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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Real Gold Mining Limited, you should at once hand this circular with the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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**瑞金礦業**  
Real Gold Mining Limited

**REAL GOLD MINING LIMITED**

**瑞 金 礦 業 有 限 公 司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 246)**

**CONNECTED TRANSACTION —  
DEBT RESTRUCTURING AGREEMENT  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Financial Adviser to the Company**



**Independent Financial Adviser to Independent Board Committee and  
Independent Shareholders**

**AmCap**  
*Ample Capital Limited*  
豐盛融資有限公司

A notice convening an extraordinary general meeting of Real Gold Mining Limited (the “Company”) to be held at Seminar room 1, Level 15, Beijing Yintai Centre, 2 Jianguomenwai Avenue, Chaoyang District, Beijing, China on Wednesday, 26 September 2012 at 11:00 a.m. Beijing Time is set out on pages 46 to 47 of this circular. Whether or not you are able to attend the extraordinary general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the office of the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the extraordinary general meeting or any adjourned meeting should you so wish.

10 September 2012

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## DEFINITIONS

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

“Acquisition”	the acquisition of the Mining and Exploration Rights by the Company pursuant to the terms of the Acquisition Agreements
“Acquisition Agreements”	acquisition agreement dated 2 January 2011 and supplemental agreement dated 9 March 2011 entered into between Top Lucky and the Company in relation to the Acquisition
“Ample Capital” or “Independent Financial Adviser”	Ample Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the Debt Restructuring Agreement, which is a licensed corporation to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Citi Equity Forward Transaction”	two prepaid share forward confirmations involving an aggregate of 105 million Shares between Lead Honest and Citigroup Global Markets Limited dated 10 December 2009 incorporating a form of ISDA (International Swaps and Derivatives Association) master agreement (1992 version) to be executed between Lead Honest and Citigroup Global Markets Limited, as further elaborated in the announcement of the Company dated 10 December 2009
“Company”	Real Gold Mining Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Debts”	approximately HK\$794,147,762, being the aggregate amount owed to the Company by Top Lucky and Mr. Wu under the Acquisition Agreements and the Loan Agreements as at 31 May 2012
“Debt Restructuring Agreement”	the debt restructuring agreement dated 26 June 2012 entered into amongst the Company, Mr. Wu, Top Lucky and the New Debtors
“Deposit”	HK\$300 million (or the equivalent RMB amount) payable by the New Debtors and to be deposited into the designated bank account of the Company pursuant to the Debt Restructuring Agreement

## DEFINITIONS

“Director(s)”	the director(s) of the Company
“EGM”	extraordinary general meeting of the Company to be held for the purpose of considering, and if thought fit, approving the relevant resolutions in respect of the Debt Restructuring Agreement
“EGM Notice”	notice convening the EGM as set out on pages 46 to 47 of this circular
“Equity Forward Agreements”	the agreements each to be entered into between Lead Honest and each of the New Debtors in relation to the transfer of the Equity Forward Shares
“Equity Forward Shares”	an aggregate of 105 million Shares, representing approximately 11.55% of the total issued capital of the Company, to be conditionally sold and to be conditionally purchased by Lead Honest and the New Debtors, respectively pursuant to Equity Forward Agreements
“First Repayment Date”	the date of paying the Deposit to the Company to offset part of the Debts
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong. For the purpose of this circular, the exchange rate of HK\$1 = RMB0.818 has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such rates or any other rates or at all on the date or dates in question or any other date
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee set up by the Company to advise the Independent Shareholders in relation to the EGM
“Independent Shareholders”	the Shareholders other than Mr. Wu and his associates
“Latest Practicable Date”	6 September 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
“Lead Honest”	Lead Honest Management Limited, 100% controlled by Tercel Holdings Limited, which in turn is ultimately controlled by Credit Suisse Trust Limited. Credit Suisse Trust Limited is a trustee of Tercel Trust, of which Mr. Wu is the founder

## DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreements”	three loan agreements each entered into between Mr. Wu and the Company between February 2011 and April 2011 in relation to the provision of financial assistance by the Company to Mr. Wu in the aggregate amount of HK\$955,000,000
“Maturity Date”	in respect of repayment of the Debts, the date falling 12 months after the First Repayment Date
“Mines”	two phosphorus mines, Burenyaany Phosphorus Mine and Baga Teeg Phosphorus Mine, attached to the Mining and Exploration Rights
“Mining and Exploration Rights”	the phosphorus mining and exploration rights under the Acquisition Agreements, including (i) the mining right under the phosphorus mining licence (licence number: 12360A) in relation to a phosphorus mine situated in the Khovsgol Province, Mongolia and (ii) the exploration right under the phosphorus exploration licence (licence number: 11330X) in relation to a second phosphorus mine situated in the Khovsgol Province, Mongolia
“Mr. Wu”	Mr. Wu Ruilin (吳瑞林), the controlling Shareholder
“New Debtor I”	Quanmin Investments Limited (全民投資有限公司), a company incorporated in the British Virgin Islands with limited liability which is wholly owned by Mr. Lu Dezhi (呂德志)
“New Debtor II”	Victory Gold Management Inc. (金勝管理有限公司), a company incorporated in the British Virgin Islands with limited liability which is wholly-owned by Mr. Shi Guangwei (石廣瑋)
“New Debtors”	New Debtor I and New Debtor II
“SFO”	the Securities Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Transfer Agreements”	agreements each to be entered into between Lead Honest and each of the New Debtors in relation to the Transfer Shares
“Share(s)”	share(s) of HK\$1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Standstill Period”	the period from the date of the Debt Restructuring Agreement until the date which is 12 months from the First Repayment Date

## DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tercel Trust”	a discretionary trust established by Mr. Wu on 22 May 2008, the discretionary objects of which include family members of Mr. Wu
“Top Lucky”	Top Lucky Management Limited, a company wholly owned by Mr. Wu and the vendor of the Mining and Exploration Rights pursuant to the Acquisition Agreements
“Transfer Shares”	an aggregate of 234,376,000 Shares, representing approximately 25.79% of the total issued share capital of the Company, to be conditionally sold and to be conditionally purchased by Lead Honest and each of the New Debtors respectively, pursuant to the Share Transfer Agreements

LETTER FROM THE BOARD



瑞金礦業  
Real Gold Mining Limited

**REAL GOLD MINING LIMITED**

**瑞 金 礦 業 有 限 公 司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 246)**

*Executive Directors:*

Mr. Lu Tianjun (*Chairman*)  
Mr. Ma Wenxue (*Chief Executive Officer*)  
Mr. Cui Jie (*Chief Financial Officer*)  
Mr. Li Qing

*Independent non-executive Directors:*

Mr. Li Xiaoping  
Mr. Zhao Enguang  
Mr. Yang Yicheng

*Registered Office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Head Office:*

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Caifu Building  
Daming Street  
Xincheng District  
Chifeng City  
Inner Mongolia  
The People's Republic of China

*Principal place of business  
in Hong Kong:*

20th Floor, No. 633 King's Road  
North Point  
Hong Kong

10 September 2012

*To the Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION —  
DEBT RESTRUCTURING AGREEMENT  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

References are made to the Company's announcements dated 22 August 2011 in respect of the Acquisition Agreements and the Loan Agreements and 26 June 2012 in respect of the Debt Restructuring Agreement.

## LETTER FROM THE BOARD

### **The Acquisition Agreements**

During the first quarter of 2011, the Acquisition Agreements were entered into between the Company and Top Lucky, pursuant to which the Company agreed to purchase the Mining and Exploration Rights from Top Lucky for a consideration of HK\$520,000,000 to be paid in installments.

The Mining and Exploration Rights include:

- the mining rights under the phosphorus mining licence (licence number: 12360A) in relation to a phosphorus mine situated in Burenhaany, Burentogtokh Soum, Hubsugul Province, Mongolia, which is currently owned by Khukh Tolbo But LLC, a wholly-owned subsidiary of Top Lucky; and
- the exploration right under the phosphorus exploration licence (licence number: 11330X) in relation to a second phosphorus mine situated in Baga Teeg, Alag Erdene Soum, Hubsugul Province, Mongolia, which is currently owned by Top Lucky LLC, a wholly-owned subsidiary of Top Lucky.

### **Reasons for the Acquisition**

The Company entered into the Acquisition Agreements for the following reasons:

- Although the Company's past acquisitions have related solely to gold mining assets, it has considered acquiring assets other than gold to diversify investment risk since the significant increase in gold prices. The Acquisition is an example of the Company's strategy in this regard;
- Having observed the increase in demand for phosphorus mineral resources (a key non-renewable chemical component in fertilisers for agricultural production), the Directors were of the view that the Acquisition would provide the Group with the opportunity to develop a lucrative phosphorus mining business; and
- The Directors (including the independent non-executive Directors) believed that the demand for phosphorus mineral resources would continue to grow, especially in the PRC.

### **Company's right to terminate under the Acquisition Agreements**

Under the terms of the Acquisition Agreements, the Company has the right to terminate the Acquisition Agreements, in the event that the value of the Mining and Exploration Rights is determined to be less than HK\$520,000,000 by an independent third party valuer. If the valuer determines that the value of the Mining and Exploration Rights is less than HK\$520,000,000, Top Lucky would be required to reimburse the Company the full amount of the consideration already paid by the Company to Top Lucky under the Acquisition Agreements.

As at the Latest Practicable Date, the Company has paid HK\$449,200,000 under the Acquisition Agreements. Pursuant to the terms of the Acquisition Agreements, the Company has the right to engage an independent valuer to determine the value of the Mining and Exploration Rights, which shall be confirmed by both parties to the Acquisition Agreements. The Company had requested Top Lucky to



## LETTER FROM THE BOARD

provide the necessary information for valuation purposes. While Top Lucky had provided certain information relating to the Mines (including the resource description and the exploitation permit), such information did not meet the Company's expected standards because:

- (a) the information was not prepared by a competent person (as defined in the Listing Rules) nor in accordance with recognized international industry standards (such as the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves or the South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves); and
- (b) the information was not sufficient to cover the necessary details required for preparing the valuation of the Mines.

In this regard, the Company was not satisfied that a reliable valuation basis could be relied upon to complete the Acquisition. The Acquisition was therefore brought to a halt.

### **The Loan Agreements**

On 23 February 2011, the first of the Loan Agreements was entered into between Mr. Wu and the Company. Pursuant to that agreement, the Company agreed to extend an interest-bearing loan to Mr. Wu, in the amount of HK\$367,000,000. An amount of HK\$366,221,168.74 was actually drawn down and was to be repaid by 30 March 2012 in accordance with the terms of such agreement. On 6 April 2011, the second and third of the Loan Agreements were entered into between Mr. Wu and the Company. Pursuant to those agreements, the Company agreed to extend additional loans to Mr. Wu in the amounts of HK\$538,000,000 and HK\$50,000,000 respectively.

## LETTER FROM THE BOARD

Set out below are the key terms of the Loan Agreements:

	<b>First Loan Agreement</b>	<b>Second Loan Agreement</b>	<b>Third Loan Agreement</b>
Date	23 February 2011	6 April 2011	6 April 2011
Lender	The Company	The Company	The Company
Borrower	Mr. Wu	Mr. Wu	Mr. Wu
Loan amount per agreement	HK\$367,000,000	HK\$538,000,000	HK\$50,000,000
Drawn down amount	HK\$366,221,169	HK\$538,000,000	HK\$50,000,000
Interest	The lending rate as announced by the People's Bank of China	Not specified in the agreement	Not specified in the agreement
Punitive interest obligation in the event of a breach of the Loan Agreements	Twice the prevailing loan interest rate of the People's Bank of China for loans based on the corresponding loan period as at the date of the First Loan Agreement	Twice the prevailing loan interest rate of the People's Bank of China for loans based on the corresponding loan period as at the date of the Second Loan Agreement	Twice the prevailing loan interest rate of the People's Bank of China for loans based on the corresponding loan period as at the date of the Third Loan Agreement
Maturity date	30 March 2012*	10 April 2011*	30 April 2011*
Security	None	None	None

\* As of 31 May 2012, an amount of HK\$316,221,169 remains outstanding from Mr. Wu under the First Loan Agreement. The amounts owing under the Second Loan Agreement and the Third Loan Agreement were fully repaid on 8 April 2011 and 29 April 2011 respectively.

### Reasons for the Loan Agreements

The Loan Agreements were entered into on normal commercial terms after taking into account, amongst other things, market interest rates of time deposits. It was anticipated that the Group would be able to generate interest income at the lending rate as announced by the People's Bank of China under the terms of the first of the Loan Agreements.

## LETTER FROM THE BOARD

### Outstanding amounts

Under the terms of the Loan Agreements, a total loan balance of approximately HK\$316,221,169, together with the corresponding accrued interest (including punitive interest) of approximately HK\$28,726,593 remains outstanding as at 31 May 2012 from Mr. Wu. The accrued interest of approximately HK\$28,726,593 is the sum of (a) approximately HK\$22,216,422 calculated with reference to the interest rate of 6.56% per annum from 23 February 2011 to 30 March 2012, which was determined with reference to the prevailing loan interest rate of the People's Bank of China based on a 12-month term as at the date of a confirmation letter between Mr. Wu and the Company in around March 2012 (pursuant to which Mr. Wu confirmed the amount of debt, including interest, owed to the Company), and (b) the interest of approximately HK\$6,510,171 calculated at a punitive interest rate of 12.12% per annum from 31 March 2012 to 31 May 2012, which equals twice the prevailing loan interest rate of the People's Bank of China of 6.06% per annum for loans based on a 12-month term as at the date of the Loan Agreements.

### The Debt Restructuring Agreement

As at 31 May 2012, Top Lucky and Mr. Wu owed the Company HK\$449,200,000 under the Acquisition Agreements and approximately HK\$344,947,762 under the Loan Agreements respectively. As advised by JunZeJun Law Offices ("**JunZeJun**"), the legal advisor of the Company as to PRC laws, the Company may not necessarily have the right to charge interest in respect of this HK\$449,200,000 under the Acquisition Agreements or at law. In light of the Debts, the Company entered into the Debt Restructuring Agreement in June 2012.

As set out in the Debt Restructuring Agreement, it was the intention of the parties that the Acquisition Agreements would be terminated. Nevertheless, JunZeJun has advised that there may be legal disputes if the Company is to terminate the Acquisition Agreements unilaterally. Taking into account the uncertainty as to the timing of debt repayment schedule if any legal action is to be pursued, the Directors are therefore of the view that the Debt Restructuring Agreement represents a better option to the Company as it provides for an agreed arrangement, whereby the Debts will partly or fully be repaid to the Company by the New Debtors, without compromising the right of the Company to seek reimbursement or repayment from Top Lucky (in respect of the consideration paid under the Acquisition Agreements) or Mr. Wu (in respect of the outstanding amounts under the Loan Agreements), in the event that certain conditions as described under the section headed "**Conditions**" in this circular under the Debt Restructuring Agreement are not fulfilled or waived in accordance therewith.

As further advised by JunZeJun, Top Lucky is obligated to repay HK\$449,200,000 to the Company upon termination of the Acquisition Agreements, while Mr. Wu shall repay the outstanding amount under the Loan Agreements. JunZeJun has also advised that, pursuant to the Debt Restructuring Agreement, the termination of the Acquisition Agreements is conditional upon the Debt Restructuring Agreement becoming effective. As the termination of the Acquisition Agreements is part of the arrangement under the Debt Restructuring Agreement and not a standalone agreement among the parties, the Acquisition Agreements will be effectively and simultaneously terminated on the effective date of the Debt Restructuring Agreement, and the effective date of the Debt Restructuring Agreement shall be determined when the Conditions have been fulfilled or waived.

## LETTER FROM THE BOARD

Accordingly, the parties acknowledge that under the Debt Restructuring Agreement, (a) the Acquisition Agreements are to be effectively terminated, and (b) the New Debtors would assume the Debts owed by Top Lucky and Mr. Wu. Considering the assumption of the Debts by the New Debtors, Mr. Wu would in return transfer his interests in the Company to the New Debtors proportionately pursuant to the terms and conditions under the Share Transfer Agreements and the Equity Forward Agreements.

The purpose of this circular is, *inter alia*, among others, to provide you with (i) further information in respect of the Debt Restructuring Agreement, (ii) the letter from the Independent Board Committee to the Independent Shareholders, (iii) the recommendation of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Debt Restructuring Agreement, (iv) the financial information on the Group; and (v) to give you notice of the EGM at which resolution will be proposed to the Independent Shareholders for consideration and approving if thought fit.

### DEBT RESTRUCTURING AGREEMENT

#### **Date:**

26 June 2012

#### **Parties:**

- (i) the Company as creditor;
- (ii) Mr. Wu as debtor and guarantor;
- (iii) Top Lucky as debtor and guarantor;
- (iv) Quanmin Investments Limited as New Debtor I; and
- (v) Victory Gold Management Inc. as New Debtor II.

#### **Standstill**

Pursuant to the Debt Restructuring Agreement, the Company agreed, subject to the Conditions, (i) not to pursue the repayment of the Debts; and (ii) not to take any legal action against Mr. Wu and Top Lucky in respect of the Debts during the Standstill Period, subject to the New Debtors agreeing to assume the obligation of payment of the Debts.

The Standstill Period represents the period during which the Company agreed temporarily not to take legal action against Mr. Wu and Top Lucky pending the outcome of a compromised settlement under the Debt Restructuring Agreement. Under the Debt Restructuring Agreement, the Standstill Period covers two distinct time periods, namely the period from the date of the Debt Restructuring Agreement until the First Repayment Date (which is estimated to be around 3 months) and the period of 12 months from the First Repayment Date. Given that all obligations of payment of the Debts will be assumed by the New Debtors for the 12 months commencing from the First Repayment Date when the Debt Restructuring Agreement becomes effective, the Directors believe that it is a normal commercial practice not to take any legal action against the debtors in respect of the Debts from date of signing of the Debt

## LETTER FROM THE BOARD

Restructuring Agreement until the Maturity Date (or the termination date in case of early termination of the Debt Restructuring Agreement). Therefore, the Directors are of the view that the Standstill Period is justifiable.

### Assumption of Debts

Upon the Debt Restructuring Agreement becoming effective, the New Debtors have severally agreed to (i) assume the obligation of the payment of the Debts and (ii) pay interest on the remaining balance of the Debts at a simple interest rate of 4.75% per annum, which is determined after arm's length negotiations amongst the parties thereto with reference to market interest rates, namely the best lending rate of 5% per annum prevailing on the date of the Debt Restructuring Agreement as published by The Hongkong and Shanghai Banking Corporation, and the one-year lending rate of 6.31% per annum prevailing on the date of the Debt Restructuring Agreement as published by the People's Bank of China (the "Debt Interest").

Under the Debt Restructuring Agreement, save for the Debt Interest, no interest will be charged on the outstanding balance owed by Top Lucky to the Company under the Acquisition Agreements before the First Repayment Date. The interest will be charged on the loan owed by Mr. Wu under the Loan Agreements up to 31 May 2012. Any chargeable interest in respect of the outstanding amounts owed by Mr. Wu under the Loan Agreements for the period from 1 June 2012 to the day before the First Repayment Date will be waived.

Pursuant to the Debt Restructuring Agreement, the parties thereto agreed that the total amount of the Debts will be approximately HK\$794,147,762, of which approximately HK\$529,431,841 will be assumed by New Debtor I and approximately HK\$264,715,921 will be assumed by New Debtor II.

### Repayment Arrangement of Debt Restructuring

The Debts shall be settled by the New Debtors in the following manner:

- (i) before the Latest Practicable Date, New Debtor I and New Debtor II shall deposit HK\$200 million (or the equivalent RMB amount) and HK\$100 million (or the equivalent RMB amount), respectively, into the designated bank account of the Company. The Company has received the banker's acceptance bill amounting to RMB82 million (or equivalent to slightly more than HK\$100 million) and RMB164 million (or equivalent to slightly more than HK\$200 million) from New Debtor II and New Debtor I respectively on 13 August 2012 and 16 August 2012 respectively;
- (ii) immediately after the Conditions under the Debt Restructuring Agreement are satisfied or waived, the Deposit will be paid to the Company to offset part of the Debts; and
- (iii) no later than the Maturity Date, the New Debtors shall severally repay the remaining balance of the Debts, of which approximately HK\$329,431,841 (or the equivalent RMB amount) will be repaid by New Debtor I and approximately HK\$164,715,921 (or the equivalent RMB amount) will be repaid by New Debtor II, together with the corresponding Debt Interest.

## LETTER FROM THE BOARD

For the avoidance of doubt, New Debtor I and New Debtor II will not be liable for each other's obligation in the event of any default of the other in respect of their obligations under the Debt Restructuring Agreement.

The New Debtors are entitled to make early repayments in respect of the Debts, provided that such repayments shall be for an amount not less than HK\$1 million. Moreover, in the event that the Conditions under the Debt Restructuring Agreement are neither fulfilled nor waived on or before 30 September 2012 (or such later date as the parties thereto may agree in writing), the Deposit shall be returned to the New Debtors in full without interest within seven days. As at the Latest Practicable Date, none of the New Debtors has expressed any intention to repay the Debts prior to the Maturity Date.

### **Guarantee**

Pursuant to the Debt Restructuring Agreement, Mr. Wu and Top Lucky have provided an unconditional and irrevocable guarantee to the Company in respect of the due and punctual payment by the New Debtors of all outstanding amounts under the Debts. In the event that any amount under the Debts is not repaid in full to the Company, Mr. Wu and Top Lucky shall be liable for the repayment of the remaining amounts (including the Debt Interest) under the Debt Restructuring Agreement.

In addition, in the event that the Conditions of the Debt Restructuring Agreement are not fulfilled or waived, Mr. Wu and Top Lucky shall remain liable for all respective amounts due and owing to the Company and the fulfillment of all their obligations under the Acquisition Agreements and the Loan Agreements. In addition, under the terms of the Debt Restructuring Agreement, Mr. Wu shall be liable (jointly with Top Lucky) for the amount of HK\$449,200,000 due and owing to the Company by Top Lucky under the Acquisition Agreements in the event that the Conditions of the Debt Restructuring Agreement are not fulfilled or waived.

### **Conditions**

The Debt Restructuring Agreement shall take effect upon fulfillment of the following conditions (the "**Conditions**"):

- (i) signing of the Share Transfer Agreements;
- (ii) signing of the Equity Forward Agreements;
- (iii) the Deposit being deposited in full by the New Debtors into the designated bank account of the Company;
- (iv) approval by the Independent Shareholders at the EGM in respect of the Debt Restructuring Agreement; and
- (v) the obtaining of all necessary regulatory consents and approvals (if applicable).

Unless all the above Conditions are satisfied or waived (with the exception of Conditions (iv) and (v) which cannot be waived) on or before 30 September 2012 (or such later date as the parties to the Debt Restructuring Agreement may agree in writing), the Debt Restructuring Agreement shall cease to

## LETTER FROM THE BOARD

have effect and shall be terminated. All the obligations and liabilities of the parties thereunder shall cease and determine (save that the Deposit received by the Company shall be returned to the New Debtors in full without interest).

The waiver of any of the above Conditions is sought for the purpose of offering greater flexibility to the Company in executing the Debt Restructuring Agreement. In the event that the Conditions could not be fully satisfied, the waiver of any of such Conditions is to be determined by the Board after consideration of the interests of the Company and the independent Shareholders as a whole. The Company will make further announcements prior to the EGM in the event that any of such Conditions are waived by the Board. The Board is of the view that the term entitling the Company a right but not the obligation to waive such Conditions provides the Company with additional control over the timing of the due completion of the Debt Restructuring Agreement, and is fair and reasonable, as far as and in the interests of the Company and the independent Shareholders are concerned. In light of the Deposit, the Company has received the banker's acceptance bill amounting to RMB82 million (or equivalent to slightly more than HK\$100 million) and RMB164 million (or equivalent to slightly more than HK\$200 million) from New Debtor II and New Debtor I respectively on 13 August 2012 and 16 August 2012 respectively. The Directors are of the view that the above condition (iii) is deemed to be satisfied. As at the Latest Practicable Date, the Company has no intention to waive any of the Conditions.

To the best of the Directors' knowledge, information and belief having made reasonable enquiries, the terms of the Share Transfer Agreements and Equity Forward Agreements are being determined based on the arm's length negotiations between Lead Honest and each of the New Debtors, pursuant to which the New Debtors are to purchase from Lead Honest (i) 234,376,000 Transfer Shares, representing approximately 25.79% of the issued share capital of the Company, under the Share Transfer Agreements; and (ii) 105,000,000 Equity Forward Shares, representing approximately 11.55% of the issued share capital of the Company, under the Equity Forward Agreements. Given the facts that (1) the Company is not a party to the Share Transfer Agreements and Equity Forward Agreements and (2) the terms of the Share Transfer Agreements and Equity Forward Agreements have not been finalized as at the Latest Practicable Date, the Company is unable to comment on, among others, (i) whether there is any circumstance under which the New Debtors would need to return the Shares transferred under these agreements; and (ii) the terms of these agreements.

### **INFORMATION ABOUT THE COMPANY, THE CONTROLLING SHAREHOLDER, TOP LUCKY AND THE NEW DEBTORS**

The Company specialises in the mining of gold and the processing of ore into concentrates containing gold and other minerals for subsequent sale. The Company considers identification and acquisition of gold mines to be its core competency and growth by acquisition to be its key corporate strategy.

Mr. Wu, the controlling Shareholder, holds 374,376,000 Shares as at the Latest Practicable Date, being approximately 41.2% of the total issued share capital of the Company, through his wholly-owned entity, Lead Honest.

Top Lucky is principally an investment holding company incorporated in the British Virgin Islands with limited liability. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Top Lucky is wholly owned by Mr. Wu, the controlling Shareholder.

## LETTER FROM THE BOARD

New Debtor I is a special purpose vehicle incorporated in the British Virgin Islands with limited liability which is established and wholly owned by Mr. Lu Dezhi for the purpose of entering into the Debt Restructuring Agreement. Mr. Lu Dezhi is an investor in distressed assets.

New Debtor II is a special purpose vehicle incorporated in the British Virgin Islands with limited liability which is established and wholly owned by Mr. Shi Guangwei for the purpose of entering into the Debt Restructuring Agreement. Mr. Shi Guangwei is an investor in mining business.

To the best of the Directors' knowledge, information and belief, the New Debtors and their ultimate beneficial owners are third parties independent of each other and of the Company and its connected persons. As at the Latest Practicable Date, the Directors are not aware of any agreement, undertaking, understanding or arrangement between any of the New Debtors and the Company that there will be a change in the Company's management and the Board. The Company has no direct relationship with the New Debtors until it was first informed by Mr. Wu of the proposed Debt Restructuring Agreement in late May 2012. To the best of the Directors' knowledge, information and belief, Mr. Wu first became acquainted with the New Debtors while seeking for external funding in March 2012.

### EFFECT ON THE SHAREHOLDING STRUCTURE

The following table sets out the shareholding structure of the Company as at the Latest Practicable Date and the resulting shareholding structure upon the transfer of Shares pursuant to the Share Transfer Agreements and the Equity Forward Agreements.

	As at the Latest Practicable Date		Immediately after the transfer of Shares pursuant to the Share Transfer Agreements but before the transfer of Shares pursuant to the Equity Forward Agreements		Immediately after the transfer of Shares pursuant to the Share Transfer Agreements and the transfer of Shares pursuant to the Equity Forward Agreements, whichever is later (Note 2)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Lead Honest (Note 1)	374,376,000	41.20	140,000,000	15.41	140,000,000	15.41
New Debtor I	—	—	156,250,667	17.19	226,250,667	24.90
New Debtor II	—	—	78,125,333	8.60	113,125,333	12.44
Public						
Value Partners Limited	77,678,000	8.55	77,678,000	8.55	77,678,000	8.55
Other Public Shareholders	<u>456,732,213</u>	<u>50.25</u>	<u>456,732,213</u>	<u>50.25</u>	<u>351,732,213</u>	<u>38.70</u>
Total	<u>908,786,213</u>	<u>100.00</u>	<u>908,786,213</u>	<u>100.00</u>	<u>908,786,213</u>	<u>100.00</u>

*Note 1:* As at the Latest Practicable Date, Lead Honest is 100% controlled by Tercel Holdings Limited, which in turn is ultimately controlled by Credit Suisse Trust Limited. Credit Suisse Trust Limited is a trustee of Tercel Trust, of which Mr. Wu. is the founder.

*Note 2:* Pursuant to the Citi Equity Forward Transactions, Lead Honest is due to receive, if it elects the physical settlement option, from Citigroup Global Markets Limited 105 million Shares in aggregate in February 2013. The transfer of the 105 million Shares in aggregate under the Equity Forward Agreements is conditional upon the 105 million Shares being delivered to Lead Honest, pursuant to the Citi Equity Forward Transaction.



## LETTER FROM THE BOARD

### REASONS AND BENEFITS OF ENTERING INTO THE DEBT RESTRUCTURING AGREEMENT

The Directors consider that entering into the Debt Restructuring Agreement can bring to the Company the following benefits:

**(a) Agreed arrangement for the repayment of Debts**

Counteracting any uncertainty which may exist as to certain rights under the Acquisition Agreements, the Debt Restructuring Agreement provides for an agreed arrangement, whereby the Debts may be repaid to the Company by the New Debtors, without compromising the right of the Company to seek reimbursement or repayment from Top Lucky (in respect of the value of the paid installments) or Mr. Wu (in respect of the outstanding Loan), in the event that certain Conditions under the Debt Restructuring Agreement are not fulfilled or waived in accordance therewith. Considering (1) the fact that the Company has not been given any indication from Mr. Wu and Top Lucky as to when the Debts will be repaid notwithstanding that since December 2011, reminders of repayment obligations have been sent to Mr. Wu and Top Lucky by the Company with the intention of recovering the outstanding amount under the Loan Agreements and terminating the Acquisition Agreements unilaterally; and (2) the uncertainty as to the timing of the Debts repayment schedule in the event that any legal action is pursued, the Directors are of the view that entering into the Debt Restructuring Agreement enables Mr. Wu and Top Lucky to restructure and arrange repayment of the Debts with assistance from the New Debtors, thereby providing for an agreed arrangement for the repayment of the Debts to the Company.

**(b) Avoidance of legal proceedings**

Entering into the Debt Restructuring Agreement may help the Company avoid time and expense in pursuing any legal action in respect of any default on the Debts by Mr. Wu and Top Lucky.

**(c) Deposit designated for settlement of Debts**

In light of the Deposit, the Company has received the banker's acceptance bill amounting to RMB82 million (or equivalent to slightly more than HK\$100 million) and RMB164 million (or equivalent to slightly more than HK\$200 million) from New Debtor II and New Debtor I respectively on 13 August 2012 and 16 August 2012 respectively. Accordingly, the aforementioned arrangement can ensure that this Deposit will be used for settlement of the Debts.

**(d) Provision of the guarantee**

As a measure to protect the interests of the Shareholders, Top Lucky and Mr. Wu have undertaken to the Company that they will guarantee, unconditionally and irrevocably, the due and punctual payment by the New Debtors of all outstanding amounts (including the Debt Interests) under the Debt Restructuring Agreement. Should the New Debtors be unable to fulfill their obligations under the Debt Restructuring Agreement, Top Lucky and Mr. Wu will reassume the Debts (including the Debt Interests). The obligations under the Acquisition Agreements and the

## LETTER FROM THE BOARD

Loan Agreements would remain continuing on Mr. Wu and Top Lucky, in the event that certain Conditions under the Debt Restructuring Agreement are not fulfilled or waived in accordance therewith.

Although Mr. Wu and Top Lucky are not required to provide any security for repayment of the Debts under the guarantee and the New Debtors are also not required to provide security pursuant to the Debt Restructuring Agreement, the Directors believe that the terms of the Debt Restructuring Agreement represent the best terms available given that the terms of the Debt Restructuring Agreement are determined after arm's length negotiations amongst the parties thereto.

**(e) Stable interest income**

Assuming that all the Conditions under the Debt Restructuring Agreement are satisfied or waived on 30 September 2012, the foregone interest income on the interest bearing portion of the Debts amounts to approximately HK\$12.8 million for period from 1 June 2012 to 30 September 2012, which is calculated with reference to the interest rate of 12.12% per annum.

Despite the fact that pursuant to the Debt Restructuring Agreement, no interest will be charged on the loan and accrued interest owed by Mr. Wu under the Loan Agreements for the period from 1 June 2012 to the date before the First Repayment Date, the Directors are of the view that the Company is more likely to have a stable interest income from the Debts to be paid by the New Debtors as a result of the Debt Restructuring Agreement as compared to not entering into the Debt Restructuring Agreement because additional assurance is given by the New Debtors in respect of the repayment of the Debts under the Debt Restructuring Agreement as mentioned in this section below.

Despite the obligations of the Company during the Standstill Period as described under the section headed "DEBT RESTRUCTURING AGREEMENT — Standstill" in this circular, as well as the amount of interest the Company would forego by entering into the Debt Restructuring Agreement as described under the subparagraph headed "REASONS AND BENEFITS OF ENTERING INTO THE DEBT RESTRUCTURING AGREEMENT — (e) Stable interest income" in this circular, given that under the Debt Restructuring Agreement:

- (a) the Company would recover the amounts it had paid under the Acquisition Agreements;
- (b) the Company would receive the loan balance and accrued interest owed to it, calculated as at 31 May 2012, under the Loan Agreements; and
- (c) the obligations under the Acquisition Agreements and the Loan Agreements would remain continuing on all the parties thereto, in the event that certain Conditions under the Debt Restructuring Agreement are not fulfilled or waived in accordance therewith,

the Directors consider that when compared with the choice of having to rely solely on the repayment obligation borne by Top Lucky and Mr. Wu under the Acquisition Agreements and the Loan Agreements respectively, entering into the Debt Restructuring Agreement can provide

## LETTER FROM THE BOARD

additional assurance to protect the interests of the Shareholders in respect of the repayment of the Debts regardless of the creditability of the New Debtors based on the following reasons:

- (1) The Debt Restructuring Agreement is conditional upon, among other Conditions, the Deposit being deposited in full by the New Debtors into the designated bank account of the Company, which would have taken place on or before the Latest Practicable Date. The Company has received the banker's acceptance bill amounting to RMB82 million (or equivalent to slightly more than HK\$100 million) and RMB164 million (or equivalent to slightly more than HK\$200 million) from New Debtor II and New Debtor I respectively on 13 August 2012 and 16 August 2012 respectively. Accordingly, the Company has secured the Deposit for the settlement against parts of Debts; and
- (2) Mr. Wu and Top Lucky have undertaken to the Company that they will guarantee, unconditionally and irrevocably, the due and punctual payment by the New Debtors of all outstanding amounts under the Debts. Should the New Debtors be unable to fulfill their obligations under the Debt Restructuring Agreement, Mr. Wu and Top Lucky will take up the obligations of the remaining amounts under the Debts. Accordingly, the Directors are of the view that pursuant to the Debt Restructuring Agreement, two additional debtors would be liable for the Debts when compared to the original repayment obligations under the Acquisition Agreements and the Loan Agreements borne only by Top Lucky and Mr. Wu, respectively. The Directors, therefore, believe that the reliance of creditworthiness of Mr. Wu and Top Lucky in respect of the Debt repayment would be reduced under the Debt Restructuring Agreement.

Having considered the reasons and benefits above, the Directors believe that the overall terms of the Debt Restructuring Agreement, including but not limited to:

1. the Debt Interest payable by the New Debtors at the rate of 4.75% per annum; and
2. no interest will be charged on the outstanding balance owed by Top Lucky under the Acquisition Agreements before the First Repayment Date,

represent the best terms available to the Company and its independent Shareholders, and are fair and reasonable and in the interests of the Company and its independent Shareholders as a whole.

### RISK FACTORS

In assessing the terms and merits of the Debt Restructuring Agreement, the Board wishes to bring certain risks which have come to the Board's attention to the Shareholders' attention:

#### **Risks in relation to the payment obligations of the New Debtors**

The New Debtors are not required under the terms of the Debt Restructuring Agreement to provide any security for their payment obligations. In addition, the Company has no information in relation to the creditworthiness of the New Debtors. As a result, there is a risk that the New Debtors will not honour their payment obligations under the Debt Restructuring Agreement.

## LETTER FROM THE BOARD

However, as explained under the section headed “REASONS AND BENEFITS OF ENTERING INTO THE DEBT RESTRUCTURING AGREEMENT” above, the Debt Restructuring Agreement is conditional upon, among other Conditions, the Deposit (which represents a significant portion of the payment obligations of the New Debtors under the Debt Restructuring Agreement) being paid by the New Debtors to the Company. Given that the Deposit was already paid by the New Debtors on 13 August 2012 and 16 August 2012 and it represented a significant portion of the Debts, the Directors are of the view that the payment of the Deposit by the New Debtors to the Company is an indication of the New Debtors’ intention to honour their payment obligations under the Debt Restructuring Agreement.

### **Risks that Mr. Wu and Top Lucky may not honour the guarantee obligations under the Debt Restructuring Agreement**

Under the Debt Restructuring Agreement, Mr. Wu and Top Lucky have provided an unconditional and irrevocable guarantee to the Company in respect of the due and punctual payment by the New Debtors of all outstanding amounts under the Debts. This is described in more detail in the section “DEBT RESTRUCTURING AGREEMENT — Guarantee” in this circular. However, there is no assurance that Mr. Wu and Top Lucky will honour their obligations under such guarantee. Nevertheless, the Directors are of the view that the guarantee serves the purpose of providing additional security in respect of the payment obligations of the New Debtors.

Despite the above risks, taking into account the Debt Restructuring Agreement as a whole and the reasons and benefits of entering into the Debt Restructuring Agreement as described in the section headed “REASONS AND BENEFITS OF ENTERING INTO THE DEBT RESTRUCTURING AGREEMENT” above, the Board is of the view that it would be in the Company’s and the Shareholders’ interest to enter into the Debt Restructuring Agreement.

### **FINANCIAL EFFECT**

#### **Impact on Company’s financial position**

Assuming that all the Conditions under the Debt Restructuring Agreement are satisfied or waived on 30 September 2012, there is an expected loss and expected decrease in net assets of approximately HK\$12.8 million, which represents the amount being foregone on the interest income on the interest bearing portion of the Debts that the Company would have been entitled under the Loan Agreements for the period from 1 June 2012 to 30 September 2012, which is calculated with reference to the interest rate of 12.12% per annum. In addition, the Company will receive a positive cash inflow of HK\$300,000,000 by the effective date of the Debt Restructuring Agreement.

# LETTER FROM THE BOARD

## Hypothetical financial impact

Under the Debt Restructuring Agreement, the indebtedness under the Acquisition Agreements and the Loan Agreements are not restructured independently of each other, rather the Debts are pooled for the purpose of the Debt Restructuring Agreement. In order to compare the interest to be earned and the hypothetical greatest interest to be foregone arising from the Debt Restructuring Agreement, a comparison table is set out below:

	<b>The hypothetical greatest interest to be foregone arising from the Debt Restructuring Agreement (Note 1)</b>		<b>The interest to be earned arising from the Debt Restructuring Agreement (Note 2)</b>
	<b>Interest bearing portion</b>	<b>Non-interest bearing portion</b>	<b>Interest bearing portion</b>
Debts	HK\$794,147,762		HK\$794,147,762
	HK\$316,221,169	HK\$477,926,593 (Note 3)	HK\$794,147,762
Less the Deposit	—	(HK\$300,000,000)	(HK\$300,000,000)
Remaining balance subject to interest	HK\$316,221,169		HK\$494,147,762
Period subject to interest	16-month (Note 4)		12-month
Interest rate	12.12% per annum (Note 5)		4.75% per annum (Note 6)
Interest income	HK\$51.1 million		HK\$23.5 million

*Note 1:* Under this hypothetical scenario, it is assumed that (a) no early repayment is made by the New Debtors during the 12-month period after the First Repayment Date; (b) the indebtedness under the Acquisition Agreements and the Loan Agreements are independent of each other; and (c) the Deposit under the Debt Restructuring Agreement would first be offset against the debt under the Acquisition Agreements, which is non-interest bearing in nature.

*Note 2:* Under this scenario, it is assumed that (a) all the Conditions are satisfied or waived on or before 30 September 2012, being the First Repayment Date; and (b) no early repayment is made by the New Debtors during the 12-month period after the First Repayment Date.

*Note 3:* The non-interest bearing portion of HK\$477,926,593 consists of the prepayment of HK\$449,200,000 under the Acquisition Agreements and accrued interest of approximately HK\$28,726,593 up to 31 May 2012 for the loan balance of approximately HK\$316,221,169 under the Loan Agreements.

*Note 4:* The 16-month period consists of a 4-month period before the First Repayment Date (i.e. from 1 June 2012 to 30 September 2012) and a 12-month period after the First Repayment Date.

## LETTER FROM THE BOARD

*Note 5:* Being the punitive interest rate of 12.12% per annum, which equals to twice the prevailing loan interest rate of the People's Bank of China of 6.06% per annum for loans based on a 12-month term as at the date of the First Loan Agreement.

*Note 6:* Being the interest rate as agreed with the New Debtors under the Debt Restructuring Agreement

As shown in the table above, entering into the Debt Restructuring Agreement brings to the Company a theoretical loss of approximately HK\$27.6 million, being the difference between the interest to be earned of approximately HK\$23.5 million and the hypothetical greatest interest to be foregone of approximately HK\$51.1 million. Nevertheless, the Directors consider it would not be commercially realistic and sensible to have assumed that the HK\$300 million would first be used by Mr. Wu to settle the non-interest bearing portion of the Debts. Therefore, they are of the view that this scenario will never happen but for an illustration purpose. If in an alternative scenario it is assumed that the HK\$300 million was first used by Mr. Wu to settle the interest-bearing portion of the Debts, the Company would have a net interest gain of approximately HK\$8.7 million, being the difference between the interest to be earned of approximately HK\$23.5 million and the foregone interest of approximately HK\$14.8 million.

### IMPLICATION UNDER THE LISTING RULES

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Top Lucky is wholly owned by Mr. Wu, the controlling Shareholder of the Company. As such, Mr. Wu and Top Lucky are both connected persons of the Company. As each of Mr. Wu and Top Lucky has a material interest in the Debt Restructuring Agreement, the transactions contemplated under the Debt Restructuring Agreement constitute a connected transaction of the Company under Chapter 14A of the Listing Rules which is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

Given that Mr. Wu has a material interest in the Debt Restructuring Agreement, each of Mr. Wu and his associates shall abstain from voting on the resolution to approve the Debt Restructuring Agreement and the transactions contemplated thereunder at the EGM.

None of the Directors has a material interest in the transactions contemplated under the Debt Restructuring Agreement. Accordingly, none of the Directors was required to abstain from voting on the relevant board resolution(s) to approve the Debt Restructuring Agreement.

To the best of Directors' knowledge, information and belief and having made all reasonable enquires, save for Mr. Wu and Top Lucky and their associates, no other Shareholder has a material interest in the Debt Restructuring Agreement and will be required to abstain from voting on the resolution for approving the Debt Restructuring Agreement at the EGM.

### EGM

Set out on pages 46 to 47 of this circular is the EGM Notice and an ordinary resolution will be proposed at the EGM to approve the Debt Restructuring Agreement and the transactions contemplated thereunder. An announcement will be made by the Company after the EGM on the poll results of the EGM. At the EGM, the vote will be taken by poll.

## **LETTER FROM THE BOARD**

### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

An Independent Board Committee comprising all the independent non-executive Directors, namely, Mr. Li Xiaoping, Mr. Zhao Enguang and Mr. Yang Yicheng has been formed to advise the Independent Shareholders in respect of the Debt Restructuring Agreement and the transactions contemplated thereunder. Ample Capital has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Debt Restructuring Agreement and the transactions contemplated thereunder.

### **CLOSURES OF REGISTERS OF MEMBERS**

For determining the entitlement to attend and vote at EGM, the registers of members of the Company will be closed from 24 September 2012 to 26 September 2012, both days inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the EGM, all completed transfer forms accompanied by the relevant shares certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 21 September 2012.

### **PROXY ARRANGEMENT**

To be valid, the form of proxy must be completed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or authority, at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the 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 should you so wish.

### **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 aspects and not misleading or deceptive, and there are no other matters, the omission of which would make any statement in this circular misleading.

### **RECOMMENDATIONS**

Your attention is drawn to the letters from the Independent Board Committee and Ample Capital as set out on pages 23 to 38 of this circular. As set out in the letter from the Independent Board Committee, members of the Independent Board Committee, having taken into account the advice of Ample Capital, consider that the terms of the Debt Restructuring Agreement and the transactions contemplated thereunder are fair and reasonable so far as the interests of the Independent Shareholders are concerned and that the entering into of the Debt Restructuring Agreement is in the interests of the Company and the Independent Shareholders.

## LETTER FROM THE BOARD

Accordingly, the Directors recommend that all Independent Shareholders should vote in favour of the resolution approving the Debt Restructuring Agreement and the transactions contemplated thereunder.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendix to this circular.

Yours faithfully,  
For and on behalf of the Board of  
**Real Gold Mining Limited**  
**Lu Tianjun**  
*Chairman*



**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**



**瑞金礦業**

Real Gold Mining Limited

**REAL GOLD MINING LIMITED**

**瑞 金 礦 業 有 限 公 司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 246)**

10 September 2012

*To the Independent Shareholders*

Dear Sir or Madam,

We refer to the circular of the Company to the Shareholders dated 10 September 2012 (the “Circular”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings given to them in the section headed “Definitions” of the Circular. We have been authorised by the Board to form the Independent Board Committee to advise the Independent Shareholders on whether the transactions contemplated under the Debt Restructuring Agreement are fair and reasonable so far as the Company and the Shareholders as a whole are concerned.

We wish to draw your attention to the letter of advice from Ample Capital, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the Debt Restructuring Agreement, as set out on pages 24 to 38 of the Circular and the letter from the Board set out on pages 5 to 22 of the Circular.

Having considered, among other matters, the factors and reasons considered by, and the opinion of, Ample Capital as stated in its letter of advice, we consider that the transactions contemplated in the Debt Restructuring Agreement is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Debt Restructuring Agreement and the transactions contemplated thereunder.

Yours faithfully,

INDEPENDENT BOARD COMMITTEE

**Real Gold Mining Limited**

**Mr. Li Xiaoping**

**Mr. Zhao Enguang**

**Mr. Yang Yicheng**

*Independent non-executive Directors*

## LETTER FROM AMPLE CAPITAL

*Set out below is the text of a letter from Ample Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Debt Restructuring Agreement and the transactions contemplated thereunder for the purpose of inclusion in this circular.*

**AmCap**

*Ample Capital Limited*  
豐盛融資有限公司

Ample Capital Limited  
Unit A, 14th Floor  
Two Chinachem Plaza  
135 Des Voeux Road Central  
Hong Kong

10 September 2012

*To the Independent Board Committee and  
the Independent Shareholders of  
Real Gold Mining Limited*

Dear Sirs,

### CONNECTED TRANSACTION DEBT RESTRUCTURING AGREEMENT

#### INTRODUCTION

We refer to our engagement by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Debt Restructuring Agreement, the particulars of which have been set out in a circular to the Shareholders dated 10 September 2012 (the “**Circular**”) and in which this letter is reproduced. Unless the context requires otherwise, terms used in this letter shall have the same meanings as given to them in the Circular.

Ample Capital has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders to give our recommendations as to whether the terms of the Debt Restructuring Agreement are fair and reasonable. Details of the reasons for entering into the Debt Restructuring Agreement are set out in the section headed “Letter from the Board” in the Circular (the “**Board Letter**”).

On 26 June 2012, the Company as creditor, Mr. Wu as debtor and guarantor, Top Lucky as debtor and guarantor, Quanmin Investments Limited as New Debtor I and Victory Gold Management Inc. as New Debtor II entered into the Debt Restructuring Agreement. Pursuant to the Debt Restructuring Agreement, the Company agreed, subject to the Conditions, during the Standstill Period to (i) not pursue the repayment of the Debts; and (ii) not take any legal action against Mr. Wu and Top Lucky in respect of the Debts, subject to, the New Debtors agreeing to assume the obligation of payment of the Debts.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiry, Top Lucky is wholly owned by Mr. Wu, the controlling Shareholder. As such, Mr. Wu and Top Lucky are both connected persons of the Company. As each of Mr. Wu and Top Lucky has a material interest in the Debt Restructuring Agreement, the transactions contemplated under the Debt

## LETTER FROM AMPLE CAPITAL

Restructuring Agreement constitute a connected transaction of the Company under Chapter 14A of the Listing Rules which is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

### **BASIS OF ADVICE**

In formulating our opinions and recommendations, we have relied on the information supplied to us by the Company, the opinions expressed by, and the representations of, the Directors and the management of the Company, including those set out in the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and presentation provided to us by the Directors. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. The Directors have confirmed that, to the best of their knowledge, they believe that no material fact or information has been omitted from the information supplied and that the representations made or opinions expressed have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading.

While we have taken reasonable steps to satisfy the requirements under the Listing Rules, we have not carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company, nor have we conducted an independent investigation into the business affairs or assets and liabilities of the Group or any of the other parties involved in the Debt Restructuring Agreement.

In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

### **PRINCIPAL FACTORS CONSIDERED**

In arriving at our opinion in the Debt Restructuring Agreement, we have taken into consideration the following factors:

#### **1. Background information on the Group**

The Company specializes in the mining of gold and the processing of ore into concentrates containing gold and other minerals for subsequent sale. The Company considers identification and acquisition of gold mines to be its core competency and growth by acquisition to be its key corporate strategy. At the request of the Company, trading in its Shares on the Stock Exchange has been suspended since 9:00 a.m. on Friday, 27 May 2011 (the "**Suspension**").

Since the Suspension, the Company has issued a series of announcements to update its status including (i) a clarification announcement dated 30 May 2011 in relation to the accuracy of the Company's financial statements for the 3 years ended 31 December 2008, 2009 and 2010; (ii) an announcement dated 1 June 2011 in relation to the truthfulness of the Company's financial statements for the year ended 31 December 2009; (iii) an announcement dated 19 June 2011 in relation to pledge of

## LETTER FROM AMPLE CAPITAL

the Company's assets for banking facilities obtained by Mr. Wu; (iv) an announcement dated 22 August 2011 in relation to the Acquisition Agreements and the Loan Agreements; (v) an announcement dated 13 October 2011 in relation to the resignation of the Company's auditors; (vi) an announcement dated 14 March 2012 in relation to the delay of the publication of the Company's annual results and the despatch of the Company's annual report for the year ended 31 December 2011; (vii) an announcement dated 30 March 2012 in relation to the conditions for resumption of trading in the Shares on the Stock Exchange; (viii) an announcement dated 14 June 2012 in relation to an update on the progress on the fulfillment of the resumption conditions; (ix) an announcement dated 10 August 2012 in relation to further update on progress on fulfillment of resumption conditions; and (x) an announcement dated 30 August 2012 in relation to further delay of the publication of the Company's annual results and despatch of annual report for the year ended 31 December 2011, delay in publication of interim results and despatch of interim report for the 6 months ended 30 June 2012 and update on the Group. The Shareholders are advised to read the aforementioned announcements for more information on the Group's current status.

Certain summary financial information of the Group as extracted from the Company's latest published financial statements, i.e. its interim report for the six months ended 30 June 2011 (the "Interim Report") is set out below.

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2011</b>	<b>2010</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	734,193	578,707
Profit attributable to owners of the Company	355,232	322,021

	<b>As at</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2011</b>	<b>2010</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Total assets	5,252,458	4,909,885
Total liabilities	192,214	184,430
Net assets attributable to owners of the Company	4,925,371	4,590,381

During the six months ended 30 June 2011, the Company recorded unaudited consolidated revenue of approximately RMB734,193,000, representing an approximately 26.87% increase over the unaudited consolidated revenue of approximately RMB578,707,000 generated in the six months ended 30 June 2010. The Interim Report attributes the increase in revenue to the increases in average prices of gold and other metals. Furthermore, the Company recorded unaudited consolidated profit attributable to owners of the Company of approximately RMB355,232,000 for the six months ended 30 June 2011 compared with an unaudited consolidated profit attributable to owners of the Company of approximately RMB322,021,000 for the same period in 2010, representing an increase of approximately 10.31%. As at

## LETTER FROM AMPLE CAPITAL

30 June 2011, the Company had unaudited consolidated total assets, total liabilities and net assets attributable to owners of the Company of approximately RMB5,252,458,000, RMB192,214,000 and RMB4,925,371,000 respectively.

### 2. The Debt Restructuring Agreement

#### 2.1 *Reasons for and benefits of the Debt Restructuring Agreements*

It is stated in the Board Letter that the Directors consider that the entering into the Debt Restructuring Agreement can bring to the Company the following summarized benefits:

- (a) agreed arrangement for the repayment of Debts;
- (b) avoidance of legal proceedings;
- (c) deposit designated for settlement of Debts;
- (d) provision of the guarantee; and
- (e) stable interest income.

The Shareholders are advised to refer to the section headed “Reasons and benefits of entering into the Debt Restructuring Agreement” in the Board Letter for further details regarding the Board’s view on the Debt Restructuring Agreement.

Having considered the abovementioned reasons and benefits, the Directors believe that the terms of the Debt Restructuring Agreement (including but not limited to the interest rate of 4.75% per annum) represent the best terms available to the Company and its independent Shareholders and are fair and reasonable and in the interests of the Company and its independent Shareholders as a whole.

We have tried to obtain additional information on the New Debtors such as demonstration of their financial capability to honor their obligations under the Debt Restructuring Agreement. However, such information was not available to us as at the Latest Practicable Date. Although we are unable to make an assessment on the financial capability of the New Debtors or their ultimate shareholders, we nonetheless note that the New Debtors have fulfilled the Condition in relation to payment of the Deposit in August 2012, representing approximately 37.78% of the aggregate Debts which demonstrates that the New Debtors and/or their ultimate shareholders are *somewhat* financially capable. And in the event that the New Debtors and their ultimate shareholders indeed do not have the financial capability to repay the remaining outstanding Debts and honor their obligations by the expiry of the Standstill Period, the Company would still be in a better position with the Debt Restructuring Agreement as (i) as stated in the Board Letter, the Company has not been given any indication by Mr. Wu and Top Lucky as to when the Debts will be repaid notwithstanding that since December 2011, reminders of repayment obligations have been sent to Mr. Wu and Top Lucky by the Company with the intention of recovering the outstanding loan amount under the Loan Agreements and terminating the Acquisition Agreements unilaterally; (ii) the Company would have secured the HK\$300 million repayment of the Debts upon completion of the Debt Restructuring Agreement; and (iii) if in the worst case scenario where the New Debtors

## LETTER FROM AMPLE CAPITAL

fail to fully repay the Debts by the end of the Standstill Period, the Company may seek for repayment from the New Debtors in addition to Mr. Wu and Top Lucky by way of the guarantee provided by Mr. Wu and Top Lucky which would provide additional parties to be liable for repayment, thus theoretically boosting the Company's chance of partial or full recovery of the Debts whereas in the absence of the Debt Restructuring Agreement, the Company may seek for repayment only from Mr. Wu and Top Lucky. Having considered the above, we consider that the Debt Restructuring Agreement is in the interest of the Company and the Shareholders despite a credit assessment of the New Debtors cannot be carried out.

### 2.2 *The Debts*

As stated in the Board Letter, during the first quarter of 2011, the Acquisition Agreements were entered into between the Company and Top Lucky, pursuant to which the Company agreed to purchase the Mining and Exploration Rights from Top Lucky for a consideration of HK\$520,000,000 to be paid in installments. Under the terms of the Acquisition Agreements, the Company has the right to terminate the Acquisition Agreements, in the event that the value of the Mining and Exploration Rights is determined to be less than HK\$520,000,000 by an independent third party valuer. If the valuer determines that the value of the Mining and Exploration Rights is less than HK\$520,000,000, Top Lucky would be required to reimburse the Company the full amount of the consideration under the Acquisition Agreements already paid by the Company to Top Lucky under the Acquisition Agreements.

As at the Latest Practicable Date, the Company has paid HK\$449,200,000 under the Acquisition Agreements. Pursuant to the terms of the Acquisition Agreements, the Company has the right to engage an independent valuer to determine the value of the Mining and Exploration Rights, which shall be confirmed by both parties to the Acquisition Agreements. The Company has requested Top Lucky to provide the necessary information for valuation purposes. While Top Lucky had provided certain information relating to the Mines (including the resource description and the exploitation permit), such information did not meet the Company's expected standards. In this regard, the Company was not satisfied that a reliable valuation basis could be relied upon to complete the Acquisition. The Acquisition was therefore brought to a halt.

On 23 February 2011, the first of the Loan Agreements was entered into between Mr. Wu and the Company. Under the terms of the Loan Agreements, a total loan balance of approximately HK\$316,221,169, together with the corresponding accrued interest (including punitive interest) of approximately HK\$28,726,593 remains outstanding as at 31 May 2012 from Mr. Wu. The accrued interest of approximately HK\$28,726,593 is the sum of (a) approximately HK\$22,216,422 calculated with reference to the interest rate of 6.56% per annum from 23 February 2011 to 30 March 2012, which was determined with reference to the prevailing loan interest rate of the People's Bank of China based on a 12-month term as at the date of a confirmation letter between Mr. Wu and the Company in around March 2012 (pursuant to which Mr. Wu confirmed the amount of debt, including interest, owed to the Company); and (b) the interest of approximately HK\$6,510,171 calculated at a punitive interest rate of 12.12% per annum from 31 March 2012 to 31 May 2012, which equals twice the prevailing loan interest of the People's Bank of China of 6.06% per annum for loans based on a 12-month term as at the date of the Loan Agreements.

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Accordingly, as at 31 May 2012, Top Lucky and Mr. Wu owed the Company HK\$449,200,000 under the Acquisition Agreements and approximately HK\$344,947,762 under the Loan Agreements respectively. The aggregate outstanding amount of the Debts is therefore approximately HK\$794,147,762.

The Shareholders are advised to refer to the section headed “Introduction” in the Board Letter for further details regarding the Acquisition Agreements and the Loan Agreements.

### 2.3 *The Debt Restructuring Agreement*

**Date:**

26 June 2012

**Parties:**

- (i) the Company as creditor;
- (ii) Mr. Wu as debtor and guarantor;
- (iii) Top Lucky as debtor and guarantor;
- (iv) Quanmin Investments Limited as New Debtor I; and
- (v) Victory Gold Management Inc. as New Debtor II.

Pursuant to the Debt Restructuring Agreement, the Company agreed, subject to the Conditions during the Standstill Period (i) not to pursue the repayment of the Debts; and (ii) not to take any legal action against Mr. Wu and Top Lucky in respect of the Debts, subject to the New Debtors agreeing to assume the obligation of payment of the Debts.

The Standstill Period represents the period during which the Company agreed temporarily not to take legal action against Mr. Wu and Top Lucky pending the outcome of a compromised settlement under the Debt Restructuring Agreement. Under the Debt Restructuring Agreement, the Standstill Period covers two distinct time periods, namely the period from the date of the Debt Restructuring Agreement until the First Repayment Date (which is estimated to be around 3 months) and the period of 12 months from the First Repayment Date. Given that all obligations of payment of the Debts will be assumed by the New Debtors for the 12 months commencing from the First Repayment Date when the Debt Restructuring Agreement becomes effective, the Directors believe that it is a normal commercial practice not to take any legal action against the debtors in respect of the Debts from the date of signing of the Debt Restructuring Agreement until the Maturity Date or the termination date in case of early termination of the Debt Restructuring Agreement. Therefore, the Directors are of the view that the Standstill Period is justified.

We understand that the terms of the Debt Restructuring Agreement (including the length of the Standstill Period) were arrived at after arm's length negotiations amongst the parties thereto, and represent the best terms available to the Company. As stated in the Board Letter, one of the reasons for the Debt Restructuring Agreement is that the Company may earn stable interest income during the Standstill Period. Since (i) the length of the Standstill Period is part and parcel of the



## LETTER FROM AMPLE CAPITAL

Debt Restructuring Agreement; (ii) the Debt Restructuring Agreement is, as a whole, fair and reasonable to the Company and the Shareholders as discussed in this letter; and (iii) the Company is entitled to receive the interest income during the Standstill Period as discussed in section 2.5 of this letter, we consider the Standstill Period of over 12 months is justified.

Upon the Debt Restructuring Agreement becoming effective, the New Debtors have severally agreed to (i) assume the obligation of the payment of the Debts; and (ii) pay interest on the remaining balance of the Debts at a simple interest rate of 4.75% per annum, which is determined after the arm's length negotiations amongst the parties thereto with reference to market interest rates, namely the best lending rate of 5% per annum (the "**Best Lending Rate**") prevailing on the date of the Debt Restructuring Agreement as published by the Hongkong and Shanghai Banking Corporation Limited ("**HSBC**"), and the one-year lending rate of 6.31% per annum prevailing on the date of the Debt Restructuring Agreement as published by the People's Bank of China.

In connection with the interest of 4.75% per annum under the Debt Restructuring Agreement, we note that the Best Lending Rate of HSBC was 5.00% per annum as at the date of the Debt Restructuring Agreement. The interest rate of the Debt Restructuring Agreement therefore represents a 5.00% discount to the Best Lending Rate which is a reasonable indication of cost of capital for HK\$ loans. In addition, the interest rate of the Debt Restructuring Agreement represents an approximately 24.72% discount to the one-year lending rate of 6.31% per annum published by the People's Bank of China on the date of the Debt Restructuring Agreement. Since the Best Lending Rate is for HK\$ loans while the lending rate of the People's Bank of China is for RMB loans, we consider the Best Lending Rate is more relevant within the context of the Debt Restructuring Agreement and the Debts which is denominated in HK\$. Having considered (i) the interest rate under the Debt Restructuring Agreement is comparable to the Best Lending Rate; and (ii) our analysis in sections 2.4 and 2.5 of this letter which illustrates that the interest income that the Company may receive under the Debt Restructuring Agreement is higher than the hypothetical interest under the Loan Agreements, we are of the view that the interest rate under the Debt Restructuring Agreement is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Under the Debt Restructuring Agreement, save for the Debt Interest, no interest will be charged on the outstanding balance owed by Top Lucky to the Company under the Acquisition Agreements before the First Repayment Date. The interest will be charged on the loan owed by Mr. Wu under the Loan Agreements up to 31 May 2012. Any chargeable interest in respect of the outstanding amounts owed by Mr. Wu under the Loan Agreements for the period from 1 June 2012 to the day before the First Repayment Date will be waived.

Pursuant to the Debt Restructuring Agreement, the parties thereto agreed that the total amount of the Debts will be approximately HK\$794,147,762, of which approximately HK\$529,431,841 will be assumed by New Debtor I and approximately HK\$264,715,921 will be assumed by New Debtor II.



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The Debts shall be settled by the New Debtors in the following manner:

- (i) before the Latest Practicable Date, the New Debtor I and New Debtor II shall deposit HK\$200 million (or the equivalent RMB amount) and HK\$100 million (or the equivalent RMB amount), respectively, into the designated bank account of the Company. The Company has received the banker's acceptance bill amounting to RMB82 million (or equivalent to slightly more than HK\$100 million) and RMB164 million (or equivalent to slight more than HK\$200 million) from New Debtor II and New Debtor I respectively on 13 August 2012 and 16 August 2012 respectively;
- (ii) immediately after the Conditions under the Debt Restructuring Agreement are satisfied or waived, the Deposit will be paid to the Company to offset part of the Debts; and
- (iii) no later than the Maturity Date, the new Debtors shall severally repay the remaining balance of the Debts, of which approximately HK\$329,431,841 (or the equivalent RMB amount) will be paid by New Debtor I and approximately HK\$164,715,921 (or the equivalent RMB amount) will be repaid by New Debtor II, together with the corresponding Debt Interest.

For the avoidance of doubt, New Debtor I and New Debtor II will not be liable for each other's obligation in the event of any default of the other in respect of their obligations under the Debt Restructuring Agreement.

The New Debtors are entitled to make early repayments in respect of the Debts provided that such repayments shall be for an amount not less than HK\$1 million. Moreover, the in the event that the Conditions under the Debt Restructuring Agreement are neither fulfilled nor waived on or before 30 September 2012 (or such later date as the parties thereto may agree in writing), the Deposit shall be returned to the New Debtors in full without interest within seven days. As at the Latest Practicable Date, none of the New Debtors has expressed any intention to repay the Debts prior to the Maturity Date.

### *2.4 The Company's position in the absence of the Debt Restructuring Agreement*

We have reviewed copies of the Acquisition Agreements and the Loan Agreements as provided by the Company and the terms in relation to the Debts can be summarized as follows:

- (i) The Acquisition Agreements does not specify the charging of any interest on the deposit already paid and there are no specific terms to govern the return of deposit paid by the Company in the event that the Acquisition does not complete. Accordingly, the Debts in the amount of HK\$449,200,000 arising out of the Acquisition Agreements are assumed to be interest free with no fixed term of repayment pursuant to the terms and conditions of the Acquisition Agreement.
- (ii) The repayment dates pursuant to the Loan Agreements have already passed some time ago. Pursuant to the Loan Agreements, the Company has the right to charge Mr. Wu punitive interest which equals to twice the prevailing loan interest rate of the People's

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Bank of China which was 6.06% per annum for loans with 1-year term. The Debts of approximately HK\$316,221,169 (together with accrued interest of approximately HK\$28,726,593 as at 31 May 2012) are already overdue.

For the purpose of an apples-to-apples comparison with the interest income under the Debt Restructuring Agreement as discussed in section 2.5 of this letter, we have calculated the hypothetical interest which may be receivable by the Company under the Loan Agreements based on the same repayment schedule set out in the Debt Restructuring Agreement adopting the assumptions that:

- (i) Mr. Wu will make a repayment of HK\$300 million on the First Repayment Date (i.e. the date on which all of the conditions precedent to the Debt Restructuring Agreement are fulfilled which is assumed to be the long-stop date of 30 September 2012 as set out in the Debt Restructuring Agreement);
- (ii) the Company is entitled to receive punitive interest of 12.12% per annum on the Debts arising out of the Loan Agreements for the approximately 16-month period from 1 June 2012 to the end of the Standstill Period (assumed to be 30 September 2013 based on the First Repayment Date of 30 September 2012);
- (iii) for the approximately 4-month period of June to September 2012 before the First Repayment Date, the interest bearing portion of the Debts is approximately HK\$316,221,169 which represents the amount of outstanding loan balance arising out of the Loan Agreements which results in hypothetical interest receivable of approximately HK\$12,810,000; and
- (iv) for the remaining approximately 12-month period from October 2012 to September 2013 after the First Repayment Date, the interest bearing portion of the Debts is HK\$16,221,169 which represents the amount of outstanding loan balance arising out of the Loan Agreements less the HK\$300 million repayment assumed to be made on the First Repayment Date which results in hypothetical interest receivable of approximately HK\$1,966,000.

We note from the Board Letter that the long-stop date of 30 September 2012 of the Debt Restructuring Agreement can be extended by the parties to the Debt Restructuring Agreement. In the event that the long-stop date of the Debt Restructuring Agreement is extended, the First Repayment Date (which is assumed to be 30 September 2012 in the assumptions above) will be pushed back. Such a situation would effectively delay the HK\$300 million repayment, therefore (i) lengthening the period which the interest bearing portion of the Debts in the amount of HK\$316,221,169 would be subject to the punitive interest of 12.12% per annum; and (ii) result in a higher overall hypothetical interest receivable by the Company under the Loan Agreement. But having considered that (i) the Company understands that the New Debtors and Lead Honest intend to enter into the Share Transfer Agreements and Equity Forward Agreements and the Company currently does not foresee any significant difficulties in fulfilling the relevant conditions precedent by 30 September 2012; (ii) the condition precedent in relation to payment of the Deposit is deemed to be satisfied as at the Latest Practicable Date; (iii) the Company currently does not foresee any significant difficulties in fulfilling the conditions precedent in relation to approval of the Debt Restructuring Agreement by the Independent Shareholders at the EGM and obtaining all necessary

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regulatory consents and approvals by 30 September 2012; (iv) based on the above, the Company confirms that as at the Latest Practicable Date, there is no indication that the long-stop date of 30 September 2012 will be extended; and (v) the extension (if any) cannot be reliability predicted based on the current situation, we have not assessed the impact of a possible extension of the long-stop date of the Debt Restructuring Agreement for the purpose of calculating the hypothetical interest under the Loan Agreement.

Based on the aforementioned assumptions, the Company may receive a hypothetical interest of approximately HK\$14,776,000 as per the terms of the Loan Agreements.

As per our discussion with the Group's management, we understand that the Debt Restructuring Agreement was the result of the negotiations between the Company, Mr. Wu and Top Lucky to settle the Debt and as at the Latest Practicable Date, there is no other alternative proposal that is acceptable to the parties concerned. As mentioned earlier, the Company has not been given any indication by Mr. Wu and Top Lucky as to when the Debts will be repaid notwithstanding that since December 2011, reminders of repayment obligations have been sent to Mr. Wu and Top Lucky. In the absence of the Debt Restructuring Agreement and in view of the fact that the Acquisition Agreements do not set out how Top Lucky shall reimburse the Company in respect of the consideration paid by the Company to Top Lucky and the payments under the Loan Agreements are outstanding from Mr. Wu to the Company, the Company may commence legal proceedings against Mr. Wu and Top Lucky to attempt to recover the Debts. Should the Company choose legal proceedings in the recovery of the Debts, it will likely face the following situations:

- (i) Although the Board has reasonable belief that the Company will prevail in such hypothetical legal proceedings, the outcome cannot be predicted with 100% certainty and there is a possibility, however small, that the Company may not be able to fully recover the Debts due to legal technicalities such as Top Lucky's successful claim for breach of contract on the Company's part in the court.
- (ii) It is uncertain how much time would such legal proceedings consume. If any of the parties to such legal proceedings decide to appeal to a higher court, the court action can last over 1 year and potentially continue thereafter. If faced with such prospects, the Group's management believes that the associated legal costs which may be borne by the Company can be a substantial amount (estimated to be not less than HK\$1 million).
- (iii) During the legal proceedings, the Company may also need to commit substantial resources into such proceedings. For example, the Group's management may need to deploy a substantial amount of their work hours in meeting the Company's legal team, preparation of information to support the Company's case, having court appearances, giving testimonies, etc. Accordingly, the Group's management may be distracted from their normal work which may have an adverse impact on the Group's overall operations.

Faced with the aforementioned prospects, we consider that the recovery of the Debts through legal proceedings may not be the most ideal proposition given with the Company's circumstances. In addition, the Group's management advised that the Company has consulted its PRC legal adviser as to the merits of commencing legal action against Mr. Wu and/or Top Lucky and the potential time and costs involved. After considering various options available to the Company

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(including legal action against Mr. Wu and/or Top Lucky), the Board determined, on advice from the Company's PRC legal adviser, that taking into account the costs and benefits and uncertainty as to the timing of debt repayment schedule in the event that any legal action was pursued, the Debt Restructuring Agreement would represent a better option to the Company as it provides for an agreed arrangement, whereby the Debts will partly or fully be repaid to the Company by the New Debtors, without compromising the right of the Company to seek reimbursement/repayment from Top Lucky (in respect of the value of the paid prepayments) or Mr. Wu (in respect of the outstanding Loan), in the event that certain conditions under the Debt Restructuring Agreement are not fulfilled or waived in accordance therewith. In connection with the aforementioned advice given by the Company's PRC legal adviser, we have conducted the work as required under note 1(d) to Rule 13.80 of the Listing Rules including (i) assess the PRC legal adviser's experience and expertise; (ii) assess the PRC legal adviser's prior relationships with the relevant parties; and (iii) review the scope of work of the PRC legal adviser. We concur with the view of the PRC legal adviser.

### *2.5 The Company's position with the Debt Restructuring Agreement*

As mentioned earlier, the Debt Restructuring Agreement enables Mr. Wu and Top Lucky to arrange payment of the Debts by restructuring the Debts in accordance therewith, thereby providing for an agreed arrangement for the repayment of the Debts to the Company. The principal features of the Debt Restructuring Agreement can be summarized as follows:

- (i) The New Debtors have agreed to assume the obligation of the payment of the Debts.
- (ii) The New Debtors have fulfilled the Condition in relation to payment of the Deposit in August 2012. Upon the completion of the Debt Restructuring Agreement, the aforementioned deposit will be used to partially offset the Debts which would have a reduced outstanding balance of approximately HK\$494,147,762.
- (iii) The Company shall be entitled to receive interest at a simple interest rate of 4.75% per annum during the period from the First Repayment Date until the full repayment of the Debts.
- (iv) No later than the Maturity Date, the New Debtors shall severally repay the remaining balance of the Debts.
- (v) Mr. Wu and Top Lucky have provided an unconditional and irrevocable guarantee to the Company, in respect of the due and punctual payment by the New Debtors of all outstanding amounts under the Debts. In the event that any amount under the Debts is not repaid in full to the Company, Mr. Wu and Top Lucky shall be liable for the repayment of the remaining amounts (including the Debt Interest) under the Debt Restructuring Agreement. In addition, in the event that the Conditions are not fulfilled or waived, Mr. Wu and Top Lucky shall remain liable for all respective amounts due and owing to the Company and the fulfillment of all their obligations under the Acquisition Agreements and the Loan Agreements. Furthermore, under the terms of the Debt Restructuring Agreement, Mr. Wu shall be liable (jointly with Top Lucky) for the

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amounts of HK\$449,200,000 due and owing to the Company by Top Lucky under the Acquisition Agreements in the event that the Conditions of the Debt Restructuring Agreement are not fulfilled or waived.

For the purpose of comparison with the hypothetical interest receivable under the Loan Agreements as discussed in section 2.4 of this letter, the Company is, pursuant to the Debt Restructuring Agreement, entitled to receive from the New Debtors interest income of approximately HK\$23,472,000 calculated on the following basis:

- (i) the outstanding amount of the Debts is approximately HK\$494,147,762 after the HK\$300 million repayment at an interest rate of 4.75% per annum;
- (ii) the remaining liabilities will be fully repaid 12 months after the First Repayment Date (assumed to be long-stop date of 30 September 2012 as set out in the Debt Restructuring Agreement); and
- (iii) the New Debtors will not make any early repayments as allowed under the Debt Restructuring Agreement.

Such interest income under the Debt Restructuring Agreement is approximately 1.59 times the hypothetical interest of approximately HK\$14,776,000 for the period from 1 June 2012 to the end of the Standstill Period (assumed to be 30 September 2013) which the Group may otherwise receive under the Loan Agreements in the absence of the Debt Restructuring Agreement as discussed in section 2.4 of this letter.

In essence, the Debt Restructuring Agreement allows the Company to (i) receive the deposit of HK\$300 million which will be used to partially offset the Debts upon completion of the Debt Restructuring Agreement; (ii) have the New Debtors stand-in and assume the Debts from Mr. Wu and Top Lucky with the guarantee by Top Lucky and Mr. Wu of the due and punctual payment by the New Debtors of all outstanding amounts under the Debts; (iii) have an agreed repayment schedule for the remaining Debts; and (iv) receive from the New Debtors the aforementioned interest income under the Debt Restructuring Agreement which is substantially higher than the hypothetical interest which the Company may otherwise receive under the Loan Agreements in the absence of the Debt Restructuring Agreement.

### *2.6 Analysis of hypothetical financial impact in the Board Letter*

We note that under the subsection headed “Hypothetical financial impact” in the section headed “Financial effect” in the Board Letter, the Company has computed “the hypothetical greatest interest to be foregone arising from the Debt Restructuring Agreement” which is calculated to be approximately HK\$51.1 million. This figure varies substantially to the hypothetical interest of approximately HK\$14,776,000 under the Loan Agreements as calculated by us in section 2.4 of this letter which would be foregone due to the Debt Restructuring Agreement. Such difference is mainly attributable to the different assumptions adopted by the Company and us. In the Board Letter, the Company has adopted the assumption that the Deposit of HK\$300 million will be used for the repayment of the indebtedness under the Acquisition

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Agreements which is non-interest bearing in nature. As illustrated in section 2.4 of this letter, we have adopted the assumption that the Deposit will be used toward the repayment of the indebtedness under the Loan Agreements which is interest bearing in nature.

Practically speaking, any rational debtor will seek to minimize interest expense whenever possible. For a debtor who has more than one outstanding indebtedness, he will naturally repay the debt with the highest amount of interest before repaying debt with lower amount of interest. Accordingly, we do not believe using the Deposit for the repayment of the non-interest bearing indebtedness under the Acquisition Agreements makes much commercial sense. Furthermore, the Loan Agreements clearly sets out fixed maturity dates which have already expired some time ago whereas the Acquisition Agreements do not specify terms to govern the return of deposit paid by the Company in the event that the Acquisition does not complete and the liability thereunder is accordingly assumed to have no fixed term of repayment as discussed in section 2.4 of this letter. Based on the above, we consider that it is only natural to make repayment to the indebtedness under the Loan Agreements first as repayment is already contractually overdue.

In assessing the fairness and reasonableness of the Debt Restructuring Agreement, we have taken into consideration that (i) in the absence of the Debt Restructuring Agreement, repayment of the liabilities under the Acquisition Agreements and Loan Agreements (together with interest) by Top Lucky and Mr. Wu is governed by the relevant agreements which is currently without any agreed schedule and/or certainty; (ii) with the Debt Restructuring Agreement, the Company has received the banker's acceptance bill in respect of the HK\$300 million Deposit in August 2012 which will be used to partially repay the Debts; and (iii) the Debt Restructuring Agreement also sets out an agreed repayment schedule for the New Debtors to fully repay the outstanding Debts charged at an agreed interest rate.

In view of the above, we do not consider that "the hypothetical greatest interest to be foregone from the Debt Restructuring Agreement" of approximately HK\$51.1 million as stated in the Board Letter has any meaningful value and we have accordingly adopted the hypothetical interest of approximately HK\$14,776,000 as illustrated in section 2.4 of this letter for the purpose of assessing the amount of foregone interest.

### *2.7 Risk factors*

The Shareholder's attention is drawn to the section headed "Risk factors" in the Board Letter. In particular, the Company has set out two risk factors, namely (i) risks in relation to the payment obligations of the New Debtors; and (ii) risks that Mr. Wu and Top Lucky may not honour the guarantee obligations under the Debt Restructuring Agreement. Having assessed the stated risk factors, it would appear that the risks that the Company faces in the absence of the Debt Restructuring Agreement, i.e. the established uncertainty of repayment by Mr. Wu and Top Lucky who have not given any indication of repayment despite reminders of repayment have been sent by the Company, outweigh the aforementioned risks when the New Debtors have satisfied the Condition in relation to payment of the Deposit in August 2012. Accordingly, we consider that entering into the Debt Restructuring Agreement is in the interest of the Company and the Shareholders.



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### 2.8 Conclusion on the Debt Restructuring Agreement

Having compared the relevant terms of the Acquisition Agreements and the Loan Agreements with that of the Debt Restructuring Agreement, it would appear that the Company is in better position with the Debt Restructuring Agreement for the following reasons:

- (i) the Debt Restructuring Agreement represents an agreed arrangement for the full repayment of the Debts while there is no other alternative proposal that is acceptable to the parties concerned;
- (ii) the Company is expected to secure the repayment of HK\$300 million of the Debts upon completion of the Debt Restructuring Agreement which is expected to occur shortly;
- (iii) the interest receivable by the Group under the Debt Restructuring Agreement is approximately 1.59 times of the hypothetical interest which may be receivable by the Group under the Loan Agreements; and
- (iv) if in the worst case scenario where the New Debtors fail to fully repay the Debts by the end of the Standstill Period, the Company may seek for repayment from the New Debtors in addition to Mr. Wu and Top Lucky by way of the guarantee provided by Mr. Wu and Top Lucky which would provide additional parties to be liable for repayment, thus theoretically boosting the Company's chance of partial or full recovery of the Debts whereas in the absence of the Debt Restructuring Agreement, the Company may seek for repayment only from Mr. Wu and Top Lucky.

With regards to point (iv) above, we understand that in the event that the New Debtors fail to fully repay the outstanding Debts by the end of the Standstill Period, Mr. Wu and Top Lucky shall be liable for repayment of the outstanding Debts, with interest calculated at the rate of 4.75% per annum as set out under the Debt Restructuring Agreement. Effectively, the Debt Restructuring Agreement would supersede the original Loan Agreements under which Mr. Wu is obligated to pay a punitive interest calculated at 12.12% per annum. As discussed in section 2.4 of this letter, the interest bearing portion of the Debts under the Loan Agreements is approximately HK\$16,221,169 if the Deposit of HK\$300 million is assumed to have been made by Mr. Wu on the First Repayment Date. Accordingly, the Company may receive a hypothetical annual interest of approximately HK\$1,966,000 from Mr. Wu in respect of such remaining outstanding balance under the Loan Agreements. Alternatively under the Debt Restructuring Agreement, the Company may receive annual interest of approximately HK\$23,472,000 calculated at the interest rate of 4.75% per annum as discussed in section 2.5 of this letter. Based on the above, the interest that the Company is entitled to receive pursuant to the Debt Restructuring Agreement is higher than what the Company may hypothetically receive under the Loan Agreements if the aforementioned worst case scenario where the New Debtors fail to repay the Debts by the end of the Standstill Period materializes.

Having considered the factors discussed above, we are of the opinion that the Debt Restructuring Agreement is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

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### 3. Transactions between Lead Honest and the New Debtors

Your attention is drawn to the section headed “Effect on shareholding structure” in the Board Letter. It is noted that under the Share Transfer Agreements and the Equity Forward Agreements (the signing of which are conditions precedent to the Debt Restructuring Agreement), the New Debtors are to purchase from Lead Honest (i) 234,376,000 Transfer Shares, representing approximately 25.79% of the Company’s issued share capital, under the Share Transfer Agreements; and (ii) 105,000,000 Equity Forward Shares, representing approximately 11.55% of the Company’s issued share capital, under the Equity Forward Agreements. Accordingly, upon completion of all the transactions contemplated under the Share Transfer Agreements and the Equity Forward Agreements, the New Debtors will receive an aggregate of 339,376,000 Shares, representing approximately 37.34% of the Company’s issued share capital. Since the transactions contemplated thereunder do not involve any issue of new Shares, the pro-rata shareholding of other public Shareholders (save for Citigroup Global Markets Limited or its associates) are not expected to be diluted or otherwise affected. Furthermore, the Share Transfer Agreements and the Equity Forward Agreements are arrangements between Lead Honest and the New Debtors and are therefore not expected to have any direct effect on the other public Shareholders (save for Citigroup Global Markets Limited or its associates). However, the intention of the New Debtors with regards to the Transfer Shares and the Equity Forward Shares is currently unclear. Should the New Debtors (or any subsequent transferee(s) of the relevant Shares) decide to dispose of the shareholding in the Company in the open market upon the resumption of trading in the Shares on the Stock Exchange, such disposal may create downward pressure on the price of the Shares on the Stock Exchange.

### CONCLUSION

Having considered the above principal factors, we are of the opinion that the terms of the Debt Restructuring Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole. In addition, we consider that the Debt Restructuring Agreement is on normal commercial terms. Accordingly, we would recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favor of the ordinary resolution(s) to approve the Debt Restructuring Agreement at the EGM.

Yours faithfully,  
For and on behalf of  
**Ample Capital Limited**  
**H. W. Tang**  
*President*

Yours faithfully,  
For and on behalf of  
**Ample Capital Limited**  
**Kevin So**  
*Vice President*



## 1. DISCLOSURE OF INTERESTS

### (a) Directors' interests in the Company

As at the Latest Practicable Date, the interests of the Directors in the Shares and the underlying Shares and any of its associated corporations (within the meaning of Part XV 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 were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Name of Director	Capacity	Number of options held	Number of underlying Shares held	Percentage of the issued share capital of the Company
Lu Tianjun	Beneficial owner	2,640,000	2,640,000	0.29%
Ma Wenxue	Beneficial owner	2,640,000	2,640,000	0.29%
Cui Jie	Beneficial owner	2,640,000	2,640,000	0.29%
Li Qing	Beneficial owner	1,650,000	1,650,000	0.18%

All interests stated above represent long positions in share options.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or chief executives of the Company and their associates had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV 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 were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

### (b) Directors' interests in assets of the Company

None of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had since 31 December 2010, being the date to which the latest published audited accounts of the Group were made up, been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group.

**(c) Directors' Service Contracts**

Mr. Lu Tianjun, Mr. Ma Wenxue and Mr. Cui Jie, each of whom is an existing executive Directors, had each entered into a service agreement with the Company for a fixed term of three years commencing on 30 January 2009. Upon the expiration of their service contracts, they each entered into another service agreement with the Company for a fixed term of three years commencing on 30 January 2012. Mr. Li Qing, an existing executive Director, has entered into a service agreement with the Company for a fixed term of three years commencing on 5 May 2011.

Mr. Zhao Enguang, an existing independent non-executive Director, had entered into a service agreement with the Company for a fixed term of two years commencing on 30 January 2009. Upon the expiration of his service contract, he entered into another service agreement with the Company for a fixed term of two years commencing on 30 January 2011. Mr. Yang Yicheng, an existing independent non-executive Director, had entered into a service agreement with the Company for a fixed term of two years commencing on 25 June 2009. Upon the expiration of his service contract, he entered into another service agreement with the Company for a fixed term of two years commencing on 25 June 2011. Mr. Li Xiaoping, an existing independent non-executive Director, has entered into a service agreement with the Company for a fixed term of two years commencing on 18 November 2011.

**2. SUBSTANTIAL SHAREHOLDERS**

As at the Latest Practicable Date, so far as was known to the Directors or chief executives of the Company, the following persons (other than the Directors or chief executives of the Company) had interests or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

**Long and short positions in ordinary shares of HK\$1 each of the Company**

*(including equity derivative interests)*

Name of Shareholder	Capacity	Long position		Short position	
		Long position number of Shares	percentage of the issued share capital of the Company	Short position number of Shares	percentage of the issued share capital of the Company
Lead Honest Management Limited (Note 1)	Beneficial owner	479,376,000	52.75%	234,376,000	25.79%
Tercel Holdings Limited (Note 1)	Interest of controlled corporation	479,376,000	52.75%	234,376,000	25.79%
Credit Suisse Trust Limited (Note 1)	Trustee	479,376,000	52.75%	234,376,000	25.79%
Mr. Wu (Note 1)	Founder of a discretionary trust	479,376,000	52.75%	234,376,000	25.79%
Citigroup Inc. (Note 2 and 3)	Interest of controlled corporation	110,275,985	12.13%	107,409,129	11.82%

Name of Shareholder	Capacity	Long position number of Shares	Long position percentage of the issued share capital of the Company	Short position number of Shares	Short position percentage of the issued share capital of the Company
	Custodian corporation/ approved lending agent	242,395,448	26.67%	N/A	N/A
	Person having a security interest in shares	362,000	0.04%	N/A	N/A
Value Partners Limited (Note 4)	Investment manager	77,678,000	8.55%	N/A	N/A
Value Partners Hong Kong Limited (Note 4)	Interest of controlled corporation	77,678,000	8.55%	N/A	N/A
Value Partners Group Limited (Note 4)	Interest of controlled corporation	77,678,000	8.55%	N/A	N/A
Cheah Capital Management Limited (Note 4)	Interest of controlled corporation	77,678,000	8.55%	N/A	N/A
Cheah Company Limited (Note 4)	Interest of controlled corporation	77,678,000	8.55%	N/A	N/A
Hang Seng Bank Trustee International Limited (Note 4)	Trustee	77,678,000	8.55%	N/A	N/A
Cheah Cheng Hye (Note 4)	Founder of a discretionary trust	77,678,000	8.55%	N/A	N/A
To Hau Yin (Note 4)	Interest of spouse of a substantial shareholder	77,678,000	8.55%	N/A	N/A

**Equity derivative interests in ordinary shares of HK\$1 each of the Company**  
*(included in long and short positions)*

<b>Name of Shareholder</b>	<b>Long position number of Shares</b>	<b>Long position percentage of the issued share capital of the Company</b>	<b>Short position number of Shares</b>	<b>Short position percentage of the issued share capital of the Company</b>
Lead Honest Management Limited <i>(Note 1)</i>	105,000,000	11.55%	107,408,809	11.82%
Tercel Holdings Limited <i>(Note 1)</i>	105,000,000	11.55%	107,408,809	11.82%
Credit Suisse Trust Limited <i>(Note 1)</i>	105,000,000	11.55%	107,408,809	11.82%
Mr. Wu <i>(Note 1)</i>	105,000,000	11.55%	107,408,809	11.82%
Citigroup Inc. <i>(Note 2 and 3)</i>	107,850,676	11.87%	105,000,000	11.55%

*Notes:*

1. As at the Latest Practicable Date, Lead Honest Management Limited was 100% controlled by Tercel Holdings Limited, which in turn was ultimately controlled by Credit Suisse Trust Limited. Credit Suisse Trust Limited was a trustee of Tercel Trust, of which Mr. Wu was the founder.
2. There was also a lending pool of 8,019,448 shares, representing 0.88% of the issued share capital of the Company.
3. Citigroup Inc.'s interests were held via the following companies controlled by Citigroup Inc:

Citigroup Global Markets Financial Products LLC was interested in a long position of 110,259,485 shares of the Company and a short position of 107,408,809 shares of the Company. Citigroup Global Markets Financial Products LLC was controlled by Citigroup Global Markets Holdings GmbH which was in turn controlled by Citigroup Global Markets (International) Finance AG and Citigroup Global Markets Pacific Holding Company Inc.; both Citigroup Global Markets (International) Finance AG and Citigroup Global Markets Pacific Holding Company Inc. were controlled by Citigroup Financial Products Inc.; Citigroup Financial Products Inc. was controlled by Citigroup Global Markets Holdings Inc. which was in turn controlled by Citigroup Inc.

Citigroup Global Markets Ltd was interested in a long position of 378,500 shares of the Company and a short position of 320 shares of the Company. Citigroup Global Markets Ltd was controlled by Citigroup Global Markets Europe Ltd which was controlled by Citigroup Global Markets (International) Finance AG, Citigroup Financial Products Inc. and Citigroup Global Markets International LLC; both Citigroup Global Markets (International) Finance AG and Citigroup Global Markets International LLC were in turn controlled by Citigroup Financial Products Inc.; Citigroup Financial Products Inc. was controlled by Citigroup Global Markets Holdings Inc. which was in turn controlled by Citigroup Inc.

Citigroup Global Markets Holdings GmbH, which was controlled by Citigroup Global Markets (International) Finance AG and Citigroup Global Markets Pacific Holding Company Inc., was deemed to be interested in a long position of 110,259,485 shares of the Company and a short position of 107,408,809 shares of the Company.

Citigroup Global Markets Europe Ltd. was deemed to be interested in a long position of 378,500 shares of the Company and a short position of 320 shares of the Company.

Citigroup Global Markets Pacific Holding Company Inc. was deemed to be interested in a long position of 110,259,485 shares of the Company and a short position of 107,408,809 shares of the Company.

Citigroup Global Markets (International) Finance AG was deemed to be interested in a long position of 116,637,985 shares of the Company and a short position of 107,409,129 shares of the Company.

Citigroup Global Markets International LLC was deemed to be interested in a long position of 378,500 shares of the Company and a short position of 320 shares of the Company.

Citigroup Financial Products Inc. was deemed to be interested in a long position of 110,637,985 shares of the Company and a short position of 107,409,129 shares of the Company.

Citigroup Global Markets Holdings Inc. was deemed to be interested in a long position of 110,637,985 shares of the Company and a short position of 107,409,129 shares of the Company.

Citibank N.A. was interested in a long position of 242,395,448 shares of the Company. Citibank N.A. was controlled by Citicorp Holdings Inc. which was in turn controlled by Citigroup Inc.

Citicorp Holdings Inc. was deemed to be interested in a long position of 242,395,448 shares of the Company.

4. As at the Latest Practicable Date, Value Partners Limited was 100% controlled by Value Partners Hong Kong Limited, which in turn was 100% controlled by Value Partners Group Limited, which in turn was 28.47% controlled by Cheah Capital Management Limited, which in turn was 100% controlled by Cheah Company Limited, which in turn was 100% controlled by Hang Seng Bank Trustee International Limited. Hang Seng Bank Trustee International Limited was the trustee of the C H Cheah Family Trust, of which Mr. Cheah Cheng Hye was the founder. Ms. To Hau Yin was the spouse of Mr. Cheah Cheng Hye.

Other than disclosed herein, as at the Latest Practicable Date, so far as was known to the Directors or chief executives of the Company, the Company had not been notified of any other interests or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO or any persons (other than the Directors and chief executive of the Company) who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying the right to vote in all circumstance at general meeting of any member of the Group.

### 3. MATERIAL ADVERSE CHANGE

Reference is made to the articles published in the South China Morning Post on 27 and 28 May 2011 concerning the alleged discrepancies between the financial information in the Company's 2009 annual report and those obtained by SCMP from the State Administration of Industry and Commerce (the "Alleged Discrepancies"). The Company has made announcements dated 30 May 2011 and 1 June 2011 in response to the Alleged Discrepancies.

Reference is made to the articles published in the South China Morning Post on 17 June 2011 in which it was reported that the entire issued share capital of Fubon Industrial (Huizhou) Co., Limited (富邦工業(惠州)有限公司) ("Fubon Industrial"), an indirect wholly-owned subsidiary of the Company, was pledged as security for banking facilities to Shanghai Pudong Development Bank for certain private entities outside the Group under the control of Mr. Wu without the Company's board of Directors' prior knowledge or approval (the "2010 Pledge"). It was later revealed that there was also a similar pledge of

the issued share capital of Fubon Industrial to Shanghai Pudong Development Bank in 2009 (the “2009 Pledge”). The Company has made announcement dated 19 June 2011 in response to the 2009 Pledge and the 2010 Pledge (collectively, the “Share Pledges”).

Reference is made to the announcements dated 13 October 2011 and 14 March 2012 concerning the resignation of the Company’s auditor (the “Resignation”) and the delay in publication of the Company’s annual results and despatch of the Company’s annual report for the year ended 31 December 2011 (the “Delay”), respectively. Deloitte had resigned as auditor of the Company with effect from 12 October 2011 and is of the opinion that continuing reliance should not be placed on its report which was included as part of the Company’s 2010 Annual Report. The Company has been actively seeking a replacement auditor since that time but has not been able to engage a suitable auditor to fill the vacancy and audit the financial statements of the Group. Accordingly, the Company was unable to publish its annual results for the year ended 31 December 2011 by 31 March 2012 and was not in a position to despatch its annual report for year ended 31 December 2011 to every member and every other holder of its listed securities (not being bearer securities) by 30 April 2012 pursuant to Rules 13.49(1)(ii) and 13.46(2) of the Listing Rules respectively.

Reference is made to the announcement dated 30 August 2012 in relation to further delay of the publication of the Company’s annual results and despatch of annual report for the year ended 31 December 2011, delay in publication of interim results and despatch of interim report for the 6 months ended 30 June 2012 and update on the Group (“More Delays”).

Save for the Alleged Discrepancies, the Share Pledges, the Resignation, the Delay, More Delays, the Acquisition Agreements and the Loan Agreements, the Directors have not been aware of any material adverse change in the financial position or trading position of the Group since 31 December 2010, being the date to which the latest published audited financial statements of the Group was made up.

#### **4. COMPETING INTERESTS**

As at the Latest Practicable Date, insofar as the Directors are aware, none of the Directors or their respective associates had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

#### **5. MISCELLANEOUS**

- (i) The secretary of the Company is Mr. Leung Wai Chiu, Albert. Mr. Leung is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.
- (ii) The principal place of business of the Company in Hong Kong is at 20/F., No. 633 King’s Road, North Point, Hong Kong. The headquarters of the Company is 3rd Floor, Block B, Caifu Building, Daming Street, Xincheng District, Chifeng City, Inner Mongolia, the People’s Republic of China.
- (iii) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

- (iv) The principal share registrar and transfer office of the Company is Butterfield Fulcrum Group (Cayman) Limited at Butterfield House, 68 Fort Street, P.O. Box 609, Grand Cayman KY1-1107, Cayman Islands. The Hong Kong branch share registrar and transfer office of the Company are Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (v) As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates were considered to have interest in any business which competes or may compete, either directly or indirectly, with the business of the Company or have or may have any other conflicts of interest with the Company pursuant to the Listing Rules.
- (vi) The English text of this circular shall prevail over the Chinese text.

## 6. EXPERT AND CONSENT

The following are the qualifications of the experts who have given opinion or advice contained in this circular:

Name	Qualification
Ample Capital Limited	Licensed corporation to carry out Types 4, 6 and 9 regulated activities (advising on securities, advising on corporate finance and asset management respectively) under the SFO

As at the Latest Practicable Date, Ample Capital Limited (i) is not beneficially interested in the share capital of any member of the Company nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Company; and (ii) does not have any direct or indirect interest in any assets which have been, since 31 December 2010 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to any member of the group.

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

## 7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at 20/F., No. 633 King’s Road, North Point, Hong Kong during normal business hours on any weekday other than public holidays, for a period of 14 days from the date hereof:

- (a) the service contracts, if any, referred to in the paragraph headed “Directors’ Service Contracts” in this Appendix;
- (b) Acquisition Agreements;
- (c) Loan Agreements; and
- (d) the Debt Restructuring Agreement.



瑞金礦業

Real Gold Mining Limited

**REAL GOLD MINING LIMITED**

瑞 金 礦 業 有 限 公 司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 246)**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting of Real Gold Mining Limited (the “Company”) will be held at Seminar room 1, Level 15, Beijing Yintai Centre, 2 Jianguomenwai Avenue, Chaoyang District, Beijing, China on Wednesday, 26 September 2012 at 11:00 a.m. Beijing Time for the purpose of considering and, if thought fit, approving with or without amendments, the following resolution of the Company:

**AS AN ORDINARY RESOLUTION**

“**THAT** the debt restructuring agreement entered between the Company, Mr. Wu Ruilin, Top Lucky Management Limited, Quanmin Investments Limited and Victory Gold Management Inc. on 26 June 2012 (the “Debt Restructuring Agreement”) in relation to the repayment arrangement of debt restructuring be and is hereby confirmed, ratified and approved, and any one or more of the directors of the Company be and is hereby authorised to do all such further acts and things, negotiate, approve, agree, sign, initial, ratify and/or execute such further documents and take all such steps which may be in their opinion necessary, desirable or expedient to implement and/or give effect to the terms of the Debt Restructuring Agreement and the transactions contemplated thereunder.”

By order of the Board  
**Real Gold Mining Limited**  
**Lu Tianjun**  
*Chairman*

Chifeng City, Inner Mongolia, 10 September 2012



## NOTICE OF EGM

*Notes:*

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or, if he is the holder of two or more shares, more proxies to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof.
3. Where there are joint registered holders of any share in the issued share capital 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/she/it 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.
4. For determining the entitlement to attend and vote at the extraordinary general meeting, the register of members of the Company will be closed from 24 September 2012 to 26 September 2012, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the extraordinary general meeting, all completed transfer forms accompanied by the relevant shares certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 21 September 2012.

*As at the date of this notice, the executive directors of the Company are Mr. Lu Tianjun (Chairman), Mr. Ma Wenxue, Mr. Cui Jie and Mr. Li Qing; and the independent non-executive directors of the Company are Mr. Li Xiaoping, Mr. Zhao Enguang and Mr. Yang Yicheng.*