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**LUK FOOK HOLDINGS  
(INTERNATIONAL) LIMITED**  
六福集團(國際)有限公司  
*(Incorporated in Bermuda with Limited Liability)*  
(Stock Code: 0590)



**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)

**JOINT ANNOUNCEMENT  
MEMORANDUM OF UNDERSTANDING  
IN RELATION TO**

**(I) POSSIBLE ACQUISITION OF  
50%  
INTEREST IN CGS;  
(II) POSSIBLE SUBSCRIPTION OF  
CONVERTIBLE BONDS;  
AND  
(III) RESUMPTION OF TRADING**

**(I) POSSIBLE DISPOSAL OF 50%  
INTEREST IN CGS;  
(II) POSSIBLE ISSUE OF  
CONVERTIBLE BONDS;  
AND  
(III) RESUMPTION OF TRADING**

This announcement is jointly made by Luk Fook and HKRH pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the SFO.

## **PROPOSED TRANSACTIONS**

The respective board of directors of Luk Fook and HKRH are pleased to announce that, on 4 November 2013, Luk Fook and HKRH entered into the legally non-binding MOU. Pursuant to the MOU, it is proposed that, among other things, subject to fulfillment of all the Conditions and the finalization and signing of the Definitive Agreements: (i) HKRH intends to sell, and Luk Fook intends to purchase at a consideration of HK\$301,046,000, shares representing 50% of the issued share capital in CGS, the principal operating subsidiary of HKRH which conducts its jewellery retail and franchise businesses under the brandname of “3D-GOLD” in Hong Kong, Macau and other regions in the PRC; (ii) subject to fulfillment of all the Conditions and the finalization and signing of the Definitive Agreements, HKRH intends to issue, and Luk Fook intends to subscribe for, the Convertible Bonds in a principal amount of HK\$57,080,000; and (iii) upon completion of the Share Sale, Luk Fook and HKRH will enter and HKRH will procure CGS and where required, any holder(s) of convertible securities issued by CGS as at the signing date of the Definitive Agreements to enter into a Shareholders’ Agreement that will govern the management and shareholders’ right of CGS Group.

## **TRADING HALT AND RESUMPTION OF TRADING**

At the request of each of Luk Fook and HKRH, trading of the shares of Luk Fook and HKRH on the Stock Exchange were halted with effect from 9:00 a.m., on 4 November 2013, respectively, pending the release of this announcement.

An application has been made by each of Luk Fook and HKRH to the Stock Exchange for the resumption of trading in the shares of each of Luk Fook and HKRH with effect from 9:00 a.m. on 5 November 2013, respectively.

**The respective board of directors of Luk Fook and HKRH wish to emphasize that no legally binding agreement in respect of the Proposed Transactions has been entered into as at the date of this announcement. Further announcement(s) will be made upon finalization of the terms and conditions of the Proposed Transactions in compliance with the Listing Rules.**

**Shareholders and potential investors of Luk Fook or HKRH should note that the Proposed Transactions may or may not materialize and the final structure and terms of the Proposed Transactions, which are still subject to further negotiations between the Parties, have yet to be finalized and may materially deviate from those set out in the MOU. Therefore, shareholders and potential investors of Luk Fook or HKRH should exercise caution when dealing with the securities of Luk Fook and HKRH.**

## **I. INTRODUCTION**

The respective board of directors of Luk Fook and HKRH are pleased to announce that, on 4 November 2013, Luk Fook and HKRH entered into the legally non-binding MOU. Pursuant to the MOU, it is proposed that, among other things, (i) subject to fulfillment of all the Conditions and the finalization and signing of the Definitive Agreements, HKRH intends to sell, and Luk Fook intends to purchase at a consideration of

HK\$301,046,000, shares representing 50% of the issued share capital in CGS, the principal operating subsidiary of HKRH which conducts its jewellery retail and franchise businesses under the brandname of “3D-GOLD” in Hong Kong, Macau and other regions in the PRC; (ii) subject to fulfillment of all the Conditions and the finalization and signing of the Definitive Agreements, HKRH intends to issue, and Luk Fook intends to subscribe for, the Convertible Bonds in a principal amount of HK\$57,080,000; and (iii) upon completion of the Share Sale, Luk Fook and HKRH will enter and HKRH will procure CGS and where required, any holder(s) of convertible securities issued by CGS as at the signing date of the Definitive Agreements to enter into a Shareholders’ Agreement that will govern the management and shareholders’ right of CGS Group.

A summary of the main terms of the MOU includes, among other things, the followings:

## **II. MAJOR TERMS OF THE MOU**

### **1. Date:**

4 November 2013

### **2. Parties:**

Luk Fook; and  
HKRH

### **3. Share Sale:**

Luk Fook intends to acquire and HKRH intends to sell shares representing 50% of the issued share capital in CGS, which is the main operating subsidiary of HKRH which conducts its jewellery retail and franchise businesses under the brandname of “3D-GOLD” in Hong Kong, Macau and other regions in the PRC.

### **4. Consideration for the Share Sale:**

The consideration for the Share Sale is intended to be HK\$301,046,000, which is calculated based on the consolidated net assets value of CGS as at 30 June 2013 and arrived at after arm’s length negotiations between the Parties. Upon signing of the Share Purchase and CB Subscription Agreement, Luk Fook shall deposit the sum of HK\$15,000,000 with HKRH’s solicitors as stakeholders, which shall be refunded to Luk Fook forthwith without interest (if such refund is made within 7 days upon demand by Luk Fook) if (i) the Conditions are not fulfilled by the Long Stop Date or (ii) completion of the Proposed Transactions does not occur in accordance with the relevant Definitive Agreements. Upon completion of the Share Sale, the said sum of HK\$15,000,000 shall be applied for part payment of the consideration for the Share Sale.

Such consideration shall be settled in cash and is to be satisfied from the internal resources of Luk Fook.

## **5. Conditions Precedent**

Conditions precedent to completion of the Share Sale and subscription of the Convertible Bonds shall include:

- (i) Luk Fook completing satisfactory due diligence on CGS and its subsidiaries and their respective assets, liabilities and businesses which will include, among others, financial due diligence, legal due diligence and tax position;
- (ii) HKRH obtaining all necessary approvals from its shareholders in respect of the Proposed Transactions in accordance with the Listing Rules;
- (iii) approval being obtained from the Stock Exchange in respect of the issuance of the Convertible Bonds (where required) and listing approval being obtained in respect of the Conversion Shares;
- (iv) HKRH obtaining all necessary approvals from its shareholders in respect of the transactions contemplated under the Consultancy Agreement and Supply Agreement in accordance with the Listing Rules;
- (v) the consolidated net asset value of CGS Group as of 31 December 2013 shall not be less than HK\$568,822,000; and
- (vi) such other condition(s) precedent as may be mutually agreed by the Parties.

It is intended that conditions precedent (i) and (vi) above can be waived by Luk Fook. It is also intended that the Long Stop Date for satisfaction of the above conditions precedent shall be three calendar months from the date of satisfaction of condition precedent (i) above or such other later date as may be mutually agreed by the Parties.

## **6. Corporate Governance**

The Parties will agree on appropriate board and management arrangements for CGS Group. Notwithstanding the above, it is intended that:

- (i) HKRH shall have the right to nominate the Chairman of the board of directors of CGS and all other companies within the CGS Group and the Chairman shall have casting vote in case of deadlock;
- (ii) the respective board of directors of CGS and all other companies within CGS Group shall consist of even directors and HKRH and Luk Fook shall be entitled to appoint an equal number of directors for each of CGS and such other companies within the CGS Group;
- (iii) Luk Fook shall have the right to nominate the Chief Executive Officer of CGS and all other companies within CGS Group, and the said Chief Executive Officer shall have the overall management power for the conduct of business of CGS Group (subject however to sub-paragraph (v) below) and shall act reasonably for the best interest of the business of “3D-GOLD” and the CGS

Group, in consultation with the Chairman and shall make monthly report to the Chairman and quarterly report to the board of directors of CGS in such format as may be mutually agreed between Luk Fook and HKRH;

- (iv) the board of directors of CGS and all other companies within the CGS Group shall appoint the Chief Financial Officer and the Chief Operating Officer of CGS and all other companies within the CGS Group; and
- (v) annual budget, business plan and capital expenditure in respect of CGS and all other companies within CGS Group are required to be approved by the board of directors of CGS and such other companies within the CGS Group respectively.

## **7. Capital Commitment**

Each of Luk Fook and HKRH shall agree to commit no less than HK\$150,000,000 into CGS as general working capital and for business expansion of CGS in accordance with a capital injection timetable to be mutually agreed by Luk Fook and HKRH.

## **8. Consultancy Services**

It is intended that after completion of the Proposed Transaction, Luk Fook and CGS will enter into the Consultancy Agreement upon completion of the Proposed Transaction, under which Luk Fook shall provide to CGS consultancy services in relation to the operation of the business of “3D-GOLD”, for an initial period of three years, which can be renewed upon mutual agreement, subject to compliance with the Listing Rules. The consultancy services will be provided at a consultancy fee payable annually by CGS to Luk Fook which shall equal to 6% of the audited consolidated profit before taxation of CGS Group per annum and before deducting the payment of the said consultancy fee, such amount not exceeding HK\$10,000,000 each year.

The entering into of the Consultancy Agreement will be subject to compliance with the Listing Rules.

## **9. Supply of Raw Materials and/or Finished Products**

It is intended that Luk Fook will supply raw materials and/or finished products to CGS on terms to be mutually agreed between Luk Fook and CGS in good faith and subject to compliance with the Listing Rules. Luk Fook and CGS will enter into the Supply Agreement upon completion of the Proposed Transactions.

## **10. Exit and Deadlock**

Subject to compliance with the Listing Rules, each Party will have a right of first offer before the other Party approaches a third party to sell, transfer or otherwise dispose of its shares in CGS, or if CGS directly or indirectly through its subsidiary attempts or intends to sell, transfer or otherwise dispose of any of its assets (whether tangible or intangible) or interests in any of its subsidiaries, or if CGS or

any of its subsidiaries attempts or intends to increase its capital by issuance of additional shares, bonds, debentures or other securities convertible into shares of CGS or by granting of any option for shares of CGS. The Parties will agree on the detailed exit mechanics and resolution of deadlock in the event it occurs.

#### **11. Termination of the MOU**

The MOU shall terminate (i) three months after the date of signing of the MOU or (ii) upon execution of the Definitive Agreements, whichever is earlier, or such other date as may be mutually agreed by the Parties, save in respect of any antecedent breach of any binding terms of the MOU.

### **III. MAJOR TERMS OF THE CONVERTIBLE BONDS UNDER THE MOU**

Pursuant to the MOU, Luk Fook and HKRH intend to enter into the Share Purchase and CB Subscription Agreement in relation to, among other things, the Convertible Bonds to be issued by HKRH and to be subscribed by Luk Fook. Major terms of the Convertible Bonds are set out as below:

#### **1. Parties**

Issuer: HKRH

Subscriber: Luk Fook

#### **2. Principal terms of the Convertible Bonds**

Aggregate principal amount: Approximately HK\$57,080,000

Issue price: 100% of principal amount of the Convertible Bonds

Maturity Date: 5 years from the Issue Date

Redemption at maturity: Unless previously converted or redeemed, HKRH will redeem all outstanding Convertible Bonds at 100% of their outstanding principal amount on the Maturity Date.

Interest: 3% per annum, payable annually (on the basis of a 360-day year) on the last business day of each calendar year.

Conversion right: The Convertible Bonds are convertible, whether in whole or in part, by Luk Fook into Conversion Shares at the Conversion Rate at any time during the term of the Convertible Bonds by giving seven working day's prior written notice to HKRH provided that save and except conversion after the third anniversary of the Issue Date, Luk Fook shall not convert more than one-third of the principal amount of the Convertible Bonds in any 12-month period. For the avoidance of doubt, Luk Fook shall have the right to convert all remaining Convertible Bonds in whole or in part from time to time after the third anniversary of the Issue Date.

Conversion rate: HK\$0.18 per HKRH Share

Conversion Shares: Based on the Conversion Rate, a maximum number of 317,109,955 Conversion Shares will be issued upon full conversion of the aggregate principal amount of the Convertible Bonds, representing approximately 10.00% of the existing issued share capital of HKRH as at the issue date of the Convertible Bonds.

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

#### **IV. REASONS AND BENEFITS FOR ENTERING INTO THE PROPOSED TRANSACTIONS**

As disclosed in HKRH's annual results announcement for the year ended 30 June 2013, the total retail value generated by all "3D-GOLD" stores for the year ended 30 June 2013, including self-operated and franchise stores, amounted to HK\$4,690 million with over 400 shops in operation. Luk Fook shall be pleased to be involved in the investment and management and expand its retail network through the existing retail stores currently being operated by "3D-GOLD".

Upon the disposal, HKRH shall devote more of its management and other resources on its property development and other investment opportunities to enhance the business prospect and improve the liquidity and cash flow position of HKRH.

Following the completion of the Share Sale, CGS shall continue to be accounted for as a subsidiary by HKRH pursuant to the relevant accounting standards issued by Hong Kong Institute of Certified Public Accountants. Luk Fook is one of the leading jewellery retailers in Hong Kong and the PRC. The expertise of Luk Fook will benefit HKRH in developing the brand name of "3D-GOLD".

Both Luk Fook and HKRH intend to hold their investments in CGS as strategic long-term investments.

## **V. LISTING RULES IMPLICATIONS**

If materialized, the Share Sale and the subscription of the Convertible Bonds will constitute a discloseable transaction of Luk Fook and a major transaction for HKRH. As such, the Proposed Transactions shall be subject to approval by shareholders of HKRH.

The entering into of the Consultancy Agreement and the Supply Agreement between Luk Fook and HKRH may constitute continuing connected transactions of HKRH. Accordingly, such transactions shall be subject to the reporting, announcement and independent shareholders' approval requirements by HKRH under the Listing Rules.

Further announcement(s) and circular(s) will be made and despatched by Luk Fook and HKRH, as the case may be, as and when appropriate in compliance with the Listing Rules.

## **VI. TRADING HALT AND RESUMPTION OF TRADING**

At the request of Luk Fook and HKRH, trading of the shares of each of Luk Fook and HKRH on the Stock Exchange were halted with effect from 9:00 a.m., on 4 November 2013 pending the release of this announcement.

An application has been made by each of Luk Fook and HKRH to the Stock Exchange for the resumption of trading in the shares of each of Luk Fook and HKRH with effect from 9:00 a.m. on 5 November 2013, respectively.

## **VII. GENERAL**

**The respective board of directors of Luk Fook and HKRH wish to emphasize that no legally binding agreement in respect of the Proposed Transactions has been entered into as at the date of this announcement. Further announcement(s) will be made upon finalization of the terms and condition of the Proposed Transactions in compliance with the Listing Rules.**

**Shareholders and potential investors of Luk Fook or HKRH should note that the Proposed Transactions may or may not materialize and the final structure and terms of the Proposed Transactions, which are still subject to further negotiations between the Parties, have yet to be finalized and may materially deviate from those set out in the MOU. Therefore, shareholders and potential investors of Luk Fook or HKRH should exercise caution when dealing with the securities of Luk Fook or HKRH.**



## VIII. DEFINITIONS

Unless the context otherwise requires, terms used in this announcement shall have the following respective meanings:

“CGS”	China Gold Silver Group Company Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly owned subsidiary of HKRH;
“CGS Group”	The group of companies (as defined in section 2 of the Companies Ordinance, Cap. 32) of which CGS is the holding company of the others;
“Conditions”	conditions precedent to completion of the Share Sale and subscription of the Convertible Bonds;
“Consultancy Agreement”	the consultancy agreement to be entered into between Luk Fook and CGS in respect of the consultancy services to be provided by Luk Fook to CGS;
“Convertible Bonds”	the convertible bonds in the aggregate principal amount of HK\$57,080,000, due five years from the Issue Date convertible into HKRH Shares at the initial Conversion Price of HK\$0.18 per Conversion Share which, when issued, shall rank pari passu with the then existing issued HKRH Shares to be issued by HKRH and to be subscribed by Luk Fook;
“Conversion Price”	the conversion price of the Convertible Bonds, initially at HK\$0.18 per Conversion Share;
“Conversion Share(s)”	the 317,109,955 new HKRH Share(s) to be issued by HKRH upon conversion of the Convertible Bonds by Luk Fook;
“Definitive Agreements”	the Share Purchase and CB Subscription Agreement, which are intended to be entered into by Luk Fook and HKRH within ten working days from the date of signing of the MOU or such other date as Luk Fook and HKRH may mutually agree, with the agreed forms of the following agreements annexed: (i) the Shareholders’ Agreement; (ii) the Consultancy Agreement; and (iii) the Supply Agreement;
“HKRH”	Hong Kong Resources Holdings Company Limited, a company incorporated in Bermuda with limited liability and carrying on business in Hong Kong as HKRH China Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2882);

“HKRH Share(s)”	ordinary share(s) in the capital of HKRH with a par value of HK\$0.01 each;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“Issue Date”	the date of issue of the Convertible Bonds, which is subject to the entering into of the subscription agreement to be entered into between Luk Fook and HKRH;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	three calendar months from the date of satisfaction of condition precedent (i) under the section headed “Conditions Precedent” above or such other date as may be mutually agreed by the Parties;
“Luk Fook”	Luk Fook Holdings (International) Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 0590) or, for the purpose of the Proposed Transactions, its wholly-owned subsidiary;
“Maturity Date”	the date of maturity of the Convertible Bonds, which is 5 years from Issue Date;
“MOU”	the memorandum of understanding dated 4 November 2013 entered into between Luk Fook and HKRH in relation to the Proposed Transactions;
“Parties”	Luk Fook and HKRH;
“PRC”	The People’s Republic of China excluding, for the purpose of this announcement, Hong Kong and Macau Special Administrative Regions;
“Proposed Transactions”	(i) the sale and purchase in respect of the Share Sale; (ii) the entering into of the Shareholders’ Agreement; and (iii) the issue and subscription of the Convertible Bonds;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);

“Shareholders’ Agreement”	the shareholders’ agreement to be entered into between Luk Fook and HKRH and where required, any holder(s) of convertible securities issued by CGS that will govern the management and shareholders’ right of CGS Group;
“Share Purchase and CB Subscription Agreement”	the share purchase and subscription agreement in respect of the Share Sale and the issue and subscription of the Convertible Bonds;
“Share Sale”	the transfer of 50% interest in CGS from HKRH to Luk Fook at consideration of HK\$301,046,000;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supply Agreement”	the supply agreement to be entered into between Luk Fook and CGS in respect of the supplier services to be provided by Luk Fook to CGS; and
“%”	per cent. or percentage.

By Order of the Board of Directors of  
**Luk Fook Holdings  
(International) Limited**  
**WONG Wai Sheung**  
*Chairman & Chief Executive*

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

Hong Kong, 5 November 2013

*As at the date of this announcement, the board of Luk Fook comprises Mr. WONG Wai Sheung (Chairman and Chief Executive), Mr. TSE Moon Chuen (Deputy Chairman), Mr. WONG Ho Lung, Danny (Deputy Chairman), Miss WONG Lan Sze, Nancy, Miss WONG Hau Yeung and Miss CHUNG Vai Ping as executive directors; Miss YEUNG Po Ling, Pauline, Mr. HUI Chiu Chung, JP and Mr. LI Hon Hung, MH, JP as non-executive directors; Mr. TAI Kwok Leung, Alexander, Mr. IP Shu Kwan, Stephen, GBS, JP, Mr FOK Kwong Man, Mr MAK Wing Sum, Alvin and Ms. WONG Yu Pok, Marina, JP as independent non-executive directors.*

*As at the date of this announcement, the board of HKRH comprises Dr. WONG, Kennedy Ying Ho, BBS, J.P., Mr. LAM Kwok Hing, Wilfred, J.P., Ms. WONG Wing Yan, Ella and Mr. CHEUNG Pak To, Patrick, BBS, as executive directors; Dr. HUI Ho Ming, Herbert, J.P. as non-executive director; and Mr. FAN, Anthony Ren Da, Ms. Estella YI Kum Ng and Mr. WONG Kam Wing as independent non-executive directors.*