewed by us and have assumed such accuracy and completeness for the purpose of providing this opinion. We have also relied on the assurances of the management of the Company that they are not aware of any facts or circumstances that would make any information necessary for us to provide this opinion inaccurate or misleading and that the management have not omitted to provide us with any information which may be relevant to the delivery of this opinion.

On the basis of the foregoing, we are of the opinion that the Financial Effect, for which the Directors are solely responsible, have been made with due care and consideration.

We hereby give our consent to and confirm that we have not withdrawn our consent to the issue of the Circular with the inclusion of this letter.

Yours faithfully
For and on behalf of
Nuada Limited

Kim Chan
Executive Director

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 Group. 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 document misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS**(a) Interests and short positions the Directors and the chief executive of the Company in the securities of the Company**

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

(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	157,000	–	7.85
	Interest of controlled corporation	21,000,000		
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	–	87,500	0.03

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 87,500 underlying Shares pursuant to the share options granted under the Share Option Scheme.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) where were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in 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

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group

Long position in shares and underlying shares of equity derivatives:

Name of Shareholder	Capacity/ Nature of interest	Number of ordinary shares	Number of derivative shares	Percentage of issued ordinary shares (%)
Eminent Rise ^(Note 1)	Beneficial owner	21,000,000	–	7.79
Grace Fountain ^(Note 2)	Beneficial owner	65,000,000	80,000,000	53.77
Mr. Duan ^(Note 3)	Interest of controlled corporation	50,000,000	50,000,000	37.08
Excel Horizon ^(Note 3)	Beneficial owner	50,000,000	50,000,000	37.08
Ms. Hao Yuanyuan ^(Note 4)	Interest of controlled corporation	28,000,000	–	10.38
Well Pop Group Limited ^(Note 4)	Beneficial owner	28,000,000	–	10.38
Mr. Wen Jialong ^(Note 5)	Beneficial owner	141,548	–	9.36
	Interest of controlled corporation	25,105,561		
Mr. Zheng Yue Wen ^(Note 5)	Interest of controlled corporation	25,105,561	–	9.31
Hallow King Global Investment Limited ^(Note 5)	Interest of controlled corporation	25,105,561	–	9.31
Kerui Jinrong Company Limited ^(Note 5)	Interest of controlled corporation	25,105,561	–	9.31
Weltrade Group Limited ^(Note 5)	Beneficial owner	25,105,561	–	9.31

Notes:

1. Eminent Rise is the beneficial owner of 21,000,000 Shares and it 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. Mr. Li is also a director of Eminent Rise.

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. Mr. Wang is also a director of Grace Fountain.
3. 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.
4. 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.
5. 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, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

3. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which does not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS’ INTERESTS IN A COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors had 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 2023, 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.

5. DIRECTORS INTEREST IN THE GROUP'S ASSETS OR CONTRACT OR ARRANGEMENT SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement, which was significant in relation to the business of the Group; and none of the Directors nor their respective associates had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 30 June 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up.

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
Crowe (HK) CPA Limited	Certified Public Accountants

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein a copy of its advice and/or references to its name, in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the above experts had no shareholding, direct or indirect, in any member of the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the above experts had any direct or indirect interests in any assets which have been, since 30 June 2023, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by or leased to or 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 2023 being the date to which the latest published audited consolidated accounts of the Group were made up.

8. GENERAL

- (a) The company secretary of the Company is Ms. Chan So Fun, who is the qualified solicitor in Hong Kong.
- (b) The registered office of the Company is Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda.
- (c) The principal place of business of the Company in Hong Kong is Room 2306, 23/F, Tower One, Lippo Centre, No. 89 Queensway, Hong Kong.
- (d) The share registrar of the Company in Hong Kong is Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

9. DOCUMENTS ON DISPLAY

Copies of 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) and the SFC's website (www.sfc.hk) from the date of this circular up to the date of the SGM (being not less than 14 days):

- (a) the Disposal Agreement;
- (b) the letter from the Board to the Shareholders, the text of which is set out on pages 7 to 16 of this circular;
- (c) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 17 to 18 of this circular;
- (d) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Shareholders, the text of which is set out on pages 19 to 41 of this circular;
- (e) the report from the Company's auditors on expected gain or loss, the text of which is set out in Appendix I to this circular;
- (f) the report from the Independent Financial Adviser on expected gain or loss, the text of which is set out in Appendix I to this circular; and
- (g) the written consents as referred to in the section headed "Expert's Qualification and Consent" in this Appendix.

NOTICE OF SPECIAL GENERAL MEETING



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 Monday, 30 October 2023 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments the following resolution of the Company:

ORDINARY RESOLUTION

“**THAT**

- (a) the sale and purchase agreement dated 28 July 2023 (the “**Disposal Agreement**”) entered into between the Company as vendor and Mr. Li Ning as purchaser in relation to the disposal of entire issued share capital in Brand New Management Limited by the Company to Mr. Li Ning for a total consideration of HK\$8,896,000 and all the transactions contemplated thereunder, details of which are set out in the circular of the Company dated 11 October 2023 be and are hereby approved, confirmed and ratified; and
- (b) any one director of the Company be and is hereby authorised to do all such acts and things and execute all such documents which he may consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Disposal Agreement and the transactions contemplated thereunder and all matters incidental thereto.”

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

Hong Kong, 11 October 2023

NOTICE OF SPECIAL GENERAL MEETING

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

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 11:00 a.m. on Saturday, 28 October 2023) 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 Friday, 27 October 2023 to Monday, 30 October 2023, 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 Thursday, 26 October 2023.

In the event that the Meeting is adjourned to a date later than Monday, 30 October 2023 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 a notice 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.

NOTICE OF SPECIAL GENERAL 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. References to time and dates in this notice are to Hong Kong time and dates.
8. 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.