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CONTINENTAL
HOLDINGS LIMITED
恒和珠寶集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00513)

**(1) DISCLOSEABLE AND CONNECTED TRANSACTIONS
INVOLVING ACQUISITIONS OF INTERESTS
IN MACARTHUR MINERALS LIMITED
AND
ISSUE OF CONVERTIBLE NOTES
AND
(2) ADOPTION OF SHARE OPTION SCHEME**

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

ATHENS CAPITAL

Athens Capital Limited

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 22 to 23 of this circular. A letter from Athens Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 24 to 39 of this circular.

A notice convening the EGM to be held at Ballroom Three, 18/F, The Mira Hong Kong, 118 Nathan Road, Tsimshatsui, Kowloon on Tuesday, 13 July 2010 at 10 a.m. is set out on pages EGM-1 to EGM-3 of this circular. If you are not able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the registered office of the Company at Flats M and N, 1st Floor, Kaiser Estate, Phase III, 11 Hok Yuen Street, Hunghom, Kowloon, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

25 June 2010

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DEFINITIONS

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

“Acquisitions”	the MMCL Acquisition and the Famous Key Acquisition
“Adoption Date”	the date on which the Share Option Scheme is adopted, conditionally or unconditionally, by the Company
“associate”	has the meaning ascribed thereto in the Listing Rules
“Athens Capital”	Athens Capital Limited, a corporation licensed under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding the Acquisitions
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company”	Continental Holdings Limited, a company incorporated in Hong Kong with limited liability and the securities of which are listed on the Stock Exchange
“Completion”	completion of the transactions contemplated under the MMCL Acquisition Agreement and/or the Famous Key Acquisition Agreement, as the case may be
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Consideration”	C\$18,845,844.5 (equivalent to approximately HK\$139,836,166.19), being the total consideration payable by Trade Bloom for the Acquisitions
“Conversion Price”	HK\$0.42 per Share, subject to adjustment pursuant to the terms of the Convertible Notes
“Conversion Share(s)”	the Shares to be issued by the Company upon conversion of the Convertible Notes
“Convertible Notes”	the MMCL Convertible Note and the Famous Key Convertible Note

DEFINITIONS

“C\$”	Canadian dollars, the lawful currency of Canada from time to time
“Director(s)”	the director(s) of the Company
“Dr. Chan”	Dr. Chan Sing Chuk, Charles, BBS, JP, the Chairman and a Director
“EGM”	the extraordinary general meeting of the Company to be convened at 10 a.m. on Tuesday, 13 July 2010 for the purpose of considering and, if thought fit, approving, amongst other things, (i) the MMCL Acquisition Agreement and the Famous Key Acquisition Agreement, and the respective transactions contemplated thereunder, including issuance of the Convertible Notes; and (ii) the adoption of the Share Option Scheme
“Eligible Person”	any employee (whether full time or part time), senior executive or officer, manager, director (including executive, non-executive and independent non-executive director) or consultant of the Company, any of its subsidiaries or any Invested Entity who, as determined by the Board, have contributed or will contribute to the growth and development of the Group or any Invested Entity
“Enlarged Group”	the Group as enlarged by the Acquisitions
“Famous Key”	Famous Key Holdings Limited, a limited liability company incorporated in BVI and wholly-owned by Dr. Chan
“Famous Key Acquisition”	the acquisition by Trade Bloom of 2,239,873 MMS Shares pursuant and subject to the terms and conditions of the Famous Key Acquisition Agreement
“Famous Key Acquisition Agreement”	the sale and purchase agreement entered into on 3 June 2010 between, inter alia, Famous Key as vendor and Trade Bloom as purchaser in relation to the sale and purchase of 2,239,873 MMS Shares
“Famous Key Convertible Note”	the convertible note in the principal amount of HK\$58,169,501.81 convertible into new Shares at the price of HK\$0.42 per new Share (subject to adjustments) to be issued by the Company upon Completion to settle the consideration for the Famous Key Acquisition Agreement

DEFINITIONS

“Grantee”	any Eligible Person who accepts an Offer in accordance with the terms of the Share Option Scheme, or (where the context so permits) any person who is entitled to any such Option in consequence of the death of the original Grantee, or the legal personal representative of such person
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hongzhuang Gold Mine Acquisition”	the sale and purchase of the entire issued share capital of Big Bonus Limited between, inter alia, Benefit Well Investments Limited as the vendor and the Company as the purchaser which was announced by the Company on 30 November 2009 and approved by the independent Shareholders on 11 February 2010
“Independent Board Committee”	the independent board committee of the Company, formed by all the independent non-executive Directors, to advise the Independent Shareholders on the terms of the MMCL Acquisition Agreement and the Famous Key Acquisition Agreement, and the respective transactions contemplated thereunder
“Independent Shareholders”	Shareholders (other than MMCL, Famous Key, Dr. Chan and their respective associates) who are not required to abstain from voting at the EGM in relation to the MMCL Acquisition Agreement and the Famous Key Acquisition Agreement, and the respective transactions contemplated thereunder
“Invested Entity”	any entity in which any member of the Group holds an equity interest
“km”	kilometers
“km ² ”	square kilometers
“Last Trading Day”	3 June 2010, being the last trading day immediately before signings of the MMCL Acquisition Agreement and the Famous Key Acquisition Agreement

DEFINITIONS

“Latest Practicable Date”	23 June 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Committee”	has the meaning ascribed thereto in the Listing Rules
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“MMCL”	MinMetals Mining Corporation Limited, a limited liability company incorporated in Hong Kong
“MMCL Acquisition”	the acquisition by Trade Bloom of 3,144,654 MMS Shares pursuant and subject to the terms and conditions of the MMCL Acquisition Agreement
“MMCL Acquisition Agreement”	the sale and purchase agreement entered into on 3 June 2010 between, inter alia, MMCL as vendor and Trade Bloom as purchaser in relation to the sale and purchase of 3,144,654 MMS Shares
“MMCL Convertible Note”	the convertible note in the principal amount of HK\$81,666,664.38 convertible into new Shares at the price of HK\$0.42 per new Share (subject to adjustments) to be issued by the Company upon Completion to settle the consideration for the MMCL Acquisition Agreement
“MMS”	Macarthur Minerals Limited, a public company incorporated in Australia with limited liability and the securities of which are listed on the TSX in Canada
“MMS Group”	MMS and its subsidiaries
“MMS Share(s)”	the share(s) in the share capital of MMS
“Offer”	an offer of the grant of an Option made in accordance with the Share Option Scheme
“Offer Date”	the date on which an Offer is made to an Eligible Person, which must be a business day
“Option”	a right granted for the subscription of Shares pursuant to the Share Option Scheme

DEFINITIONS

“Option Period”	a period within which an Option may be exercised to be notified by the Board to each Grantee at the time of making an Offer, which shall not expire later than ten years from the Offer Date
“PRC”	the People’s Republic of China and, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB” or “¥”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Option Scheme”	the proposed share option scheme to be adopted by the Company, the principal terms of which are set out in Appendix I to this circular
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of 217,647,050 new Shares by All Max Holdings Limited pursuant to the subscription agreement entered into between the Company as issuer and All Max Holdings Limited as the subscriber on 23 November 2009 and announced by the Company on 30 November 2009, which was supplemented by a supplemental agreement entered into between the same parties on 30 April 2010
“Subscription Price”	the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option granted pursuant to the Share Option Scheme
“Tamar Investments”	Tamar Investments Group Limited, a company incorporated in BVI with limited liability and wholly owned by Dr. Chan and Ms. Cheng Siu Yin, Shirley, a Director
“Trade Bloom”	Trade Bloom Holdings Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company

DEFINITIONS

“TSX”	TSX Venture Exchange
“Vendors”	MMCL and Famous Key
“%”	per cent.

For the purposes of this circular, unless otherwise specified, conversions of C\$ into HK\$ are based on the approximate exchange rate of C\$1.00 to HK\$7.42. The exchange rate is for the purpose of illustration only and no representation is made that any amount in C\$ or HK\$ could have been or could be converted at the above rate or at any other rates.

LETTER FROM THE BOARD



CONTINENTAL
HOLDINGS LIMITED
恒和珠寶集團有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00513)

Executive Directors:

Dr. Chan Sing Chuk, Charles, BBS, JP
Ms. Cheng Siu Yin, Shirley
Ms. Chan Wai Kei, Vicki
Mr. Chan Wai Lap, Victor

Registered Office:

Flats M and N, 1st Floor
Kaiser Estate, Phase III
11 Hok Yuen Street
Hung Hom, Kowloon
Hong Kong

Non-executive Director:

Mr. Cao Kuangyu

Independent non-executive Directors:

Mr. Yu Shiu Tin, Paul, BBS, MBE, JP
Mr. Chan Ping Kuen, Derek
Mr. Sze, Irons
Mr. Cheung Chi Fai, Frank

25 June 2010

To the Shareholders

Dear Sirs,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTIONS
INVOLVING ACQUISITIONS OF INTERESTS
IN MACARTHUR MINERALS LIMITED
AND
ISSUE OF CONVERTIBLE NOTES
AND
(2) ADOPTION OF SHARE OPTION SCHEME**

The Board announced on 3 June 2010 that, Trade Bloom, an indirect wholly-owned subsidiary of the Company, entered into the MMCL Acquisition Agreement and the Famous Key Acquisition Agreement with, inter alia, MMCL and Famous Key respectively. Pursuant to the MMCL Acquisition Agreement and the Famous Key Acquisition Agreement, Trade Bloom has conditionally agreed to acquire and the Vendors have conditionally agreed to sell an aggregate of 5,384,527 MMS Shares, representing approximately 18.09% of the entire

LETTER FROM THE BOARD

issued share capital of MMS. MMS is an Australian company listed on the TSX in Canada. The principal activity of the MMS Group is exploration and development of an area with significant prospective iron ore located in Western Australia. The Consideration payable by Trade Bloom is approximately HK\$139.8 million, which will be fully satisfied by the issue of the Convertible Notes.

The Board also wishes to take the opportunity to seek the approval of the Shareholders to adopt the Share Option Scheme at the EGM.

The main purpose of this circular is to provide you with, among other things, (i) further information on the Acquisitions; (ii) the recommendation of the Independent Board Committee and the advice of Athens Capital regarding the Acquisitions; (iii) information on the proposed adoption of the Share Option Scheme; and (iv) notice of the EGM.

(A) THE MMCL ACQUISITION AGREEMENT

Date 3 June 2010

Parties

Vendor: MMCL, which is principally an investment holding company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries and save for (i) the formation of a joint venture company with the Group as announced by the Company on 25 February 2010; and (ii) the entering into of the MMCL Acquisition Agreement, MMCL and its ultimate beneficial owners are third parties independent of the Company and its connected persons and are not connected persons of the Company

Purchaser: Trade Bloom

Purchaser guarantor: The Company

Asset acquired

3,144,654 MMS Shares, representing approximately 10.57% of the entire issued share capital of MMS.

Consideration

The consideration payable by Trade Bloom to MMCL is C\$11,006,289 (equivalent to approximately HK\$81,666,664.38), or C\$3.50 (equivalent to approximately HK\$25.97) per MMS Share. The consideration payable per MMS Share under the MMCL Acquisition Agreement is equivalent to that under the Famous Key Acquisition Agreement. The consideration will be fully satisfied by the issue of the MMCL Convertible Note.

LETTER FROM THE BOARD

Conditions precedent

Completion is conditional upon satisfaction of the following conditions precedent, among other things:

- (a) the passing of all resolutions by the Independent Shareholders at a general meeting of the Company approving the entering into of the MMCL Acquisition Agreement by Trade Bloom and the Company and the performance of the transactions contemplated thereunder;
- (b) the Listing Committee granting the listing of, and permission to deal in, the Conversion Shares;
- (c) completion of the Hongzhuang Gold Mine Acquisition in accordance with its terms;
- (d) all necessary statutory governmental and regulatory obligations having been complied with, and all necessary consents, approvals and waivers from the relevant statutory governmental and regulatory authorities having been obtained and continuing in force, and all necessary statutory filings have been made and waiting periods having expired or been terminated for or in connection with the completion of the transactions contemplated under the MMCL Acquisition Agreement and uninterrupted continuation of the business by the Company and Trade Bloom after Completion;
- (e) all of the conditions precedent to the completion of the Famous Key Acquisition Agreement (other than the one requiring fulfillment of all of the conditions precedent to the completion of the MMCL Acquisition Agreement) having been fulfilled in accordance with its terms, and it is not terminated or amended or modified in all respects; and
- (f) the warranties given by MMCL in the MMCL Acquisition Agreement remaining true, accurate and not misleading in all material respects and no material adverse change having occurred.

Trade Bloom may in its sole and absolute discretion at any time before Completion by notice in writing to MMCL waive any of the conditions precedent set out above (other than (a), (b) and (d) if and to the extent that such waiver, if issued, would cause or result in any of the parties to the MMCL Acquisition Agreement or any members of the Group breaching the Listing Rules and any other applicable law and regulations).

The warranties given by MMCL in condition (f) above are customary warranties, including but not limited to, MMCL having the requisite power to enter into the MMCL Acquisition Agreement and the execution, delivery and performance of the MMCL Acquisition Agreement by MMCL do not and will not violate any law or regulation in Hong Kong, Australia or any jurisdiction.

LETTER FROM THE BOARD

If any of the conditions precedent above has not been fulfilled (or, where applicable, waived) on or before the date falling six months after the date of the MMCL Acquisition Agreement or such other date(s) to be agreed in writing between the parties, either party shall be entitled to rescind the MMCL Acquisition Agreement.

As at the Latest Practicable Date, none of the conditions has been fulfilled and/or waived.

Completion

Completion shall take place on the third business day after the fulfilment (or where applicable, waiver) of all the conditions precedent above or such other date as MMCL and Trade Bloom may agree in writing. The MMCL Acquisition Agreement shall be completed contemporaneously with the Famous Key Acquisition Agreement.

(B) THE FAMOUS KEY ACQUISITION AGREEMENT

Date 3 June 2010

Parties

Vendor: Famous Key, which is principally an investment holding company

Vendor guarantor: Dr. Chan

Purchaser: Trade Bloom

Purchaser guarantor: The Company

Dr. Chan agreed to guarantee the performance of the obligations of Famous Key in the Famous Key Acquisition Agreement and the Company agreed to guarantee the performance of the obligations of Trade Bloom in the Famous Key Acquisition Agreement.

Asset acquired

2,239,873 MMS Shares, representing approximately 7.52% of the entire issued share capital of MMS.

Consideration

The consideration payable by Trade Bloom to Famous Key (or a wholly-owned subsidiary of Famous Key) is C\$7,839,555.5 (equivalent to approximately HK\$58,169,501.81), or C\$3.50 (equivalent to approximately HK\$25.97) per MMS share. The consideration payable per MMS Share under the Famous Key Acquisition Agreement is equivalent to that under the MMCL Acquisition Agreement. The consideration will be satisfied by the issue of the Famous Key Convertible Note.

LETTER FROM THE BOARD

Conditions precedent

Completion is conditional upon satisfaction of the following conditions precedent, among other things:

- (a) the passing of all resolutions by the Independent Shareholders at a general meeting of the Company approving the entering into of the Famous Key Acquisition Agreement by Trade Bloom and the Company and the performance of the transactions contemplated thereunder;
- (b) the Listing Committee granting the listing of, and permission to deal in, the Conversion Shares;
- (c) completion of the Hongzhuang Gold Mine Acquisition in accordance with its terms;
- (d) all necessary statutory governmental and regulatory obligations having been complied with, and all necessary consents, approvals and waivers from the relevant statutory governmental and regulatory authorities having been obtained and continuing in force, and all necessary statutory filings have been made and waiting periods having expired or been terminated for or in connection with the completion of the transactions contemplated under the Famous Key Acquisition Agreement and uninterrupted continuation of the business by the Company and Trade Bloom after Completion;
- (e) all of the conditions precedent to the completion of the MMCL Acquisition Agreement (other than the one requiring fulfillment of all of the conditions precedent to the completion of the Famous Key Acquisition Agreement) having been fulfilled in accordance with its terms, and it is not terminated or amended or modified in all respects; and
- (f) the warranties given by Famous Key in the Famous Key Acquisition Agreement remaining true, accurate and not misleading in all material respects and no material adverse change having occurred.

Trade Bloom may in its sole and absolute discretion at any time before Completion by notice in writing to Famous Key waive any of the conditions precedent set out above (other than (a), (b) and (d) if and to the extent that such waiver, if issued, would cause or result in any of the parties to the Famous Key Acquisition Agreement or any members of the Group breaching the Listing Rules and any other applicable law and regulations).

The warranties given by Famous Key in condition (f) above are customary warranties, including but not limited to, Famous Key having the requisite power to enter into the Famous Key Acquisition Agreement and the execution, delivery and performance of the Famous Key Acquisition Agreement by Famous Key do not and will not violate any law or regulation in Hong Kong, Australia or any jurisdiction.

If any of the conditions precedent above has not been fulfilled (or, where applicable, waived) on or before the date falling six months after the date of the Famous Key Acquisition Agreement or such other date(s) to be agreed in writing between the parties, either party shall be entitled to rescind the Famous Key Acquisition Agreement.

LETTER FROM THE BOARD

As at the Latest Practicable Date, none of the conditions has been fulfilled and/or waived.

Completion

Completion shall take place on the third business day after the fulfilment (or where applicable, waiver) of all the conditions precedent above or such other date as Famous Key and Trade Bloom may agree in writing. The Famous Key Acquisition Agreement shall be completed contemporaneously with the MMCL Acquisition Agreement.

(C) INFORMATION ON MMS

MMS is an Australian public company listed on the TSX in Canada. The principal activity of the MMS Group, through its wholly-owned subsidiary namely Internickel Australia Pty Ltd. (“IAPL”), is the exploration and development of an area with significant prospective iron ore located in Western Australia.

The area is located about 450 km east-northeast of the coastal city of Perth, Western Australia (the “Target Mine”). Its contiguous tenements cover a total area of 1,155 km². Geologically it is situated in the Southern Cross Province of the Archaean Yilgarn Block of southwestern Western Australia. The Southern Cross Province has been and still is host to many significant mineral deposits that have been or are being mined for gold, nickel sulphide and iron ore. The nearby area is fully equipped with necessary infrastructure, including gas transmission, rail, port, mining workforce and mining supporting services. A number of mineral resources estimates had been carried out in the area, including Snark, Clark Hill North, Clark Hill South, Sandlewood and Moonshine. The total inferred mineral resource for magnetite iron ore projects in the aforesaid areas has reached approximately 1.117 billion tonnes at an average of 28.7% in element iron.

Set out below are the audited net profit/(loss) before and after tax of the MMS Group for the two financial years ended 31 March 2009 prepared in accordance with Canadian accounting standards as published in the website of TSX:

	For the year ended 31 March	
	2009	2008
	C\$	C\$
Net profit/(loss) before tax	5,558,004	(1,338,908)
	(equivalent to	(equivalent to
	approximately	approximately
	HK\$41.2 million)	HK\$9.9 million)
	(Note)	
Net profit/(loss) after tax	5,338,589	(90,467)
	(equivalent to	(equivalent to
	approximately	approximately
	HK\$39.6 million)	HK\$0.7 million)
	(Note)	

Note: The figures include a one-off dilution gain (before tax) of C\$6,974,084 (equivalent to approximately HK\$51.7 million) arose from the issue of shares by a subsidiary of MMS.

LETTER FROM THE BOARD

According to the unaudited interim financial statements for the six months ended 30 September 2009, the net book value of the MMS Group was approximately C\$15.9 million (equivalent to approximately HK\$118.0 million). The 2,239,873 MMS Shares under the Famous Key Acquisition Agreement were acquired by Famous Key in September 2009 at the cost of approximately C\$1.9 million (equivalent to approximately HK\$14.1 million)

The Consideration of C\$3.50 (equivalent to approximately HK\$25.97) per MMS Share represents:

- (i) a premium of approximately 94% over the closing price of C\$1.80 (equivalent to approximately HK\$13.36) per MMS Share as at 22 June 2010, being the last trading date immediately before the Latest Practicable Date;
- (ii) a premium of approximately 111% over the average closing price of approximately C\$1.66 (equivalent to approximately HK\$12.32) per MMS Share traded on the TSX for the 1-month period including 22 June 2010;
- (iii) a premium of approximately 99% over the average closing price of approximately C\$1.76 (equivalent to approximately HK\$13.06) per MMS Share traded on the TSX for the 3-month period including 22 June 2010; and
- (iv) a premium of approximately 127% over the average closing price of approximately C\$1.54 (equivalent to approximately HK\$11.43) per MMS Share traded on the TSX for the 6-month period including 22 June 2010.

(D) BASIS OF THE CONSIDERATION

The Consideration has been arrived at after arm's length negotiations among Trade Bloom and the Vendors, with reference to, among other things, the operating status, which is currently in exploration stage, and the prospect of MMS including the inferred mineral resource for magnetite iron ore of approximately 1.117 billion tonnes at an average of 28.7% in element iron in the projects held by MMS as revealed from MMS's public announcement dated 23 February 2007.

The monthly trading volume of MMS Shares on the TSX for the 1-year period including 22 June 2010 was approximately 0.78 million MMS Shares, representing approximately 2.6% of the issued share capital of MMS or 14.5% of the MMS Shares under the Acquisitions. Given the low liquidity of MMS Shares traded at the TSX and the possibility of creating an upward pressure to the share price of MMS Shares, the Directors have not considered acquiring MMS Shares directly from the market at the TSX.

Although the Consideration per MMS Share is at premiums over the historical trading prices of MMS Shares as set out in section C above and MMS Shares have a low liquidity, taking into account (i) the Target Mine is currently in exploration stage; (ii) the amount of the inferred mineral resource as set out above; and (iii) the Company's intention to keep the MMS Shares as a long-term investment as set as in section G of this letter below, the

LETTER FROM THE BOARD

Directors consider that the Consideration, which is based on a price of MMS Shares of C\$3.5, is fair and reasonable and the Acquisitions are in the interests of the Company and its Shareholders as a whole.

Based on the public announcements of MMS dated 3 June 2009, 14 August 2009 and 3 December 2009, MMS has agreed in June 2009 to acquire 30% interest in IAPL from each of MMCL (which held 20% interest in IAPL) and another party (which held the remaining 10% interest in IAPL) by issuing an aggregate of 4,716,980 new shares of MMS (comprising 3,144,654 new MMS Shares to MMCL and 1,572,326 new MMS Shares to the other party) at a deemed issue price of C\$2.12 (equivalent to approximately HK\$15.73) per MMS Share (i.e. the deemed consideration paid by MMS to MMCL was C\$6,666,666.48 (equivalent to approximately HK\$49.5 million)).

Even though the Consideration per MMS Share payable under the MMCL Acquisition Agreement is at premium over the original acquisition cost paid by MMS, after considering (i) the increase in spot iron ore price during the period commencing from June 2009 and up to the date of the MMCL Acquisition Agreement; (ii) the increasing trend in reported inferred iron ore resource and iron content of the Target Mine based on various published technical reports and announcements of MMS; and (iii) the amount of the inferred mineral resource of the Target Mine as set out above, the Directors consider the Consideration is fair and reasonable.

Moreover, although MMS has yet to record any profit (except for the year ended 31 March 2009 which comprised a one-off dilution gain (before tax) of approximately C\$7.0 million (equivalent to approximately HK\$51.9 million) as set out in section C of this letter), the Directors are also of the view that the Acquisitions are in the interest of the Company and its Shareholders as a whole on the basis that (i) the Target Mine is still in exploration stage; and (ii) the amount of inferred mineral resource of the Target Mine as mentioned in section C of this letter.

The Directors further consider that the other terms of the MMCL Acquisition Agreement and the Famous Key Acquisition Agreement (including the Consideration) are on normal commercial terms and fair and reasonable to the Company and the Shareholders as a whole.

(E) THE CONVERTIBLE NOTES

The principal amounts of the MMCL Convertible Note and the Famous Key Convertible Note are HK\$81,666,664.38 and HK\$58,169,501.81 respectively. Other principal terms of the MMCL Convertible Note and the Famous Key Convertible Note are the same and are summarised below:

Conversion price:	HK\$0.42 per Conversion Share, subject to adjustments for, among other things, share consolidation, share sub-division, capitalisation of profits or reserves, capital distribution, rights issue, grant of options, warrants or other rights to subscribe for or purchase any Shares
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LETTER FROM THE BOARD

Coupon rate:	Nil
Conversion period:	<p>The holders of the Convertible Notes shall have the right to convert at any time prior to the date of maturity in whole but not in part of the principal amount of the Convertible Notes into the Conversion Shares provided that the conversion will not result in any breach of the Listing Rules and any other laws and regulations in Hong Kong, including the requirement of the Company to maintain the minimum public float.</p> <p>In the event the Company (or its subsidiary) (a) announces that it will make, or commences to make or makes a takeover bid for the issued shares of MMS; or (b) announces that it has entered into, or enters into an agreement the effect of which is that it will acquire the issued shares of MMS pursuant to a scheme of arrangement, within 18 months from the date of the Convertible Notes, the conversion rights in respect of the entire principal amount of the Convertible Notes then outstanding shall be deemed to be automatically and duly exercised by the holders of the Convertible Notes</p>
Maturity:	<p>2nd anniversary of the date of issue of the Convertible Notes. If and to the extent that there shall be any outstanding principal amount of the Convertible Notes at the date of maturity, the Convertible Notes are to be redeemed</p>
Early redemption:	<p>At any time after the date of the issue of the Convertible Notes and before the fifth business day before the date of maturity, the Company may redeem all of the Convertible Notes at a price being equal to 100% of the face value of the full principal amount of the Convertible Notes proposed to be redeemed</p>
Ranking:	<p>The Convertible Notes shall rank <i>pari passu</i> with all other present and future unsecured and unsubordinated obligations of the Company</p>
Transferability:	<p>The Convertible Notes may be assigned or transferred to any third party, subject only to compliance with the Listing Rules and all applicable laws and regulations</p>
Listing:	<p>No application will be made for the listing of the Convertible Notes on the Stock Exchange or any other stock exchange. An application will be made to the Stock Exchange by the Company for the listing of, and permission to deal in, the Conversion Shares</p>

LETTER FROM THE BOARD

The terms of the Convertible Notes have been arrived at after arm's length negotiations between Trade Bloom and the Vendors and were determined with reference to, among other things, (i) current borrowing rate of the Company; (ii) the unsecured and unlisted natures of the Convertible Notes; and (iii) the prevailing market price of the Shares. Accordingly, the Directors consider that the terms of the Convertible Notes are fair and reasonable.

Conversion Price

The Conversion Price of HK\$0.42 per Conversion Share (subject to adjustments) was arrived at after arm's length negotiations among Trade Bloom and the Vendors and represents:

- (i) a premium of approximately 55.6% over the closing price of HK\$0.27 per Share as quoted on the Stock Exchange on 23 June 2010, being the Latest Practicable Date;
- (ii) a premium of approximately 13.5% over the closing price of HK\$0.370 per Share as quoted on the Stock Exchange on 3 June 2010, being the Last Trading Day;
- (iii) a premium of approximately 17.3% over the average closing price per Share of HK\$0.358 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 20.3% over the average closing price per Share of HK\$0.349 as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day; and
- (v) a premium of approximately 36.8% over the unaudited consolidated net assets value per Share of approximately HK\$0.307 as at 31 December 2009 (based on the total equity attributable to the Shareholders of approximately HK\$959.8 million as at 31 December 2009 divided by 3,128,303,340 Shares outstanding as at the Latest Practicable Date).

Assuming the exercise of the conversion rights attaching to the Convertible Notes in full at the initial Conversion Price of HK\$0.42 per Conversion Share, the Company will allot and issue an aggregate of 332,943,252 new Shares, representing:

- (i) approximately 10.6% of the existing issued share capital of the Company; and
- (ii) approximately 6.1% of the issued share capital of the Company as enlarged by the issue of new Shares upon completions of the Hongzhuang Gold Mine Acquisition and the Subscription and the exercise of the conversion rights attaching to the Convertible Notes in full.

The Conversion Shares will be issued under a specific mandate to be considered at the EGM. The Conversion Shares, when issued and allotted, will rank pari passu in all respects with all the Shares then in issue.

LETTER FROM THE BOARD

The Directors consider that the terms of the issue of the Conversion Shares are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(F) SHAREHOLDING STRUCTURE

Set out below are the shareholding structures of the Company (i) as at the Latest Practicable Date; (ii) immediately upon completions of the Hongzhuang Gold Mine Acquisition and the Subscription; (iii) immediately upon Completion and before conversion of any Convertible Notes; and (iv) immediately upon full conversion of the Convertible Notes.

	As at the Latest Practicable Date		Immediately upon completions of the Hongzhuang Gold Mine Acquisition and the Subscription		Immediately upon Completion and before conversion of any Convertible Notes		Immediately upon full conversion of the Convertible Notes	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Tamar Investments	1,588,163,030	50.8%	3,352,868,910	65.6%	3,352,868,910	65.6%	3,352,868,910	61.6%
Chan Wai Lap, Victor	2,700,000	0.1%	2,700,000	0.1%	2,700,000	0.1%	2,700,000	0.1%
Famous Key	–	–	–	–	–	–	138,498,813	2.5%
Dr. Chan and his associates	1,590,863,030	50.9%	3,355,568,910	65.7%	3,355,568,910	65.7%	3,494,067,723	64.2%
Chan Ping Kuen, Derek, a Director	200,000	0.0%	200,000	0.0%	200,000	0.0%	200,000	0.0%
Subscriber of the Subscription	–	–	217,647,050	4.2%	217,647,050	4.2%	217,647,050	4.0%
MMCL	–	–	–	–	–	–	194,444,439	3.6%
Other Shareholders	<u>1,537,240,310</u>	<u>49.1%</u>	<u>1,537,240,310</u>	<u>30.1%</u>	<u>1,537,240,310</u>	<u>30.1%</u>	<u>1,537,240,310</u>	<u>28.2%</u>
Total	<u>3,128,303,340</u>	<u>100.0%</u>	<u>5,110,656,270</u>	<u>100.0%</u>	<u>5,110,656,270</u>	<u>100.0%</u>	<u>5,443,599,522</u>	<u>100.0%</u>

(G) REASONS FOR THE ACQUISITIONS

The Group's principal business is in the manufacturing, exporting and marketing of fine jewellery and diamonds. Over the recent years, the Board and management have been actively diversifying the Company's portfolio in various investments. In light of a strong worldwide demand for natural resources and commodities, the Group foresees continuous potential and attractive opportunities in the mining segments around the world. As announced by the Company on 30 November 2009, the Group entered into a conditional acquisition agreement for the Hongzhuang Gold Mine Acquisition involving 100% interest in a gold mine in Henan Province, PRC. The Company further announced on 25 February 2010 that a shareholders agreement was entered into with, inter alia, MMCL regarding the formation of and the principal terms governing a joint venture company with principal business of trading in mineral ores. As such, the Group is in the process of stepping into the mining industry. The Directors consider that the Acquisitions offer the Group a good business opportunity to further invest in the mining industry.

LETTER FROM THE BOARD

Upon Completion, the Company will hold approximately 18.09% interest in MMS and it has no current intention to directly involve in the management and operations of MMS. The Company considers its interest in MMS a long-term investment and will be accounted for as a non-current asset “Available-for-sale financial assets” of the Group.

(H) LISTING RULES IMPLICATIONS

As certain percentage ratios under the Listing Rules are more than 5% but all of them are less than 25%, the MMCL Acquisition constitutes a discloseable transaction for the Company under the Listing Rules.

Dr. Chan is a Director and controlling Shareholder who, through Tamar Investments, holds approximately 50.8% of the issued share capital of the Company as at the Latest Practicable Date. Accordingly, Famous Key, being a company owned by Dr. Chan, is a connected person of the Company. As certain percentage ratios under the Listing Rules are more than 5% but all of them are less than 25%, the Famous Key Acquisition constitutes a discloseable and connected transaction for the Company under the Listing Rules. Since the Famous Key Acquisition involves issue of new Shares, the Famous Key Acquisition is subject to the approval of the Independent Shareholders at the EGM by way of poll. The MMCL Acquisition Agreement is inter-conditional with the Famous Key Acquisition Agreement.

Dr. Chan, Ms. Cheng Siu Yin, Shirley, Ms. Chan Wai Kei, Vicki and Mr. Chan Wai Lap, Victor are the executive Directors and have a material interest in the Famous Key Acquisition, they have abstained from voting on the resolution at the Board meeting approving the Acquisitions.

The Independent Board Committee has been established to advise the Independent Shareholders in respect of the terms of the MMCL Acquisition Agreement and the Famous Key Acquisition Agreement, and the respective transactions contemplated thereunder. Athens Capital, the independent financial adviser, has been appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard.

MMCL, Famous Key, Dr. Chan and their respective associates will abstain from voting at the EGM in relation to the Acquisitions. The votes of the Independent Shareholders regarding the resolutions for approvals of the MMCL Acquisition Agreement and the Famous Key Acquisition Agreement and the respective transactions contemplated thereunder will be taken by way of poll at the EGM.

LETTER FROM THE BOARD

(I) PROPOSED ADOPTION OF THE SHARE OPTION SCHEME

The Board proposes to recommend to the Shareholders for consideration and if thought fit adoption of the Share Option Scheme. A summary of the principal terms of the Share Option Scheme is set out in Appendix I to this circular.

The Share Option Scheme is conditional upon:

- (a) the Listing Committee granting approval of the listing of, and permission to deal in, any Shares falling to be issued upon the exercise of the Options; and
- (b) the passing of an ordinary resolution to approve and adopt the Share Option Scheme by the Shareholders at the EGM pursuant to the Listing Rules.

Application will be made to the Stock Exchange for the approval of the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of any Options that may be granted under the Share Option Scheme.

Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide Eligible Persons with the opportunity to acquire proprietary interests in the Company and to encourage Eligible Persons to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole. The scheme will provide the Company with flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to Eligible Persons. As at the Latest Practicable Date, the Company had not adopted any other share option scheme.

Under the rules of the Share Option Scheme, the Board has discretion to set a minimum period for which an Option has to be held before it can be exercised. Such discretion allows the Board to provide incentives to Grantees to remain employed with the Group during the minimum period and thereby enabling the Group to benefit from the continued services of such Grantees during such period. This discretion, coupled with the power of the Board to impose any performance target as it considers appropriate before any Option can be exercised, enables the Group to incentivise the Grantees. Subject to the Listing Rules, the Board also has discretion in determining the Subscription Price in respect of any Option. The Directors are of the view that the flexibility given to the Board in granting Options to the Grantees and in particular, imposing minimum holding period and performance targets before an Option can be exercised, and the discretion given to the Board in determining the Subscription Price will place the Group in a better position to attract and retain valuable human resources. This serves the purpose of the Share Option Scheme.

Value of the Options

The Directors consider that it is not appropriate to state the value of all Options that can be granted pursuant to the Share Option Scheme as if they had been granted at the Latest Practicable Date. The Directors believe that any statement regarding the

LETTER FROM THE BOARD

value of the Options as at the Latest Practicable Date will not be meaningful to the Shareholders and to certain extent would be misleading to the Shareholders, taking into account the number of variables which are crucial for the calculation of the value of the Options have not been determined. Such variables include the Subscription Price, Option Period, any performance targets set and other relevant variables.

Scheme mandate limit

Subject to the obtaining of Shareholders' approval with respect to the adoption of the Share Option Scheme, pursuant to Rule 17.03 of the Listing Rules, the total number of Shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 10% of the issued share capital of the Company as at the date of approval of the Share Option Scheme. The Board shall not grant any Options which would result in the maximum aggregate number of Shares which may be issued upon exercise of all outstanding Options granted but yet to be exercised under the Share Option Scheme and any other share option schemes adopted by the Company which provide for the grant of options to acquire or subscribe for Shares exceeding, in aggregate, 30% of the issued share capital of the Company from time to time.

Maximum number of Shares

Based on the 3,128,303,340 Shares in issue as at the Latest Practicable Date and assuming that there is no change in the issued share capital of the Company before the EGM, the maximum number of Shares to be issued upon the exercise of Options that may be granted under the Share Option Scheme are 312,830,334 Shares, being 10% of the issued share capital of the Company.

(J) EGM

The EGM will be held to consider and, if thought fit, approving the Acquisitions and the adoption of the Share Option Scheme. Notice of the EGM is set out on pages EGM-1 to EGM-3 of this circular.

MMCL, Famous Key, Dr. Chan and their respective associates (to the extent any of them holds any Share at the time of the EGM) having interests in the Famous Key Acquisition Agreement and/or the MMCL Acquisition Agreement different from the Independent Shareholders will abstain from voting at the EGM in respect of the resolutions for approving the Acquisitions.

A form of proxy for use at the EGM is enclosed. Whether or not you will be able to attend the EGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's registered office at Flats M and N, 1st Floor, Kaiser Estate, Phase III, 11 Hok Yuen Street, Hung Hom, Kowloon, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment (as the case may be) should you so wish.

LETTER FROM THE BOARD

(K) RECOMMENDATION AND FURTHER INFORMATION

On the basis of the information set out in this circular, the Directors consider that the passing of the resolutions for the Acquisitions and the adoption of the Share Option Scheme are in the interests of the Company and the Shareholders as a whole. As such, the Directors recommend the Shareholders to vote in favor of these resolutions as set out in the notice of the EGM.

As Dr. Chan and his associates (including Ms. Cheng Siu Yin, Shirley, Ms. Chan Wai Kei, Vicki and Mr. Chan Wai Lap, Victor) have a material interest in the Famous Key Acquisition, they have abstained from voting on the Board resolution approving the Acquisitions.

Your attention is drawn to the letters from the Independent Board Committee and Athens Capital as set out in this circular. Athens Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisitions. Your attention is also drawn to the appendices to this circular.

Yours faithfully,
for and on behalf of
CONTINENTAL HOLDINGS LIMITED
Chan Sing Chuk, Charles
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation to the Independent Shareholders from the Independent Board Committee regarding the MMCL Acquisition and the Famous Key Acquisition for the purpose of incorporation in this circular:



CONTINENTAL HOLDINGS LIMITED 恒和珠寶集團有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00513)

25 June 2010

To the Independent Shareholders

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTIONS INVOLVING ACQUISITIONS OF INTERESTS IN MACARTHUR MINERALS LIMITED AND ISSUE OF CONVERTIBLE NOTES

We refer to the circular dated 25 June 2010 issued by the Company (the “Circular”) of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed as the Independent Board Committee to advise you as to whether, in our opinion, the terms of the Acquisitions are fair and reasonable as far as the Independent Shareholders are concerned and the Acquisitions are in the interests of the Company and the Shareholders as a whole. Athens Capital has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this respect. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 24 to 39 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 7 to 21 of the Circular and the additional information set out in the appendices to the Circular.

Having taken into account the terms of the Acquisitions and the transactions contemplated thereunder and the advice of Athens Capital, we consider that the Acquisitions and the transactions contemplated thereunder are fair and reasonable as far as the Independent Shareholders are concerned and the Acquisitions are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Acquisitions and the transactions contemplated thereunder.

Yours faithfully,

Independent Board Committee

Mr. Yu Shiu Tin, Paul, BBS, MBE, JP, Mr. Chan Ping Kuen, Derek,

Mr. Sze, Irons, Mr. Cheung Chi Fai, Frank

Independent non-executive Directors

LETTER FROM ATHENS CAPITAL

The following is the text of a letter received from Athens Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding the MMCL Acquisition Agreement and the Famous Key Acquisition Agreement and the transactions contemplated thereunder for the purpose of inclusion in this circular.

ATHENS CAPITAL

Athens Capital Limited

803 Chinese Bank Building
61-65 Des Voeux Road
Central, Hong Kong

25 June 2010

To: The Independent Board Committee and the Independent Shareholders

Dear Sirs,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
INVOLVING ACQUISITIONS OF INTERESTS
IN MACARTHUR MINERALS LIMITED
AND
ISSUE OF CONVERTIBLE NOTES**

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the MMCL Acquisition Agreement and the Famous Key Acquisition Agreement, details of which are set out in the letter from the board (the “**Letter from the Board**”) contained in the circular (the “**Circular**”) of the Company to the Shareholders dated 25 June 2010, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the content otherwise requires.

As announced by the Company on 3 June 2010, Trade Bloom, an indirect wholly-owned subsidiary of the Company, entered into the MMCL Acquisition Agreement and the Famous Key Acquisition Agreement with, inter alia, MMCL and Famous Key respectively. Pursuant to the MMCL Acquisition Agreement and the Famous Key Acquisition Agreement, Trade Bloom has conditionally agreed to acquire and the Vendors have conditionally agreed to sell an aggregate of 5,384,527 MMS Shares (the “**Sale Shares**”), representing approximately 18.09% of the entire issued share capital of MMS, at the Consideration of C\$18,845,844.5 (equivalent to approximately HK\$139.8 million), equivalent to C\$3.5 (equivalent to approximately HK\$25.97) per MMS Share being acquired.

As certain percentage ratios under the Listing Rules are more than 5% but all of them are less than 25%, the MMCL Acquisition constitutes a discloseable transaction for the Company under the Listing Rules. Dr. Chan is a Director and controlling Shareholder who,

LETTER FROM ATHENS CAPITAL

through Tamar Investments, holds approximately 50.8% of the issued share capital of the Company as at the Latest Practicable Date. Accordingly, Famous Key, being a company wholly owned by Dr. Chan, is a connected person of the Company. As certain percentage ratios under the Listing Rules are more than 5% but all of them are less than 25%, the Famous Key Acquisition also constitutes a discloseable and connected transaction for the Company under the Listing Rules. Since the Famous Key Acquisition involves issue of new Shares, the Famous Key Acquisition is subject to the approval of the Independent Shareholders at the EGM. The MMCL Acquisition Agreement, which is inter-conditional with the Famous Key Acquisition Agreement, is also subject to the approval of the Independent Shareholders at the EGM. MMCL, Famous Key, Dr. Chan and their respective associates (to the extent any of them holds any Share at the time of the EGM) having interests in the Famous Key Acquisition Agreement and/or the MMCL Acquisition Agreement different from the Independent Shareholders will abstain from voting at the EGM in respect of the resolutions for approving the Acquisitions. The votes of the Independent Shareholders regarding the resolutions for approvals of the MMCL Acquisition Agreement and the Famous Key Acquisition Agreement and the respective transactions contemplated thereunder will be taken by way of poll at the EGM.

The Independent Board Committee comprising Mr. Yu Shiu Tin, Paul, BBS, MBE, JP, Mr. Chan Ping Kuen, Derek, Mr. Sze, Irons and Mr. Cheung Chi Fai, Frank, being the independent non-executive Directors, has been formed to advise the Independent Shareholders on whether (i) the terms of the MMCL Acquisition Agreement and the Famous Key Acquisition Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Acquisitions and the respective transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true, complete and accurate in all material respects at the time when they were made and continue to be so as at the date of the despatch of the Circular. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiries and careful considerations.

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us.

LETTER FROM ATHENS CAPITAL

We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our recommendation in compliance with Rule 13.80 of the Listing Rules. The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company nor have we considered the taxation implication on the Group or the Shareholders as a result of the transactions herein.

In addition, we have no obligation to update this opinion to take into account events occurring after the issue of this letter. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion in respect of the terms of the MMCL Acquisition Agreement and the Famous Key Acquisition Agreement (collectively the “**Sale and Purchase Agreements**”) and the Acquisitions, we have considered the following principal factors and reasons:

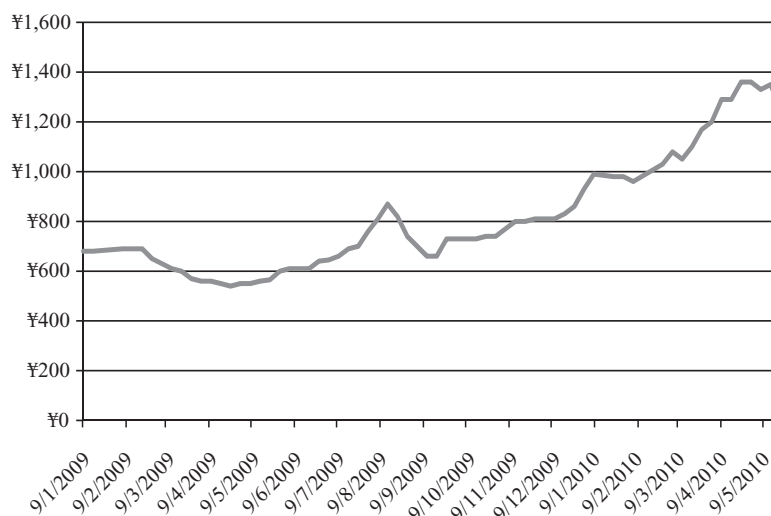
(I) The background of and reasons for entering into the Sale and Purchase Agreements

An overview of the iron ore prices

Iron ore is mainly composed of compounds of iron and oxygen (iron oxides) mixed with impurities. Almost all of the iron ore mined globally is used in the production of iron and subsequently, steelmaking and other downstream processing. As shown in the following chart regarding the iron ore prices in the PRC as quoted on the Bloomberg for the period from January 2009 to May 2010, the price for iron ore with the average iron contents of 64% has been on an increasing trend from the lowest of approximately RMB680 per tonne in January 2009 to approximately RMB1,310 per tonne in May 2010, representing a growth of approximately 92.6% over the period. Furthermore, the spot price for iron ore with the average iron content of 64% as quoted on 21 May 2010 was approximately RMB1,250 per tonne.

LETTER FROM ATHENS CAPITAL

Graph 1: The price per tonne of iron ore with the average iron contents of 64% for the period from January 2009 to May 2010:



Source: Bloomberg

Information on the Group

The Group is principally engaged in design, manufacture, marketing and trading of fine jewellery and diamonds, and property investment and development. As detailed in the announcement of the Company dated 30 November 2009 and the circular of the Company dated 25 January 2010 regarding the Hongzhuang Gold Mine Acquisition, the Company proposed to acquire the entire interest in Big Bonus Limited, the principal asset of which is the 100% interest in a gold mine situated in Henan Province, the PRC. Furthermore, the Company announced on 25 February 2010 that the Company entered into a shareholders agreement with, inter alia, MMCL regarding the formation of and the principal terms governing a joint venture company with principal business of trading in mineral ores. Upon completion of the Hongzhuang Gold Mine Acquisition and the formation of the joint venture company, the Group will diversify into mining business in the PRC, and the Group will engage in three different business sectors, namely, (i) design, manufacturing, marketing and trading of fine jewellery and diamonds; (ii) property investment; and (iii) mining operations.

As stated in the annual report for the three years ended 30 June 2009, the audited revenue of the Group for the three years ended 30 June 2009 amounted to approximately HK\$1,632 million, HK\$1,498 million and HK\$1,190 million with the audited profit attributable to equity holders of the Company amounted to approximately HK\$114 million, HK\$83 million and HK\$136 million respectively.

LETTER FROM ATHENS CAPITAL

Information on the MMS Group and the Target Mine

MMS is an Australian public company listed on the TSX in Canada. The principal activity of the MMS Group, through its wholly-owned subsidiary Internickel Australia Pty Ltd. (“**IAPL**”), is the exploration and development of an area with significant prospective iron ore located in Western Australia. The area is located approximately 450km east-northeast of the coastal city of Perth, Western Australia (the “**Target Mine**”). Its contiguous tenements cover a total area of 1,155km². Geologically the Target Mine is situated in the Southern Cross Province of the Archaean Yilgarn Block of southwestern Western Australia. The Southern Cross Province has been and still is host to many significant mineral deposits that have been or are being mined for gold, nickel sulphide and iron ore. The nearby area is fully equipped with necessary infrastructure, including gas transmission, rail, port, mining workforce and mining supporting services. The sole asset of MMS is its 100% interest in IAPL. As disclosed in 2009 Technical Report, MMS is the holder of the 12 exploration licences and 13 mining leases of the Target Mine.

According to the technical report prepared by CSA Global Pty. Ltd. for MMS (the “**2009 Technical Report**”) dated 17 December 2009 as disclosed on the TSX and the website of MMS on 17 December 2009, the Target Mine contains approximately 1,050.7 million tonnes of inferred iron ore resource with an average iron content of 28.3% (which is further increased to approximately 1,117 million tonnes of inferred iron ore resource with an average iron content of 28.7% as disclosed in the MMS announcement dated 23 February 2010), and approximately 300 million tonnes of concentrated iron ore with an average iron content of 64.5%. The exploration works of the Target Mine is still in progress. As reference to the technical report prepared by Hellman & Schofield Pty. Ltd. as disclosed on the TSX dated 29 October 2007 (the “**2007 Technical Report**”), the reserve estimation of the Target Mine contains approximately 82.5 million tonnes of inferred iron ore resource with an average iron content of 24.6%, and approximately 18.46 million tonnes of concentrated iron ore with an average iron content of 63.1%. Having reviewed the technical reports, we noted that the reserve estimation of the Target Mine significantly increased from 82.5 million tonnes of inferred iron ore resource with an average iron content of 24.6% as detailed in the 2007 Technical Report to approximately 1,117 million tonnes of inferred iron ore resource with an average iron content of 28.7% as detailed in the MMS announcement dated 23 February 2010.

LETTER FROM ATHENS CAPITAL

We note from the annual report of the MMS Group as disclosed on the TSX for the two years ended 31 March 2009 that the MMS Group recorded net loss and net profit after tax of approximately C\$90,467 (equivalent to approximately HK\$0.7 million) and C\$5.3 million (equivalent to approximately HK\$39.6 million) respectively, with the total shareholders' equity amounted to approximately C\$8.5 million (equivalent to approximately HK\$63.1 million) and C\$14.14 million (equivalent to approximately HK\$104.9 million) respectively. Given that the MMS Group has yet to commence production, no revenue is recorded. The net profit of the MMS Group for the year ended 31 March 2009 was mainly attributable to the dilution gain of approximately C\$7.0 million (equivalent to approximately HK\$51.7 million) arising out of the sale of 30% interest in IAPL to LPD Holdings (Australia) Pty. Ltd. ("LPD") from MMS, details of which can be referred to the MMS announcements dated 26 February 2008, 18 April 2008 and 28 April 2008. The 30% interest previously sold to LPD has already been reacquired by MMS as detailed in the MMS announcements on the TSX dated 3 June 2009, 14 August 2009 and 3 December 2009. MMS currently owns the entire interest in IAPL, the results of which would reflect in the annual report of the MMS Group for the financial year ended 31 March 2010. As the MMS Group has yet to commence production, the past track record is not a good indicator for the future financial performance of the MMS Group and hence we do not rely on the historical financial results of the MMS Group when assessing the merits of the Acquisitions.

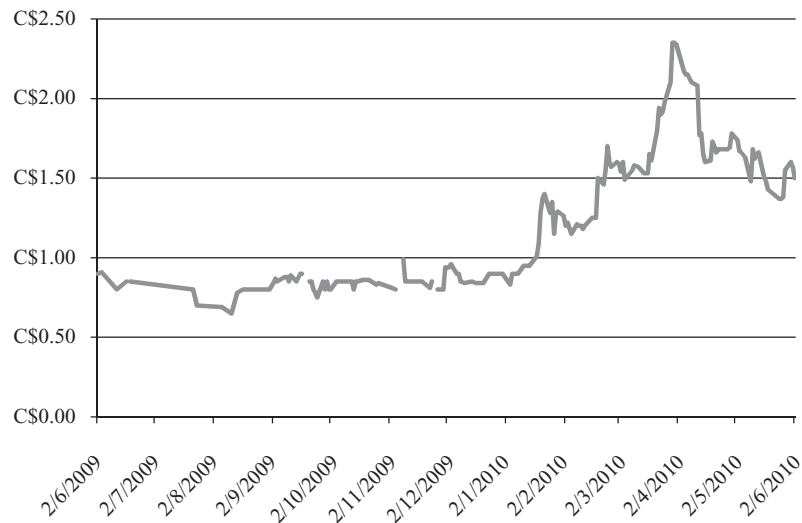
The Independent Shareholders are reminded that the iron resource estimation as stated in various technical reports are estimates only, which may or may not be recovered, and should not be construed as exact quantities. Furthermore, we would like to remind the Independent Shareholders that the success of the iron extraction is not guaranteed and the recoverable resources may not conform to the estimate level as stated in the 2009 Technical Report. Any failure in discovering iron ore or in attaining commercial production may adversely affect the investment return of the Acquisitions, in particular, exploration, development and production risk as well as operation and environment and sovereign risk may occur. In addition, normal market risk conditions also apply including commodity price, currency fluctuations, supply and demand and general economic outlook.

Share performance of the MMS Shares on TSX

The graphs below show (i) the daily closing price of the MMS Shares; and (ii) the daily trading volume of the MMS Shares, as a percentage of MMS's total issued share capital, as quoted on the TSX for the period from 2 June 2009 to 2 June 2010, the twelve months period prior to the date of entering into the MMCL Acquisition Agreement and the Famous Key Acquisition Agreement.

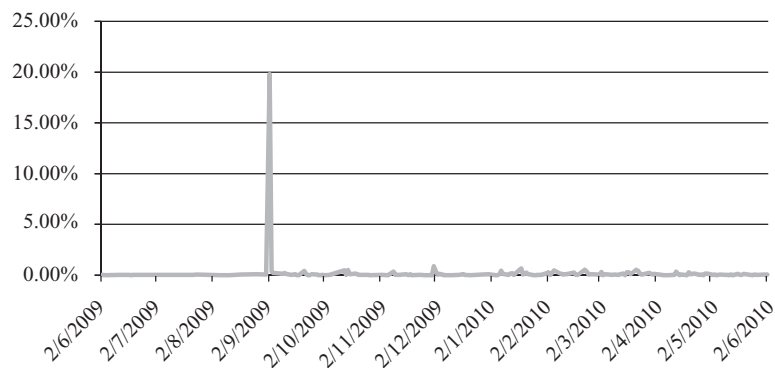
LETTER FROM ATHENS CAPITAL

Graph 2: Daily closing price of the MMS Shares



Source: Bloomberg

Graph 3: Daily trading volume of the MMS Shares as a percentage of MMS's total issued share capital



LETTER FROM ATHENS CAPITAL

from this unusual trading volume, the daily trading volume of the MMS Shares remained thin during the review period from the lowest of nil to the highest of 0.89%. Without taking into account the extremity in trading volume as recorded on 2 September 2009 as discussed above, the MMS Shares traded in aggregate on the market during the review period were merely approximately 4.18 million MMS Shares, representing approximately 17.45% to the total issued share capital of MMS. Furthermore, we have reviewed the MMS published announcements but found no particular events attributable to the unusual trading volume of 4,745,854 MMS Shares registered on 2 September 2009. We are also not aware of any reasons for the increase in the trading volume on 2 September 2009, and hence consider the extremity an exceptional case during the review period.

Given the extremely thin daily trading volume of the MMS Shares during the review period save for the extremity in trading volume as recorded on 2 September 2009, we consider that (i) it is impracticable for the Company to acquire 5,384,527 MMS Shares on the market, which is not sufficiently active, in a short period of time as compared to entering into the Sale and Purchase Agreements which brings in an effective way for the Company to acquire 18.09% interest in MMS; (ii) the Company might not be able to acquire a large number of the MMS Shares in the open market on the TSX without exerting an upward pressure on the price of the MMS Shares; and (iii) the Acquisitions represent an opportunity for the Group to further diversify its investment into mining business. In view of the above, particularly the low liquidity of the MMS Shares during the review period, we consider that the trading price of the MMS Shares is not a good indicator of its value. We are also of the view that (i) offering a premium price for the MMS Shares by the Group to the Vendors is justifiable; and (ii) the Acquisitions can also provide an alternative way for the Company to invest in the MMS Group and the Target Mine in a short period of time.

Reasons of and benefits for the Acquisitions

As set out in the Letter from the Board, the Directors consider that save for the existing business of the Group, the Board and the management of the Group have been actively diversifying the Company's portfolio in various investments over the recent years. The Group foresees continuous potential and attractive opportunities in the mining segments around the world in light of a strong worldwide demand for natural resources and commodities. In addition, the Group on 30 November 2009 entered into a conditional acquisition agreement regarding the Hongzhuang Gold Mine Acquisition, and on 25 February 2010 entered into a shareholders agreement with MMCL regarding the formation of a joint venture company with principal business engaging in trading of mineral ores. As such, the Group is in the process of venturing into the mining industry. The Directors consider that the Acquisitions offer the Group a good business opportunity to further expand into the mining industry.

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Upon Completion, the Company will hold 18.09% interest in MMS and it has no current intention to directly involve in the management and operations of MMS. The Company considers its interest in MMS a long-term investment and will be accounted for as a non-current assets “Available-for-sale financial assets” of the Group.

Having considered (i) the continuing growth of the iron ore prices in the recent year; (ii) the Acquisitions are in line with the Group’s development strategy of diversifying in mining business which the Group has already been in the progress to acquire a gold mine in the PRC regarding Hongzhuang Gold Mine Acquisition, and establish a joint venture company with MMCL, the principal business of which will be in trading of mineral ores; and (iii) the Target Mine has abundant reserve of iron resources as detailed in the 2009 Technical Report, we are of the view that the Acquisitions are not in the ordinary and usual course of business of the Group but in line with its business development strategy and we concur with the Directors’ view that the Acquisitions are in the interests of the Company and the Shareholders as a whole.

(II) Principal terms of the MMCL Acquisition Agreement and the Famous Key Acquisition Agreement

The Consideration

Pursuant to the MMCL Acquisition Agreement and the Famous Key Acquisition Agreement, Trade Bloom has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares at the Consideration. The consideration per MMS Share under MMCL Acquisition Agreement and the Famous Key Acquisition Agreement is equivalent. The consideration payable by Trade Bloom to MMCL and Famous Key amounted to approximately C\$11,066,289 (equivalent to approximately HK\$81,666,664.38) and C\$7,839,555.5 (equivalent to approximately HK\$58,169,501.81).

As set out in the Letter from the Board, the Consideration has been arrived at after arm’s length negotiations among Trade Bloom and the Vendors, with reference to, among other things, the operating status, which is currently in exploration stage, and the prospect of MMS including the inferred mineral resource for magnetite iron ore of approximately 1,117 million tonnes with an average iron content of 28.7% in the projects held by MMS as disclosed in the MMS announcement dated 23 February 2010.

Based on the MMS announcements dated 3 June 2009, 14 August 2009 and 3 December 2009, MMS has reacquired 30% interests in IAPL (the “**Reacquisition**”) from each of MMCL (which held 20% interest in IAPL) and LPD (which held 10% interest in IAPL) by issuing an aggregate of 4,716,980 new MMS Shares (as to 3,144,654 new MMS Shares to MMCL and as to 1,572,326 new MMS Shares to LPD) at a deemed issue price of C\$2.12 (equivalent to approximately HK\$15.73) per MMS Share (the “**Issue Price**”). The deemed consideration paid by MMS to MMCL was therefore C\$6,666,666.48 (equivalent

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to approximately HK\$49.5 million). As set out in the Letter from the Board, though the Consideration per MMS Share of C\$3.5 (equivalent to approximately HK\$25.97) payable under the MMCL Acquisition Agreement is at premium over the original acquisition cost paid by MMS, after considering (i) the increase in spot iron ore price during the period from June 2009 and up to the date of the MMCL Acquisition Agreement; and (ii) the increasing trend in reported inferred iron ore resource and iron content of the Target Mine based on various published technical reports and announcements of MMS; and (iii) the amount of the inferred mineral resource of the Target Mine, the Directors consider that the Consideration, which is based on a per share price of MMS of C\$3.5, is fair and reasonable.

The Directors further consider that the other terms of the MMCL Acquisition Agreement and the Famous Key Acquisition Agreement (including the Consideration) are on normal commercial terms and fair and reasonable to the Company and the Shareholders as a whole.

The Consideration per MMS Share of C\$3.5 (equivalent to approximately HK\$25.97) represented (i) a premium of 133.3% to the closing price of the MMS Share of C\$1.50 (equivalent to approximately HK\$11.13) as quoted on the TSX on 2 June 2010; and (ii) a premium of 130.3% to the average closing price of the MMS Share of C\$1.52 (equivalent to approximately HK\$11.28) as quoted on the TSX for the last five trading days up to and including 2 June 2010.

As set out in the Letter from the Board, the original purchase cost incurred by the Famous Key for the 2,239,873 MMS Shares under the Famous Key Acquisition Agreement amounted to approximately C\$1.90 million (equivalent to approximately HK\$14.10 million).

In forming our view on the fairness and reasonableness of the Consideration per MMS Share of C\$3.5, we have reviewed the average iron ore prices with the average iron content of 64% for the period from June 2009, being the month in which MMS published the initial announcement in relation to the Reacquisition, to May 2010, being the last full month prior to entering into the Sale and Purchase Agreements. We noted that the average iron ore prices with the average iron ore content of 64% increased from the closing price of approximately RMB618 per tonne in June 2009 to approximately RMB1,310 per tonne in May 2010, representing an upsurge of approximately 112%.

Furthermore, we understand that the 3,144,654 MMS Shares under the MMCL Acquisition Agreement were previously issued by MMS to MMCL in relation to the Reacquisition. We have therefore compared the Consideration per MMS Share of C\$3.5 to the Issue Price of C\$2.12 to assess the Consideration and noted that the Consideration per MMS Share represented a premium of approximately 65.1% to the Issue Price. As the Directors took into consideration, among others, the increase in spot iron ore price during the period from June 2009 and up to the date of the Sale and Purchase Agreements which shown an upsurge of approximately 112%, they considered that offering a premium of

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65.1% to the Issue Price is fair and reasonable to the Company. In light of the above analysis, we concur with the Directors' view that the Company has used fair and reasonable bases to determine the Consideration.

In view of the above, and having considered that (i) the Consideration has been arrived at after arm's length negotiations between the relevant parties; (ii) the increasing trend of the iron ore resources as disclosed in the 2007 Technical Report and 2009 Technical Report, and (iii) the performance of the iron ore prices which has been on an increasing trend for over a year, we are of the view that the Consideration is fair and reasonable.

The Convertible Notes

The Consideration will be fully settled by way of issuing of the MMCL Convertible Note and Famous Key Convertible Note to MMCL and Famous Key respectively. Save for the principal amounts of the MMCL Convertible Note and the Famous Key Convertible Note of HK\$81,666,664.38 and HK\$58,169,501.81 respectively, other principal terms of the MMCL Convertible Note and Famous Key Convertible Note are the same. The Conversion Price is HK\$0.42 per Conversion Share and the Convertible Notes carry nil interest for a maturity term of 2 years from the date of issue of Convertible Notes.

The Conversion Price of HK\$0.42 per Conversion Share represents:

- (i) a premium of approximately 55.6% over the closing price of HK\$0.27 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 13.5% over the closing price of HK\$0.37 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 17.3% over the average closing price of approximately HK\$0.358 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and
- (iv) a premium of approximately 20.3% over the average closing price of approximately HK\$0.349 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day; and
- (v) a premium of approximately 36.8% over the unaudited consolidated net assets value per Share of approximately HK\$0.307 as at 31 December 2009 (based on the total equity attributable to the Shareholders of approximately HK\$959.8 million as at 31 December 2009 divided by 3,128,303,340 Shares outstanding as at the Latest Practicable Date).

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In order to assess the fairness and reasonableness of the terms of the Convertible Notes, we have identified and reviewed, on a best effort basis, the transactions involving issue of convertible securities to connected parties for acquisition purpose by companies listed on the Stock Exchange (the “**CB Comparables**”) from 3 December 2009 to 3 June 2010, being six months period prior to the date of the Sale and Purchase Agreements. Due to the fact that the business, operations and prospects of the Company are not exactly the same as the CB Comparables, Independent Shareholders should note that the CB Comparables are only used to provide a general reference for the common market practice of companies listed on the Stock Exchange in transactions which involved in the issue of convertible bonds/ notes. Set out below is a summary of our findings:

Date of announcement	Issuer	Stock code	Annual interest rate	Maturity (years)	Premium/ (discount) of the conversion price over/(to) the closing price of the shares as at the last trading day (%)
25-May-10	International Elite Limited	1328	nil	5	0.0
21-Apr-10	Rainbow Brothers Holdings Limited	33	nil	5	(25.6)
19-Apr-10	Polyard Petroleum International Group Limited	8011	3.0%	3	(10.2)
25-Jan-10	Jia Sheng Holdings Limited	729	nil	8	(77.8)
23-Jan-10	CNNC International Limited	2302	2.0%	3	15.9
29-Dec-09	Ming Hing Waterworks Holdings Limited	402	nil	5	(69.9)
		Maximum	3.0%	8	15.9
		Median	nil	5	(17.9)
		Minimum	nil	3	(77.8)
		Average	0.8%	4.8	(27.9)
3 June 2010	The Company		nil	2	13.5

The CB Comparables have a maturity ranging from three years to eight years, with an average maturity of about 4.8 years. Hence, the maturity of the Convertible Notes of two years is at the lowest end amongst the CB Comparables.

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The Convertible Notes will bear nil interest rate which lies in the range of the interest rate of the CB Comparables from nil to 3% per annum with the average of 0.8%. We therefore consider that the interest rate of the Convertible Notes is comparable to market rates and is acceptable to the Company so far as the Independent Shareholders are concerned.

As illustrated above, the premium/discount of the conversion price over/to the closing price on the last trading day ranged from a discount of approximately 77.8% to a premium of approximately 15.9% with the average discount of 27.9%. The premium of approximately 13.5% as represented by the Conversion Price over the closing price of the Share on the Last Trading Day falls within the range of and lies above the median of the CB Comparables. We therefore consider that the Conversion Price which is at premium of 13.5% to the closing price of the Share on the Last Trading Day appears to be favorable to the Company.

In view of the above and having considered that the settlement of the Consideration by issue of Convertible Notes would not generate immediate cash outflow to the Group, we are of the view that the Conversion Price and also the mode of settlement of Consideration by issuing the Convertible Notes are fair and reasonable.

Potential dilution effect on the shareholding of the Independent Shareholders

Set out below is the shareholding structures of the Company (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Hongzhuang Gold Mine Acquisition and the Subscription; (iii) immediately upon Completion and before conversion of any Convertible Notes; and (iv) immediately upon full conversion of the Convertible Notes.

	As at the Latest Practicable Date		Immediately upon completion of the Hongzhuang Gold Mine Acquisition and the Subscription		Immediately upon Completion and before conversion of any Convertible Notes		Immediately upon full conversion of the Convertible Notes	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Tamar Investments	1,588,163,030	50.8%	3,352,868,910	65.6%	3,352,868,910	65.6%	3,352,868,910	61.6%
Chan Wai Lap, Victor	2,700,000	0.1%	2,700,000	0.1%	2,700,000	0.1%	2,700,000	0.1%
Famous Key	—	—	—	—	—	—	138,498,813	2.5%
Dr. Chan and his associates	1,590,863,030	50.9%	3,355,568,910	65.7%	3,355,568,910	65.7%	3,494,067,723	64.2%
Chan Ping Kuen, Derek, a Director	200,000	0.0%	200,000	0.0%	200,000	0.0%	200,000	0.0%
Subscriber of the Subscription	—	—	217,647,050	4.2%	217,647,050	4.2%	217,647,050	4.0%
MMCL	—	—	—	—	—	—	194,444,439	3.6%
Other Shareholders	1,537,240,310	49.1%	1,537,240,310	30.1%	1,537,240,310	30.1%	1,537,240,310	28.2%
Total	3,128,303,340	100.0%	5,110,656,270	100.0%	5,110,656,270	100.0%	5,443,599,522	100.0%

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Assuming the exercise of the conversion rights attaching to the Convertible Notes in full at the initial Conversion Price of HK\$0.42 per Conversion Share, the Company will allot and issue an aggregate of 332,943,252 new Shares, representing (i) approximately 10.6% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 6.1% of the issued share capital of the Company as enlarged by the issue of new Shares upon completion of the Hongzhuang Gold Mine Acquisition and the Subscription and the exercise of the conversion rights attaching to the Convertible Notes in full.

As at the Latest Practicable Date, the existing public Shareholders were interested in approximately 49.1% of the issued share capital of the Company. If the Convertible Notes are fully converted by the Vendors, 332,943,252 Conversion Shares will be issued to the Vendors. The aggregate shareholding interests of the existing public Shareholders in the Company will be reduced (i) from approximately 49.1% as at the Latest Practicable Date to approximately 28.2% immediately upon Completion and full conversion of the Convertible Notes, representing a decrease of approximately 20.9%; and (ii) from approximately 30.1% immediately upon completion of the Hongzhuang Gold Mine Acquisition and the Subscription to approximately 28.2% immediately upon Completion and full conversion of the Convertible Notes, representing a decrease of approximately 1.9%. Details of which can be referred to the Letter from the Board. Completion of the Hongzhuang Gold Mine Acquisition is a condition precedent to the Completion.

Having considered (i) the Acquisitions represent an opportunity for the Company to further diversify its investment in the iron ore mining business; (ii) the Conversion Price is fair and reasonable as discussed in the above section; and (iii) the completion of the Hongzhuang Gold Mine Acquisition is a condition precedent to the Completion, we are of the view that the potential dilution of shareholding of the existing public Shareholders is acceptable.

(III) Financial effects of the Acquisitions

(a) Effect on net asset value

According to the unaudited interim report of the Group for the six months ended 31 December 2009, the unaudited net assets value of the Group (including minority interest) was approximately HK\$961.0 million.

With reference to the annual report of the MMS Group as disclosed on the TSX for the year ended 31 March 2009, the total shareholders' equity amounted to approximately C\$14.14 million (equivalent to approximately HK\$104.9 million) as at 31 March 2009.

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Upon Completion, it is expected that the net assets value of the Group will be increased, given that

- (i) the total assets will be increased by approximately HK\$139.8 million, being the Consideration of MMCL Acquisition and Famous Key Acquisition, which will be classified as “Available-for-sale financial assets” under “Non-current assets”;
- (ii) the total liabilities will be increased by the liabilities component of the Convertible Notes (the fair value of the Convertible Notes upon recognition will be classified in two components, namely liabilities components which will be accounted for under “Non-current liabilities” and equity components, which will be accounted for as “Equity”); and
- (iii) part of the Convertible Notes (equity components) will be accounted for as equity leading to an increase in the Group’s net assets value.

(b) Effect on earnings

The Directors expected that the Acquisitions would not have any immediate effect on the earnings position of the Group, except for the imputed interest on the Convertible Notes which will be accounted for as finance costs to be calculated in accordance with the appropriate financial model and accounting standards. However, given that (i) MMS is likely to have positive business prospect and the Group is entitled to receive dividends, if any, from MMS upon Completion; and (ii) the optimistic prospect of the iron ore prices as discussed earlier, the Directors expected that the Acquisitions could enhance the future earnings potential of the Group.

(c) Cashflow and Liabilities

According to interim report of the Group for the six months ended 31 December 2009, the Group recorded unaudited total liabilities of approximately HK\$434.4 million. Having considered the Convertible Notes of approximately HK\$139.8 million to be issued to the Vendors, the total liabilities of the Group is expected to be increased. However the cashflow of the Group will not be adversely affected as the Consideration is to be fully settled by the issue of the Convertible Notes which bear nil interest rate.

We note that the Acquisitions will have a negative impact on the Group’s total liabilities. However, having considered (i) the cash position of the Group will not be affected; (ii) the optimistic prospect of the iron ore prices as discussed above; and (iii) the Acquisitions represent an opportunity for the Company to further diversify into the iron ore mining business, we consider that the Acquisitions are beneficial to the Company and its Shareholders as a whole.

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RECOMMENDATION

Having taken into account the principal factors and reasons referred to the above, we are of the opinion that (i) the terms of the MMCL Acquisition Agreement and the Famous Key Acquisition Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Acquisitions including the issue of Convertible Notes are fair and reasonable and in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Shareholders and recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions approving the MMCL Acquisition Agreement and the Famous Key Acquisition Agreement, the Acquisitions and the issue of Convertible Notes.

Yours faithfully,
For and on behalf of
Athens Capital Limited
Ross Cheung
Director

The following is a summary of the principal terms of the Share Option Scheme to be adopted at the EGM.

In this Appendix, “Shares” shall mean ordinary shares of HK\$0.01 each in the capital of the Company (or of such other nominal amount as shall result from sub-division, consolidation or reduction of the share capital of the Company from time to time).

(a) Who may join

The Board may invite any Eligible Person as the Board may in its absolute discretion select, having regard to such person’s qualifications, skills, background, experience, service records and/or contribution or potential value to the relevant member(s) of the Group or Invested Entity, to take up Options to subscribe for Shares at a price calculated in accordance with paragraph (c) below.

(b) Purposes of the Share Option Scheme

The principal purposes of the Share Option Scheme are to enable the Group and its Invested Entities to recruit and retain high calibre Eligible Persons and attract human resources that are valuable to the Group or Invested Entities, to recognise the contributions of the Eligible Persons to the growth of the Group or Invested Entities by rewarding them with opportunities to obtain ownership interest in the Company and to motivate and give incentives to these Eligible Persons to continue to contribute to the long term success and prosperity of the Group or Invested Entities.

(c) Subscription Price and acceptance period

The Subscription Price for the Shares under the Share Option Scheme shall be a price determined by the Board at its absolute discretion and notified to an Eligible Person but shall not be less than the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the Offer Date;
- (ii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five (5) business days immediately preceding the Offer Date; and
- (iii) the nominal value of a Share.

Provided that where the Board proposes to grant Options under paragraphs (e)(ii) or (f)(ii) below, the date of the meeting of the Board proposing the relevant grant shall be deemed to be the Offer Date for the purpose of calculating the Subscription Price.

The Eligible Person must accept any such Offer notified to him or her within ten (10) business days from the Offer Date, failing which it shall be deemed to have been rejected. Upon acceptance of the Offer, the Grantee shall pay HK\$1.00 to the Company as consideration for the grant.

(d) Number of Shares subject to the Share Option Scheme

- (i) Subject to the provisions of paragraph (d)(ii) below,
- (1) the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme(s) of the Company must not in aggregate exceed ten (10) per cent. (the “**Scheme Mandate Limit**”) of the Shares in issue at the Adoption Date unless the Company obtains a fresh approval from the Shareholders pursuant to paragraphs (d)(i)(2) and/or (3) below;
 - (2) the Company may seek approval of its shareholders in general meetings to refresh the Scheme Mandate Limit from time to time such that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme(s) of the Company shall not exceed ten (10) per cent. of the Shares in issue as at the date of such Shareholders’ approval. The Company must issue a circular containing the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules to the Shareholders; and
 - (3) the Company may seek separate approval of its shareholders in general meetings to grant Options over and above the Scheme Mandate Limit provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Persons specified by the Company before such approval is sought and for whom specific approval is then obtained. The Company must issue a circular containing the information required under Note 1 to Rule 17.03(3) of the Listing Rules to the Shareholders in connection with such grant.
- (ii) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company shall not, subject to paragraph (m), in aggregate exceed thirty (30) per cent. of the Shares in issue from time to time. No option may be granted under the Share Option Scheme and any other option scheme(s) of the Company if such limit is exceeded.

(e) Maximum entitlement of each Grantee

- (i) Unless the approval of the Shareholders as contemplated under paragraph (e)(ii) below is obtained, the total number of Shares issued and to be issued upon exercise of the options granted to each Eligible Person under the Share Option

Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding options) in any 12-month period must not exceed one (1) per cent. of the Shares in issue.

- (ii) Where the Board proposes to grant an option to an Eligible Person under the Share Option Scheme and/or any other share option scheme(s) of the Company and such further grant would result in such Eligible Person becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares (a) already issued under all the options previously granted to him or her which have been exercised; (b) issuable under all the options previously granted to him or her which are for the time being subsisting and unexercised; and (c) which were subject to options previously granted to him or her but for the time being having been cancelled in the past 12-month period up to and including the date of such further grant, exceeding one (1) per cent. of the Shares in issue for the time being, such further grant shall be separately approved by the Shareholders in general meetings (with such Eligible Person and his or her associates abstaining from voting). The relevant requirements under the Note to Rule 17.03(4) of the Listing Rules and other applicable statutory regulations or rules must be complied with.

(f) Maximum entitlement of each Grantee who is a connected person

In addition to the approval of the Shareholder as set out in paragraphs (d)(i) and (e)(ii) above,

- (i) each grant of Option to an Eligible Person who is a director, chief executive or substantial shareholder of the Company or any of their respective associates, under the Share Option Scheme must be approved by the independent non-executive Director(s) (excluding the independent non-executive Director who is the Grantee of the Option); and
- (ii) where the Board proposes to grant any Option to an Eligible Person who is a substantial Shareholder or an independent non-executive Director or any of their respective associates, and such Option, if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding options) in the past 12-month period up to and including the date of grant:
 - (1) representing in aggregate more than 0.1 per cent. of the total number of Shares in issue; and
 - (2) having an aggregate value (on the assumption that all such options had been exercised and all Shares allotted), based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of each grant or, if that date is not a business day, the business day immediately before that date, in excess of HK\$5,000,000.00,

Such further grant of Options must be approved by the Shareholders. The Company must send a circular to its shareholders containing the information required under Rule 17.04(3) of the Listing Rules. All connected persons of the Company must abstain from voting at the general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his or her intention to do so has been stated in the circular to be sent to the Shareholders. The Company must comply with Rules 13.40, 13.41 and 13.42 of the Listing Rules.

(g) Exercise period and performance target

Subject to paragraphs (i), (j), (k) and (l) and unless otherwise determined by the Board and notified to the Grantee on or before the Offer Date, an Option may be exercised in accordance with the terms of the Share Option Scheme at any time during the Option Period, subject to any restrictions or conditions on the exercise of the Options as the Board may determine.

The Option Period shall be notified by the Board to each Grantee upon grant of each Option, provided that it shall commence on a date not earlier than the Offer Date and not be more than ten (10) years from the Offer Date.

There is no provision in the Share Option Scheme to require a Grantee to fulfill any performance target or to hold the Option for a certain period before exercising the Option, but the Board may at its absolute discretion and from time to time provide such requirements in the Offer.

(h) Non-transferability

An Option shall be personal to the Grantee and shall not be assignable, and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any Option (save that the Grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle the Company to determine any outstanding Option or part thereof granted to such Grantee, whereupon the Option outstanding or part thereof shall be deemed to have lapsed.

(i) Rights on ceasing to be an Eligible Person

- (i) Where the Grantee of an Option ceases to be an Eligible Person for any reason other than his or her death or termination of his or her employment or engagement or cessation of his or her directorship on one or more of the grounds set out in paragraph (p)(v) below, the Grantee may (if the date of cessation of employment or engagement or directorship is on or after the commencement of the Option Period) exercise the Option at any time on or before the date which is three (3) months after the date of cessation, to the extent exercisable as at the

date of cessation but not so exercised, which date of cessation shall be the last actual working day with or for the relevant entity whether salary or compensation is paid in lieu or not, and the Board's decision in that regard shall be conclusive.

- (ii) Where the Grantee dies before exercising the Option in full and none of the events which would be a ground for termination of his or her employment or engagement or cessation of his or her directorship set out in paragraph (p)(v) below occurs, the legal personal representative(s) of the Grantee shall be entitled to exercise the Option up to the entitlement of such Grantee as at the date of death (to the extent not already exercised) within six (6) months from the date of death.

(j) Winding-up

In the event a notice is given by the Company to its shareholders to convene a shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to the Grantee and the Grantee (or his or her legal personal representative(s)) may by notice in writing to the Company accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given (such notice to be received by the Company not later than two (2) business days prior to the proposed shareholders' meeting) exercise the Option (to the extent not already exercised) either to its full extent or to the extent specified in such notice and the Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed shareholders' meeting, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise.

(k) General offer

- (i) If a general offer (whether by way of takeover offer, share repurchase offer or otherwise in a like manner) is made to all the Shareholders (or all Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror), the Company shall use its reasonable efforts to procure that such offer is extended to all Grantees (on the same terms, mutatis mutandis, and assuming that such Grantee will become, by exercise of the Options granted to them (to the extent not already exercised), Shareholders). If the general offer becomes or is declared unconditional prior to the expiry date of the relevant Option, the Grantee shall be entitled to exercise the Option in full or in part (to the extent not already exercised) at any time within such period as shall be notified by the Company, provided that if, during such period, such person becomes entitled to exercise rights of compulsory acquisition of Shares pursuant to the Companies Ordinance and gives notices in writing to any holders of Shares that he intends to exercise such rights, Options (to the extent not already exercised) shall be and remain exercisable until one (1) month from the date of such notice.

- (ii) If a general offer by way of scheme of arrangement is made to all the Shareholders with the scheme having been approved by the necessary number of Shareholders at the requisite meetings, the Grantee (or his or her legal personal representative(s)) may thereafter (but before such time as may be specified by the Company in a notice to the Grantee) exercise the Option to its full extent or to the extent specified in his or her notice to the Company.

(I) Compromise or arrangement with members or creditors

In the event of a compromise or arrangement between the Company and its members or creditors being proposed in connection with the scheme for the reconstruction or amalgamation of the Company under the Companies Ordinance, the Company shall give notice thereof to all Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a compromise or arrangement and the Grantee may by notice in writing to the Company accompanied by the remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given (such notice to be received by the Company not later than two (2) business days prior to the proposed meeting) exercise the Option (to the extent not already exercised) either to its full extent or to the extent specified in such notice, and the Company shall as soon as possible and in any event not later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise credited as fully paid and register the Grantee as holder thereof. With effect from the date of such meeting, the rights of all Grantees to exercise their respective Options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all Options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of Options under this paragraph shall for the purposes of such compromise or arrangement form part of the issued share capital of the Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of the Grantees to exercise their respective Options shall with effect from the date of the making of the order by the court be restored in full but only to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) (provided that the Option Period shall accordingly be extended by the length of the period of suspension) as if such compromise or arrangement had not been proposed by the Company and no claim shall lie against the Company or any of its officers for any loss or damage sustained by any Grantee as a result of the aforesaid suspension.

(m) Adjustment

(i) Subject to paragraph (m)(ii) below, in the event of a capitalisation issue, rights issue, sub-division or consolidation of Shares or reduction of capital of the Company while any Option remains exercisable, such corresponding alterations (if any) shall be made to:

- (1) the number of Shares subject to the Share Option Scheme; and/or
- (2) the number of Shares subject to the Options already granted; and/or
- (3) the Subscription Price,

provided that any such alteration shall be made on the basis that:

- (1) the aggregate Subscription Price payable by a Grantee on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event; and
- (2) the proportion of the issued share capital of the Company to which a Grantee is entitled after such alteration shall remain the same as that to which he or she was entitled before such alteration,

and provided further that no such alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and other notes or guidance issued by the Stock Exchange from time to time shall be complied with. In respect of any such alterations (save those made on a capitalisation issue), an independent financial adviser or the auditors of the Company must confirm to the Directors in writing that such alterations satisfy the requirements set out in the Note to Rule 17.03(13) of the Listing Rules.

- (ii) For the avoidance of doubt, the issue by the Company of securities as consideration for or in connection with a transaction will not be regarded as a circumstance requiring adjustment.
- (iii) The capacity of the independent financial adviser or the auditors of the Company in paragraph (m)(i) is that of expert and not of arbitrator and its certification shall, in the absence of manifest error, be final and binding on the Company and the Grantees.

(n) Alteration of rules

(i) Subject to paragraph (n)(iii), the rules of the Share Option Scheme other than those relating to the matters set out in Rule 17.03 of the Listing Rules and the definitions of “Eligible Person”, “Grantee” and “Option Period” may be altered from time to time in any respect by resolution of the Board. Other specified

provisions of the Share Option Scheme relating to, among other things, the matters set out in Rule 17.03 of the Listing Rules and the definitions of “Eligible Person”, “Grantee” and “Option Period” cannot be altered to the advantage of the Grantees or prospective Grantees save with the prior approval of the Shareholders in general meeting.

- (ii) No alteration of the Share Option Scheme shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Grantees as would be required of the Shareholders under the articles of association of the Company for the time being for a variation of the rights attached to the Shares.
- (iii) Any alteration to the terms and conditions of the Share Option Scheme which is of a material nature or any change to the terms of Options granted shall be approved by the Shareholders, save where such alteration takes effect automatically under the existing terms of the Share Option Scheme.
- (iv) Any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.
- (v) The amended terms of the Share Option Scheme or the Options must still comply with the relevant requirements of Chapter 17 of the Listing Rules.

(o) Ranking of the Shares

The Shares to be allotted and issued upon exercise of an Option will be subject to all the provisions of the articles of association of the Company for the time being in force and will rank *pari passu* with the fully paid Shares in issue on the date of allotment of the Shares upon exercise of the Option or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment of the Shares upon exercise of the Option or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members, other than any dividend or other distributions previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment of the Shares upon exercise of the Option.

(p) Lapse of Option

An Option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of the periods referred to in paragraphs (i) or (I);

- (iii) subject to the competent court not making an order the effect of which is to prohibit the offeror to acquire the remaining Shares in the offer, the expiry of the period referred to in paragraph (k)(i);
- (iv) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in paragraph (k)(ii);
- (v) the date on which the Grantee ceases to be an Eligible Person by reason of the termination of his or her employment or engagement or cessation of his or her directorship on the grounds that he or she has been guilty of misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay debts or has become insolvent or has committed an act of bankruptcy or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or on any other ground on which an employer would be entitled to terminate his or her employment or engagement at common law or pursuant to any applicable laws or under the Grantee's service or engagement contract with the relevant entity. A resolution of the Board to the effect that the employment or engagement of a Grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive;
- (vi) the date of occurrence of any event(s), if any, whereby the relevant Option will lapse as prescribed under the Offer;
- (vii) subject to paragraph (j), the date of commencement of the winding-up of the Company; and
- (viii) where the Grantee commits a breach of paragraph (h), the date which the Board shall designate in the exercise of the Company's right to determine the Option thereunder.

(q) Conditions

The Share Option Scheme is conditional on (i) the passing of the necessary resolution by the Shareholders in general meeting to approve and adopt the Share Option Scheme; and (ii) the Listing Committee granting approval of the listing of, and permission to deal in, any Shares falling to be issued pursuant to the exercise of Options granted under the Share Option Scheme.

(r) Term of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten (10) years commencing from the Adoption Date, after which no further Options shall be granted. The Options which are granted during the life of the Share Option Scheme may, however, continue to be exercisable in accordance with their terms of issue, and the provisions of the Share Option Scheme shall remain in full force and effect in respect thereof.

(s) Cancellation of Options

Any cancellation of Options granted but not exercised shall require approval of the Board. Where the Board cancels Options and issues new ones to the same Eligible Person, the issue of such new Options may only be made under the Share Option Scheme with available unissued Options (excluding the cancelled Options) within the limit approved by the Shareholders as mentioned in paragraph (d).

(t) Early termination

The Company may by ordinary resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme. In such event, no further Options will be offered but the Options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue and, for such purposes only, the provisions of the Share Option Scheme will remain in full force and effect.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company at the Latest Practicable Date and immediately after completions of the Hongzhuang Gold Mine Acquisition and the Subscription, full conversion of the convertible notes which may be issued under the Hongzhuang Gold Mine Acquisition and the Acquisitions and the issue of the warrant shares to be issued upon exercises of the subscription rights conferred by the unlisted warrants issued on 18 January 2010 are set out as follows:

	<i>HK\$</i>
<i>Authorised capital:</i>	
<u>35,000,000,000</u> Shares of HK\$0.01 each	<u>350,000,000</u>
<i>Issued (or agreed to be issued) and fully paid:</i>	
3,128,303,340 Shares of HK\$0.01 each	31,283,033.40
332,943,252 Conversion shares to be issued under the Acquisitions	3,329,432.52
1,764,705,880 Consideration shares of HK\$0.01 each to be issued under the Hongzhuang Gold Mine Acquisition	17,647,058.80
217,647,050 Subscription shares of HK\$0.01 each to be issued under the Subscription	2,176,470.50
1,710,526,310 Conversion shares of HK\$0.01 each to be issued under the Hongzhuang Gold Mine Acquisition	17,105,263.10
498,554,912 Warrant shares of HK\$0.01 each to be issued upon exercises of the subscription rights conferred by the unlisted warrants issued on 18 January 2010	4,985,549.12
<u>7,652,680,744</u> Shares	<u>76,526,807.44</u>

All existing Shares rank equally in all respects, including capital, dividends and voting rights. The Shares are listed on the Stock Exchange.

3. DISCLOSURE OF INTERESTS OF DIRECTORS

- (a) As at the Latest Practicable Date, the interests and the short positions (within the meaning of the SFO) of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO to be entered in the register referred to therein, or 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, were as follows:

Name of Director	Number of ordinary shares of HK\$0.01 each in the Company			Percentage of the Company's issued share capital
	Personal interest	Corporate interest	Family interest	
Chan Sing Chuk, Charles	–	5,201,894,033 (Note 1)	–	166.285%
Cheng Siu Yin, Shirley	–	5,201,894,033 (Note 1)	–	166.285%
Chan Ping Kuen, Derek	200,000	–	–	0.006%
Chan Wai Lap, Victor	–	–	2,700,000 (Note 2)	0.086%

Name of Director	Debenture (principal amount)		
	Personal interest	Corporate interest	Family Interest
Chan Sing Chuk, Charles	–	HK\$383.17 million (Note 3)	–
Cheng Siu Yin, Shirley	–	HK\$383.17 million (Note 3)	–

Note 1: Such interests are held as to (i) 5,063,395,220 shares by Tamar Investments Group Limited, which is a company wholly owned by Dr. Chan and Ms. Cheng Siu Yin, Shirley and include interests in the consideration Shares and the conversion Shares to be issued under the Hongzhuang Gold Mine Acquisition; and (ii) 138,498,813 Shares by Famous Key Holdings Limited, which is a company wholly owned by Dr. Chan and represent interest in the Conversion Shares under the Famous Key Convertible Note. Dr. Chan and Ms. Cheng Siu Yin, Shirley, both being Directors, are the directors of Tamar Investments.

Note 2: The 2,700,000 Shares were held by Ms. Kwok Ching Yan, Louisa, who is the spouse of Mr. Chan Wai Lap, Victor, an executive Director.

Note 3: Such interest is held by (i) Tarmar Investments in the convertible note in HK\$325 million principal amount to be issued under the Hongzhuang Gold Mine Acquisition; and (ii) Famous Key in the Famous Key Convertible Note in HK\$58.17 million principal amount. Tarmar Investments is wholly owned by Dr. Chan and Ms. Cheng Siu Yin, Shirley as referred to in Note 1 and Famous Key is wholly owned by Dr. Chan as referred to in Note 1.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO to be entered in the register referred to therein, or 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.

- (b) Save as disclosed in this circular and the circular of the Company dated 25 January 2010, as at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have since 30 June 2009 (being the date to which the latest published audited consolidated accounts of the Group were made up) been acquired or disposed of by or leased to or by any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to or by any member of the Enlarged Group.
- (c) Save as disclosed in this circular and the circular of the Company dated 25 January 2010, as at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Enlarged Group since 30 June 2009, being the date to which the latest published audited financial statements of the Company were made up, and which was significant in relation to the business of the Enlarged Group.
- (d) As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business apart from the business of the Group, which competed or was likely to compete, either directly or indirectly, with that of the Group.
- (e) Dr. Chan has a service contract with the Company for an indefinite period, which may be terminated by either party giving three months' written notice. Save for the above, none of the Directors had a service contract with the Company which is not expiring or determinable by the Company within one year without payment of compensation, other than statutory compensation as at the Latest Practicable Date.

- (f) An acquisition agreement dated 4 July 2008 was entered into between Invest Companion Limited, a wholly-owned subsidiary of the Company, and Brilliant Top Properties Limited, a company wholly-owned by Dr. Chan, in relation to the acquisition of the entire issued share capital and shareholder's loan in Precious Palace International Limited at HK\$389,500,000 less the amount of the mortgage loan (if any) outstanding as at the completion date, details of which were set out in the announcement of the Company dated 9 July 2008 and the circular of the Company dated 27 August 2008. Other than the transactions contemplated under the aforementioned acquisition agreement, none of the Directors has any interest, direct or indirect, in the promotion of, or in any assets which have been within the two years immediately preceding the Latest Practicable Date acquired or disposed of by or leased to, the Company or any of its subsidiaries.

4. QUALIFICATION AND CONSENT OF EXPERT

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

Name	Qualification
Athens Capital	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Athens Capital has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter and the references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Athens Capital was not interested in any Shares or shares in any member of the Enlarged Group, nor does it have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Shares or shares in any member of the Enlarged Group. As at the Latest Practicable Date, Athens Capital did not have any direct or indirect interests in any assets which have since 30 June 2009 (being the date to which the latest published audited consolidated accounts of the Group were made up) been acquired or disposed of by or leased to or by any member of the Enlarged Group, MMS or any of their subsidiaries, or are proposed to be acquired or disposed of by or leased to or by any member of the Enlarged Group.

5. 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 2009, being the date to which the latest published audited financial statements of the Company were made up.

6. GENERAL

The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekday (public holidays excepted) at the registered office of the Company at Flats M and N, 1st Floor, Kaiser Estate, Phase III, 11 Hok Yuen Street, Hunghom, Kowloon, Hong Kong, up to and including the date of the EGM:

- (a) the Share Option Scheme;
- (b) letter from the Independent Board Committee as set out on pages 22 to 23 of this circular;
- (c) the letter from Athens Capital to the Independent Board Committee and the Independent Shareholders as set out on pages 24 to 39 of this circular;
- (d) a copy of service contract with Dr. Chan referred to in sub-paragraph (e) of the paragraph headed “Disclosure of interests of Directors” in this Appendix; and
- (e) the written consent referred to in paragraph headed “Qualification and consent of expert” in this Appendix.

NOTICE OF THE EGM



CONTINENTAL

HOLDINGS LIMITED

恒和珠寶集團有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00513)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Continental Holdings Limited (the “Company”) will be held at Ballroom Three, 18/F, The Mira Hong Kong, 118 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Tuesday, 13 July 2010 at 10 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolutions, which will be proposed as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. **“THAT** the sale and purchase agreement in relation to 3,144,654 shares in Macarthur Minerals Limited (“MMS”) dated 3 June 2010 between Trade Bloom Holdings Limited (“Trade Bloom”) as the purchaser, the Company as the guarantor for Trade Bloom and MinMetals Mining Corporation Limited (“MMCL”) as the vendor (the “MMCL Acquisition Agreement”, a copy of which having been produced at the meeting marked “A” and signed by the chairman of the meeting for identification purposes), under which Trade Bloom shall purchase from MMCL 3,144,654 shares in MMS for a total consideration of HK\$81,666,664.38 to be satisfied upon its completion by the Company issuing a convertible note in the equivalent principal amount, which shall fall due for redemption on the second anniversary of the date of issue and convertible into fully paid new ordinary shares (“Shares”) in the share capital of the Company at HK\$0.42 per Share (subject to adjustment) (the “MMCL Convertible Note”), on and subject to the terms and conditions contained therein as further described and summarised in the circular of the Company dated 25 June 2010, and the transactions contemplated under the MMCL Acquisition Agreement, including without limitation the said issue of the MMCL Convertible Note and the issue and allotment of any new Shares upon due conversion of the MMCL Convertible Note, be and are hereby approved, confirmed and ratified; and the directors of the Company be and are hereby authorised to sign, execute and deliver any agreements, deeds, instruments and any other documents (and, where necessary, to affix the seal of the Company on them in accordance with the articles of association of the Company) in connection with the MMCL Acquisition Agreement, to make such non-material amendments and changes to it and to do and take all such action, steps, deeds and things in such manner and to sign all documents as they may deem necessary, desirable or appropriate to give effect to the MMCL Acquisition Agreement and the transactions contemplated under it.”

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2. “**THAT** the sale and purchase agreement in relation to 2,239,873 shares in Macarthur Minerals Limited (“MMS”) dated 3 June 2010 between Trade Bloom Holdings Limited (“Trade Bloom”) as the purchaser, the Company as the guarantor for Trade Bloom, Famous Key Holdings Limited (“Famous Key”) as the vendor and Dr. Chan Sing Chuk, Charles as the guarantor for Famous Key (the “Famous Key Acquisition Agreement”, a copy of which having been produced at the meeting marked “B” and signed by the chairman of the meeting for identification purposes), under which Trade Bloom shall purchase from Famous Key 2,239,873 shares in MMS for a total consideration of HK\$58,169,501.81 to be satisfied upon its completion by the Company issuing a convertible note in the equivalent principal amount, which shall fall due for redemption on the second anniversary of the date of issue and convertible into fully paid new ordinary shares (“Shares”) in the share capital of the Company at HK\$0.42 per Share (subject to adjustment) (the “Famous Key Convertible Note”), on and subject to the terms and conditions contained therein as further described and summarised in the circular of the Company dated 25 June 2010, and the transactions contemplated under the Famous Key Acquisition Agreement, including without limitation the said issue of the Famous Key Convertible Note and the issue and allotment of any new Shares upon due conversion of the Famous Key Convertible Note, be and are hereby approved, confirmed and ratified; and the directors of the Company be and are hereby authorised to sign, execute and deliver any agreements, deeds, instruments and any other documents (and, where necessary, to affix the seal of the Company on them in accordance with the articles of association of the Company) in connection with the Famous Key Acquisition Agreement, to make such non-material amendments and changes to it and to do and take all such action, steps, deeds and things in such manner and to sign all documents as they may deem necessary, desirable or appropriate to give effect to the Famous Key Acquisition Agreement and the transactions contemplated under it.”

3. “**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting the listing of, and permission to deal in, any ordinary shares in the capital of the Company (“Shares”) or any part thereof to be issued pursuant to the exercise of any options that may be granted under the share option scheme of the Company (the “Share Option Scheme”, the rules of which are summarised in the circular dated 25 June 2010 of the Company and contained in the document marked “C” produced to the meeting and for the purposes of identification, signed by the chairman of the meeting), the Share Option Scheme be and is hereby approved and adopted and the directors of the Company be and are hereby authorised to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the Share Option Scheme including without limitation:
 - (a) administering the Share Option Scheme and granting options under the Share Option Scheme;

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- (b) modifying and/or amending the Share Option Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the Share Option Scheme relating to modification and/or amendment and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange;
- (c) issuing and allotting from time to time such number of Shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options granted under the Share Option Scheme; and
- (d) making application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be issued and allotted pursuant to the exercise of the options granted under the Share Option Scheme.”

By Order of the Board
Chan Sing Chuk, Charles
Chairman

Hong Kong, 25 June 2010

Registered Office:

Flats M and N, 1st Floor
Kaiser Estate, Phase III
11 Hok Yuen Street
Hungghom, Kowloon
Hong Kong

Notes:

- (a) Any member of the Company entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.
- (b) Where there are joint registered holders of any share of the Company, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
- (c) Completion and return of the form of proxy will not preclude a member from attending and voting at the meeting or any adjournment thereof if he so wishes. In that event, his form of proxy will be deemed to have been revoked.
- (d) In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the registered office of the Company at Flats M and N, 1st Floor, Kaiser Estate, Phase III, 11 Hok Yuen Street, Hungghom, Kowloon, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

As at the date hereof, Dr. Chan, Ms. Cheng Siu Yin, Shirley, Ms. Chan Wai Kei, Vicki and Mr. Chan Wai Lap, Victor are executive Directors, Mr. Cao Kuangyu is a non-executive Director, Mr. Yu Shiu Tin, Paul BBS, MBE, JP, Mr. Chan Ping Kuen, Derek, Mr. Sze, Irons and Mr. Cheung Chi Fai, Frank are independent non-executive Directors.