

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)*

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF (1) THE PURCHASE AGREEMENT; AND (2) THE SUPPLY AGREEMENT

Reference is made to the announcement of Hong Kong Resources Holdings Company Limited (the “**Company**”) dated 15 November 2021 (the “**Announcement**”) in relation to, among other matters, the Purchase Agreement, the Supply Agreement and the transactions contemplated thereunder. Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as defined in the Announcement.

This announcement is to provide supplemental information on the annual caps under each of the Purchase Agreement and the Supply Agreement.

(1) THE PURCHASE AGREEMENT

As disclosed in the Announcement, the parties to the Purchase Agreement had agreed on the annual caps for the purchase of goods for the three years ending 30 June 2022, 2023 and 2024 to be HK\$50 million, HK\$60 million and HK\$70 million, respectively.

The Company is pleased to announce that, leveraging on the prestigious “3D-gold” brand, the Group had recently launched a new customised D.I.Y. ordering jewellery service system – “M.E.”/“My Elements”, which customers can access “M.E.”/“My Elements” system to choose their own favourite diamonds and settings through the tablet. In view of the recent increasing popularity for personalised services, the Group is of the view the launch of this new service will increase the customers’ demand for the products of the Group and it will become the new key driver of the Group’s growth and performance.

For the three years ending 30 June 2022, 2023 and 2024, based on the assumption of an increase of five self-operated stores per year, there shall be 66, 71 and 76 self-operated stores participating in the promotion and sales of the bespoke “M.E.”/“My Elements” D.I.Y. jewellery, respectively, and the estimated purchase of goods thereunder shall amount to approximately RMB36.91 million, RMB43.45 million and RMB50.46 million, respectively (the “**D.I.Y. Purchases**”).

Pursuant to the arrangement between the parties to the Purchase Agreement, the CGS Group shall not be required to increase its own inventory on the D.I.Y. ordering jewellery services system and shall have the right to purchase from the Luk Fook Group on an on-demand basis, which will reduce inventory and warehousing costs on the part of the Group.

In addition, as disclosed in the Announcement, the aggregate historical regular purchase of goods by the CGS Group for the three years ended 30 June 2019, 2020 and 2021 amounted to approximately HK\$12.38 million, HK\$1.74 million and HK\$5.17 million, respectively. For the three years ending 30 June 2022, 2023 and 2024, the estimated regular purchase of goods by the CGS Group shall amount to approximately RMB3.99 million, RMB4.55 million and RMB5.19 million, respectively (the “**Regular Purchases**”).

The total estimated purchase of goods by the CGS Group for the three years ending 30 June 2022, 2023 and 2024, being the aggregate of the D.I.Y. Purchases and the Regular Purchases, shall amount to approximately RMB40.90 million (equivalent to approximately HK\$49.1 million), RMB48.01 million (equivalent to approximately HK\$57.6 million) and RMB55.65 million (equivalent to approximately HK\$66.8 million), respectively.

Based on the above, the Director are of the view that the annual caps for the purchase of goods pursuant to the Purchase Agreement for the three years ending 30 June 2022, 2023 and 2024 being HK\$50 million, HK\$60 million and HK\$70 million, respectively, are fair and reasonable and in the interest of the Group and the Shareholders as a whole.

(2) THE SUPPLY AGREEMENT

As disclosed in the Announcement, the parties to the Supply Agreement had agreed on the annual caps for the supply of goods for the three years ending 30 June 2022, 2023 and 2024 to be HK\$50 million, HK\$60 million and HK\$70 million, respectively.

It has been the usual practice of the CGS Group to sell its over three years aged products inventory to customers with promotion discount or whole sell to its suppliers. The price of the products will be determined on a fair and reasonable basis in the ordinary and usual course of business of the CGS Group. Due to COVID-19 pandemic continuously affecting the economy, it has caused major disruptions in the retail business. The CGS Group expected the sales of the three years aged products inventory to customers will also be affected in the coming one to two years. In order to improve the slow-moving inventory situations, the CGS Group estimated to sell approximately 30% of these products inventory to suppliers.

For the three years ended 30 June 2019, 2020 and 2021, the products inventory sold amounted to approximately HK\$51.24 million, HK\$91.32 million and HK\$50.24 million, respectively, representing approximately 29.82%, 50.34% and 35.91% of the over three years aged products inventory respectively. As disclosed in the Announcement, the historical amounts of the consideration received by the CGS Group from the Luk Fook Group for the supply of goods for the three years ended 30 June 2019, 2020 and 2021 amounted to approximately HK\$7.60 million, HK\$0.88 million and HK\$2.95 million, respectively.

For the three years ending 30 June 2022, 2023 and 2024, it is estimated that the over three years aged products inventory to be sold by the CGS Group amounted to approximately HK\$44.10 million, HK\$57.58 million and HK\$60.08 million, respectively.

The CGS Group may sell its products inventory to the its suppliers regardless of whether the supplier is an independent third party or connected persons (i.e. the Luk Fook Group), the annual caps for the three years ending 30 June 2022, 2023 and 2024 reflect the maximum amount of over three years aged products inventory that could be sold by the CGS Group to its suppliers.

The Directors take the view that the CGS Group has the full discretion to decide which supplier(s) to sell its products inventory to, but the annual caps will allow the CGS Group to have a flexibility to sell the over three years aged products inventory to the Luk Fook Group, in the event the Luk Fook Group provides the best offer. The Board believes that, regardless of the historical amounts of consideration received by the CGS Group from the Luk Fook Group, the annual caps reflecting the maximum amount of over three years aged products inventory that could be sold by the CGS Group during the three years ending 30 June 2022, 2023 and 2024 will provide more flexibility, which is more favourable to the business operations of the CGS Group.

Based on the above, the Directors are of the view that the annual caps for the supply of goods pursuant to the Supply Agreement for the three years ending 30 June 2022, 2023 and 2024 being HK\$50 million, HK\$60 million and HK\$70 million, respectively, are fair and reasonable and in the interest of the Group and the Shareholders as a whole.

The additional information disclosed herein does not affect any other information contained in the Announcement.

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

Hong Kong, 31 December 2021

For the purposes of illustration only, amounts denominated in RMB in this announcement have been translated into HK\$ at the rate of RMB1.00 = HK\$1.20. Such translation should not be constructed as a representation that the amounts in question have been, could have been or could be converted at any particular rate at all.

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