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If you are in any doubt as to any aspect of this circular, 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 Ming Fung Jewellery Group Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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## **MING FUNG JEWELLERY GROUP LIMITED**

**明豐珠寶集團有限公司\***

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

**(Stock code: 860)**

- (1) PROPOSED SHARE CONSOLIDATION**  
**(2) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**  
**(3) PROPOSED OPEN OFFER OF 1,634,514,070 OFFER SHARES**  
**AT THE SUBSCRIPTION PRICE OF HK\$0.3 EACH**  
**ON THE BASIS OF TWO OFFER SHARES FOR**  
**EVERY CONSOLIDATED SHARE HELD ON THE RECORD DATE**  
**(4) PROPOSED CHANGE IN BOARD LOT SIZE**  
**AND**  
**(5) NOTICE OF EGM**

**Underwriter**



**國泰君安國際**  
GUOTAI JUNAN INTERNATIONAL

**Guotai Junan Securities (Hong Kong) Limited**

**Financial Adviser to Ming Fung Jewellery Group Limited**



**國泰君安國際**  
GUOTAI JUNAN INTERNATIONAL

**Guotai Junan Capital Limited**

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



**興證(香港)融資有限公司**  
INDUSTRIAL SECURITIES (HK) CAPITAL LIMITED

A letter from the Board is set out on pages 12 to 32 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 33 and 34 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 35 to 53 of this circular.

A notice convening the EGM to be held at Room 1825, 18th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong at 10 a.m. on Monday, 16 March 2015 is set out on pages 71 to 74 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, 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 shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so desire.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right to terminate the obligations of the Underwriter thereunder on the occurrence of certain events. These certain events are set out in the section headed "Termination of the Underwriting Agreement" on pages 6 and 7 of this circular. If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional on or before 4:00 p.m. on Friday, 17 April 2015, the Open Offer will not proceed.

Shareholders and potential investors of the Company should note that the Open Offer is conditional upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in this circular). Accordingly, the Open Offer may or may not proceed.

\* For identification purpose only

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## DEFINITIONS

*In this circular, the following expressions have the meanings respectively set opposite them unless the context otherwise requires:*

“Announcement”	the announcement of the Company in relation to, among other things, the proposed Share Consolidation, the proposed Increase in Authorised Share Capital, the proposed Change in Board Lot Size and the proposed Open Offer dated 4 February 2015
“Application Form(s)”	the form(s) of application in respect of the Open Offer to be issued to the Qualifying Shareholders
“associate(s)”	the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday and Sunday) on which banks are generally open for business more than five hours in Hong Kong
“BVI”	British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Change in Board Lot Size”	the proposed change in board lot size of the Shares for trading on the Stock Exchange from 30,000 Shares to 12,000 Shares as referred to in this circular
“China” or “PRC”	the People’s Republic of China and for the purposes of this circular only, exclude Hong Kong, Macau and Taiwan
“Companies (WUMP Ordinance)”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32) of the Laws of Hong Kong
“Company”	Ming Fung Jewellery Company Limited, a company incorporated in the Cayman Islands with limited liability, the Shares are listed on the main board of the Stock Exchange (stock code: 860)
“connected person(s)”	the meaning ascribed thereto under the Listing Rules
“Consolidated Shares”	ordinary share(s) of HK\$0.1 each in the share capital of the Company immediately following the Share Consolidation becoming effective
“Director(s)”	director(s) of the Company

## DEFINITIONS

“EGM”	the extraordinary general meeting to be convened and held to consider and, if thought fit, approve among other things, the Share Consolidation, the Increase in Authorised Share Capital and the Open Offer
“Existing Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company prior to the Share Consolidation becoming effective
“Greater China Region”	include the mainland China, Macau and Hong Kong
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Increase in Authorised Share Capital”	the proposed increase in the authorised share capital of the Company from HK\$100,000,000 to HK\$1,000,000,000 divided into 10,000,000,000 Shares of nominal value HK\$0.1 each by the creation of an additional 9,000,000,000 unissued Shares of nominal value HK\$0.1 each
“Independent Board Committee”	comprising all independent non-executive Directors established to advise the Independent Shareholders in respect of the Open Offer
“Independent Financial Adviser” or “Industrial Securities”	Industrial Securities (HK) Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Open Offer
“Independent Shareholders”	any Shareholder other than controlling Shareholders (as defined in the Listing Rules) and their associates or, where there are no controlling Shareholders (as defined in the Listing Rules), the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates
“Last Trading Day”	4 February 2015, being the last trading day of the Shares on the Stock Exchange before the release of the Announcement

## DEFINITIONS

“Latest Practicable Date”	24 February 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Latest Time for Acceptance”	4:00 p.m. on Tuesday, 14 April 2015 (or such other date as the Underwriter may agree with the Company as the latest date for acceptance of, and payment for, the Offer Shares)
“Latest Time for Termination”	4:00 p.m. on the third Business Day after (but excluding) the Latest Time for Acceptance
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Non-Qualifying Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, based on legal advice provided by the Company’s legal advisers, consider it necessary or expedient not to offer the Open Offer to such shareholders on account either of legal restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory body or stock exchange in that (those) place(s)
“Offer Share(s)”	1,634,514,070 Share(s) to be issued and allotted under the Open Offer
“Open Offer”	the proposed issue by way of an open offer, subject to the fulfillment of certain conditions precedent, of 1,634,514,070 Offer Shares for subscription by the Qualifying Shareholders on the basis of two (2) Offer Shares for every Consolidated Share held by a Qualifying Shareholder on the Record Date at the Subscription Price payable in full on application and otherwise on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close business on the Record Date and whose address(es) as shown on such register is (are) outside Hong Kong
“Posting Date”	26 March 2015 or such other date as the Underwriter may agree with the Company, as the date of despatch of the Prospectus Documents to the Qualifying Shareholders or the Prospectus for information only to the Non-Qualifying Shareholders (as the case may be)

## DEFINITIONS

“Prestige Rich”	Prestige Rich Holdings Limited, a company incorporated under the laws of BVI and wholly-owned by Mr. Zhang Jinbing, an executive Director and the chief executive officer of the Company, as at the Latest Practicable Date
“Prestige Rich Undertaken Shares”	449,081,544 Offer Shares to be allotted and issued to Prestige Rich and/or its nominee(s) as the entitlement of Prestige Rich under the Open Offer and undertaken to be taken up by Prestige Rich
“Prospectus”	the prospectus to be despatched to Shareholders containing details of the Open Offer
“Prospectus Documents”	the Prospectus and the Application Form
“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholder(s), whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	Tuesday, 24 March 2015 (or such other date as the Underwriter may agree with the Company), as the date by reference to which entitlements to the Open Offer are expected to be determined
“Registrar”	Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Settlement Date”	Friday, 17 April 2015, being the third Business Day following (but excluded) the Latest Time for Acceptance (or such other time or date as the Underwriter and the Company may agree in writing) as the date for settlement of the Open Offer
“SFO”	The Securities and Futures Ordinance (Chapter 571) of the Laws of Hong Kong
“Share(s)”	the Existing Shares or the Consolidated Shares, as the case may be
“Share Consolidation”	the proposed consolidation of every 10 issued and unissued Existing Shares into one Consolidated Share in the issued and unissued share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.3 per Offer Share

## DEFINITIONS

“Substantial Shareholder”	means a person (including a holder of depositary receipts) who is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company
“Sub-Underwriter(s)”	the sub-underwriter(s) who has agreed to act as a sub-underwriter in relation to the Offer Shares pursuant to the sub-underwriting agreement with the Underwriter
“Supplemental Agreement”	the supplemental agreement dated 25 February 2015 entered into between the Company and the Underwriter which amended certain dates of the expected timetable of the Open Offer as referred to in the Underwriting Agreement
“Underwriter”	Guotai Junan Securities (Hong Kong) Limited, a licensed corporation to carry out business in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
“Underwriting Agreement”	the underwriting agreement dated 4 February 2015 entered into between the Company and the Underwriter in relation to the underwriting arrangement in respect of the Open Offer which is supplemented and amended by the Supplemental Agreement
“Underwritten Shares”	1,185,432,526 Offer Shares underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement
“%” or “per cent.”	percentage or per centum

## TERMINATION OF THE UNDERWRITING AGREEMENT

### TERMINATION OF THE UNDERWRITING AGREEMENT

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter, by notice in writing, the right to terminate the Underwriter's obligations thereunder on the occurrence of certain events. The Underwriter may terminate the Underwriting Agreement on or before the Latest Time for Termination if prior to the Latest Time for Termination, any of the following happens:

- (1) any material breach of any warranties or the undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter, or there has been a material breach on the part of the Company of any other provision of the Underwriting Agreement or any matter has arisen which would reasonably be expected to give rise to such a material breach or material claim in respect of the warranties or undertakings contained in the Underwriting Agreement; or
- (2) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) which would materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer after the signing of the Underwriting Agreement; or
- (3) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring after the signing of the Underwriting Agreement or continuing after the signing of the Underwriting Agreement), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which would materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (4) any materially adverse change after the signing of the Underwriting Agreement in the business or in the financial or trading position of the Group as a whole which is material in the context of the Open Offer; or
- (5) any event or circumstances in the nature of force majeure including but without limitation any act of God, war, riot, public disorder, civil commotion, fire, flood, terrorism or strike occurred after the signing of the Underwriting Agreement in or affecting Hong Kong, the PRC or other jurisdiction relevant to the Group or any member of the Group which would materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (6) the commencement by any third party of any litigation or claim against any member of the Group after the signing of the Underwriting Agreement which is or might be material to the Group taken as a whole; or
- (7) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or



## TERMINATION OF THE UNDERWRITING AGREEMENT

- (8) there is any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, imposition of economic sanctions on Hong Kong, the PRC or other jurisdiction relevant to the Group or any member of the Group); or
- (9) any statement contained in the Prospectus has become and been discovered to be untrue, incorrect, incomplete or misleading in any material aspect, or matters have arisen or have been discovered which would, if the Prospectus was to be issued at the time, constitute a material omissions therefrom,

the effect of which events and circumstances individually or in aggregate (in the reasonable opinion of the Underwriter after consultation with the Company): (i) is or would be reasonably likely to be materially adverse to, or prejudicially affects or would be reasonably likely to prejudicially affect, the Group as a whole or the Open Offer; or (ii) makes it inadvisable or inexpedient to proceed with the Open Offer, the Underwriter shall be entitled, by notice in writing to the Company served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

Upon giving of notice of termination pursuant to the Underwriting Agreement, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine and save as provided in the Underwriting Agreement, the obligations of the parties to the Underwriting Agreement shall terminate forthwith provided that the Company shall remain liable to pay to the Underwriter such fees and expenses (but not the underwriting commission) referred to in the Underwriting Agreement. If the Underwriter exercises such right, the Open Offer will not proceed.

## EXPECTED TIMETABLE

**2015**  
**(Hong Kong time)**

Despatch of this circular in relation to Share Consolidation,  
the Increase in Authorised Share Capital, the Open Offer  
with the notice and proxy form of EGM . . . . . Friday, 27 February

Latest time for lodging transfers of Shares  
in order to qualify for attendance and voting  
at the EGM . . . . . 4:30 p.m. on  
Thursday, 12 March

Register of members of the Company closes  
for determining entitlements to attend and  
vote at the EGM . . . . . Friday, 13 March to  
Monday, 16 March  
(both days inclusive)

Latest time for lodging proxy forms  
for the EGM . . . . . 10:00 a.m., Saturday, 14 March

Expected time and date of the EGM . . . . . 10:00 a.m., Monday, 16 March

Publication of poll result of EGM . . . . . Monday, 16 March

**The following events are conditional on the fulfillment of the conditions for the  
implementation of the Share Consolidation and the Increase in Authorised Share Capital.**

Effective date of the Share Consolidation and  
Increase in Authorised Share Capital. . . . . Tuesday, 17 March

Dealing in the Consolidated Shares commences . . . . . 9:00 a.m. on  
Tuesday, 17 March

Original counter for trading  
in board lots of 30,000 Existing Shares  
(in the form of existing share certificates)  
temporarily closes. . . . . 9:00 a.m. on  
Tuesday, 17 March

Temporary counter for trading in board lots of  
3,000 Consolidated Shares (in the form of  
existing share certificates) opens . . . . . 9:00 a.m. on  
Tuesday, 17 March

## EXPECTED TIMETABLE

**2015**  
**(Hong Kong time)**

Free exchange of existing share certificates for the new share certificates for Consolidated Shares commences . . . . .	Tuesday, 17 March
Last day of dealings in the Consolidated Shares on a cum-entitlement basis in respect of the Open Offer. . . . .	Tuesday, 17 March
First day of dealing in the Consolidated Shares on an ex-entitlement basis in respect of the Open offer . . . . .	Wednesday, 18 March
Latest time for lodging forms of transfer for determining entitlement to the Open Offer . . . . .	4:30 p.m. on Thursday, 19 March
Closure of register of members of the Company for determining entitlements under the Open Offer . . . . .	Friday, 20 March to Tuesday, 24 March (both days inclusive)
Record Date for the Open Offer. . . . .	Tuesday, 24 March
Register of members of the Company re-opens . . . . .	Wednesday, 25 March
Despatch of Prospectus Documents. . . . .	Thursday, 26 March
Original counter for trading in the Consolidated Shares in board lots of 12,000 (in the form of new share certificates) re-opens. . . . .	9:00 a.m. on Tuesday, 31 March
Parallel trading in the Consolidated Shares (in the form of new and existing certificates) commences. . . . .	9:00 a.m. on Tuesday, 31 March
Designated brokers starts to stand in the market to provide matching services for the odd lots of Consolidated Shares. . . . .	9:00 a.m. on Tuesday, 31 March

## EXPECTED TIMETABLE

**2015**  
**(Hong Kong time)**

Latest time for Acceptance and payment for the Offer Shares . . . . .	4:00 p.m. on Tuesday, 14 April
Latest time for Termination of the Underwriting Agreement by the Underwriter . . . . .	4:00 p.m. on Friday, 17 April
Announcement of the results of the Open Offer . . . . .	Wednesday, 22 April
Despatch of refund cheques if the Open Offer is terminated. . . . .	Thursday, 23 April
Temporary counter for trading in board lots of 3,000 Consolidated Shares (in the form of existing share certificates) closes. . . . .	4:00 p.m. on Thursday, 23 April
Parallel trading in the Consolidated Shares (in the form of new and existing certificates) ends . . . . .	4:00 p.m. on Thursday, 23 April
Designated broker ceases to stand in the market to provide matching services for the odd lots of Consolidated Shares . . . . .	4:00 p.m. on Thursday, 23 April

**The following events are conditional on the fulfillment of the conditions for the Open Offer.**

Despatch of Share certificates for the Offer Shares. . . . .	Thursday, 23 April
Expected first day of dealing in Offer Shares on the Stock Exchange . . . . .	9:00 a.m. on Friday, 24 April

Last day of free exchange of share certificates for the Consolidated Shares . . . . .	Thursday, 30 April
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*Notes:*

1. All times and dates in this circular refer to Hong Kong local times and dates.

## EXPECTED TIMETABLE

2. The latest time for acceptance of and payment for the Offer Shares will not take place at the Latest Time for Acceptance if there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning:
  - (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the Latest Time for Acceptance. Instead the latest time of acceptance of and payment for the Offer Shares will be extended to 5:00 p.m. on the same Business Day; and
  - (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Latest Time for Acceptance. Instead of the latest time of acceptance of and payment for the Offer Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Offer Shares does not take place on the Latest Time for Acceptance, the dates mentioned in this section headed “Expected Timetable” may be affected. An announcement will be made by the Company in such event as soon as practicable.

3. The expected timetable for the Share Consolidation, the Increase in Authorised Share Capital, the Open Offer and the Change in Board Lot Size set out above is indicative only. The expected timetable is subject to change, and any such change will be announced in a separate announcement by the Company as and when appropriate.



**MING FUNG JEWELLERY GROUP LIMITED**

**明豐珠寶集團有限公司\***

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

**(Stock code: 860)**

*Executive Directors:*

Mr. Wong Chi Ming, Jeffrey (*Chairman*)  
Mr. Zhang Jinbing (*Chief executive officer*)  
Mr. Yu Fei, Philip

*Independent Non-executive Directors:*

Ms. Chu Wai Fan  
Mr. Tam Ping Kuen, Daniel  
Dr. Willinge Garry Alides

*Registered Office:*

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

*Principal place of business  
in Hong Kong:*

Room 1825, 18th Floor  
Hutchison House  
10 Harcourt Road  
Central, Hong Kong

27 February 2015

*To the Shareholders*

Dear Sir or Madam,

**(1) PROPOSED SHARE CONSOLIDATION  
(2) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL  
(3) PROPOSED OPEN OFFER OF 1,634,514,070 OFFER SHARES  
AT THE SUBSCRIPTION PRICE OF HK\$0.3 EACH  
ON THE BASIS OF TWO OFFER SHARES FOR  
EVERY CONSOLIDATED SHARE HELD ON THE RECORD DATE  
(4) PROPOSED CHANGE IN BOARD LOT SIZE  
AND  
(5) NOTICE OF EGM**

**INTRODUCTION**

Reference is made to (i) the Announcement in relation to, among other things, the proposed Share Consolidation, the proposed Increase in Authorised Share Capital, the proposed Change in Board Lot Size, the proposed Open Offer, the Underwriting Agreement and the Irrevocable Undertaking; and (ii) the announcement dated 25 February 2015 issued by the Company in relation to the Supplemental Agreement and the revised expected timetable.

\* For identification purpose only

## **LETTER FROM THE BOARD**

The Board proposes to raise approximately HK\$490.4 million, before expenses, by way of issuing 1,634,514,070 Offer Shares at the Subscription Price of HK\$0.3 per Offer Share on the basis of two Offer Shares for every Consolidated Share held at the close of business on the Record Date. The Open Offer is only available to the Qualifying Shareholders and will not be available to the Non-Qualifying Shareholders.

The purpose of this circular is to provide you with, among others, (i) further details of the proposed Share Consolidation, the proposed Increase in Authorised Share Capital, the proposed Change in Board Lot Size, the proposed Open Offer, the Underwriting Agreement, the Irrevocable Undertaking and financial and other information of the Group; (ii) a letter from the Independent Board Committee to the Independent Shareholders setting out its recommendations in relation to the Open Offer; (iii) a letter from Industrial Securities to the Independent Board Committee and the Independent Shareholders setting out its advice in relation to the Open Offer; and (iv) a notice of the EGM.

### **(I) PROPOSED SHARE CONSOLIDATION**

#### **Proposed Share Consolidation**

The Company proposes to implement the Share Consolidation pursuant to which every ten (10) issued and unissued Existing Shares of nominal value HK\$0.01 each be consolidated into one (1) Consolidated Share of nominal value HK\$0.1.

#### **Conditions of the Share Consolidation**

The Share Consolidation is conditional upon:

- (i) the passing of the necessary ordinary resolution(s) by the Shareholders to approve the Share Consolidation at the EGM to be convened by the Company; and
- (ii) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in, the Consolidated Shares in issue arising from the Share Consolidation.

Assuming the above conditions are fulfilled, it is expected that the Share Consolidation will become effective on the business day next following the date on which the relevant resolution(s) approving the Share Consolidation is passed.

## LETTER FROM THE BOARD

	<b>As at the Latest Practicable Date</b>	<b>Immediately upon the Share Consolidation becoming effective</b>
Nominal value of each Share	HK\$0.01	HK\$0.1
Number of authorised Shares	10,000,000,000	1,000,000,000
	Existing Shares	Consolidated Shares
Amount of authorised share capital	HK\$100,000,000	HK\$100,000,000
Number of the issued Shares	8,172,570,350	817,257,035
	Existing Shares	Consolidated Shares
Issued and fully paid-up share capital	HK\$81,725,703.50	HK\$81,725,703.50

*Note:* Issued and fully-paid share capital immediately after Share Consolidation becoming effective is presented on the assumption that no further Existing Shares would be issued or repurchased between the Latest Practicable Date and the date of the EGM.

### **Reasons for the Share Consolidation**

The Share Consolidation will increase the nominal value of the shares of the Company. It is expected that the Share Consolidation would bring about corresponding upward adjustments in the trading price of the Consolidated Shares (i.e. based on the closing price of HK\$0.071 per Existing Share as quoted on the Stock Exchange on the Last Trading Day, the trading price of the Consolidated Shares will be HK\$0.71) on the Stock Exchange and the Board believes that it may attract more investors and extend the shareholders base of the Company.

The Board therefore believes that the Share Consolidation is in the interests of the Company and the Shareholders as a whole.

### **Listing and Dealings**

Application will be made to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Consolidated Shares arising from the Share Consolidation. The Consolidated Shares will be identical in all respects and rank pari passu in all respects with each other as to all future dividends and distributions which are declared, made or paid.

Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or



## LETTER FROM THE BOARD

such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS operational procedures in effect from time to time.

### **Fractional entitlement to Consolidated Shares**

Fractional Consolidated Shares will be disregarded and not issued to the Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefits of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a Shareholder regardless of the number of share certificates held by such shareholder.

### **Free exchange of Share certificates**

Subject to the Share Consolidation becoming effective, Shareholders may submit certificates for the Existing Shares in red colour, to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for exchange from Tuesday, 17 March 2015 to Thursday, 30 April 2015 (both days inclusive), at the expense of the Company for share certificates of the Consolidated Shares in green colour. Thereafter, share certificates for the Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) for each share certificate of the Existing Shares cancelled or each new share certificate issued for the Consolidated Shares, whichever number of share certificates cancelled/issued is higher. The existing share certificates will be valid for trading and settlement up to 4:00 p.m. on Thursday, 23 April 2015, being the latest time for trading in board lot of 3,000 Consolidated Shares in the form of existing share certificates (or such other date which will be announced by the Company) and will continue to be good evidence of legal title after the Share Consolidation has become effective and may be exchanged for share certificates of the Consolidated Shares at any time in accordance with the foregoing.

### **Trading arrangements for the Consolidated Shares**

Subject to the Share Consolidation becoming effective, the arrangements proposed for dealings in the Consolidated Shares are expected to be as follows:

- (i) from 9:00 a.m. on Tuesday, 17 March 2015, the original counter for trading in board lots of 30,000 Existing Shares will be temporarily closed and a temporary counter for trading in the Consolidated Shares in board lots of 3,000 Consolidated Shares will be set up and opened;
- (ii) with effect from 9:00 a.m. on Tuesday, 31 March 2015, the original counter for trading in the Consolidated Shares will be re-opened in board lots of 12,000 Consolidated Shares;

## **LETTER FROM THE BOARD**

- (iii) during the period from 9:00 a.m. on Tuesday, 31 March 2015 to 4:00 p.m. on Thursday, 23 April 2015 (both dates inclusive), there will be parallel trading at the above two counters; and
- (iv) the temporary counter for trading in the Consolidated Shares in board lots of 3,000 Consolidated Shares will be removed after the close of trading at 4:00 p.m. on Thursday, 23 April 2015. Thereafter, trading will only be in board lots of 12,000 Consolidated Shares with new share certificates, and the existing share certificates for the Existing Shares will cease to be marketable and will not be acceptable for dealing and settlement purposes. However, such share certificates will remain effective as documents of title on the basis of ten (10) Existing Shares for one (1) Consolidated Share.

### **(II) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

In order to accommodate the future expansion and growth of the Group and to facilitate the proposed Open Offer, the Board proposes to increase the existing authorised share capital of the Company to HK\$1,000,000,000 divided into 10,000,000,000 Shares of nominal value HK0.1 each by the creation of an additional 9,000,000,000 unissued Shares of nominal value HK0.1 each immediately following the Share Consolidation becoming effective. The Increase in Authorised Share Capital is conditional upon, among other things, the passing of the relevant resolutions approving the Share Consolidation and the Increase in Authorised Share Capital by the Shareholders at the EGM.

### **(III) PROPOSED CHANGE IN BOARD LOT SIZE**

As the value of each board lot of Consolidated Shares is expected to increase after dealings in the Consolidated Shares commence, the Board proposes that the board lot size of the Consolidated Shares for trading on the Stock Exchange be changed from 30,000 Shares to 12,000 Shares with effect from 9:00 a.m. on Tuesday, 31 March 2015. In the event that the Share Consolidation is not approved at the EGM, the board lot size of the Existing Shares will remain unchanged.

To facilitate the trading of odd lots (if any) of the Consolidated Shares arising from Share Consolidation and the Change in Board Lot Size, the Company has appointed the Underwriter to stand in the market to provide matching services for the odd lots of the Consolidated Shares on a best effort basis at the relevant market price per Consolidated Shares for the period from 9:00 a.m. on Tuesday, 31 March 2015 to 4:00 p.m. on Thursday, 23 April 2015 (both dates inclusive). Holders of odd lots of the Consolidated Shares who wish to take advantage of this matching service either to dispose of their odd lots Shares or to top up to board lots of 12,000 Consolidated Shares, may contact Mr. Simon Lou of the Underwriter on 27/F, Low Block, Grand Millenium Plaza, 181 Queen's Road Central, Hong Kong or at telephone number (852) 2509 7519 during this period. Shareholders should note that the above matching services is on a best effort basis only and successful matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. Any Shareholder, who is in any doubt about the odd lot arrangement, is recommended to consult his/her/its own professional advisers.

## LETTER FROM THE BOARD

### (IV) PROPOSED OPEN OFFER

Conditional upon the Share Consolidation and Increase in Authorised Share Capital having become effective, the Company proposes to raise approximately HK\$490.4 million, before expenses, by issuing 1,634,514,070 Offer Shares at the subscription price of HK\$0.3 per Offer Share on the basis of two Offer Shares for every Consolidated Share held on the Record Date and payable in full upon application.

#### Issue Statistics

Basis of the Open Offer	:	Two (2) Offer Shares for every Consolidated Share held on the Record Date
Number of Shares in issue as at the Latest Practicable Date	:	8,172,570,350 Existing Shares
Number of Shares in issue upon completion of Share Consolidation	:	817,257,035 Consolidated Shares
Number of Offer Shares	:	1,634,514,070 Offer Shares (assuming no further issue of new Shares on or before the Record Date) ( <i>Note</i> )
Subscription Price	:	HK\$0.3 per Offer Share with nominal value of HK\$0.1 each
Underwriter	:	Guotai Junan Securities (Hong Kong) Limited
Number of shares in issue upon completion of the Open Offer	:	2,451,771,105 Shares
Funds raised before expenses	:	Approximately HK\$490.4 million

#### *Note:*

As at the Latest Practicable Date, the Company had no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares. Assuming no further issue of new Shares or repurchase of Shares on or before the Record Date, the 1,634,514,070 Offer Shares represent approximately 200% of the Company's issued share capital immediately upon completion of the Share Consolidation, and approximately 66.7% of the Company's issued share capital as enlarged by the issue of the Offer Shares.

## LETTER FROM THE BOARD

### Subscription price

The Subscription Price for the Offer Shares is HK\$0.3 per Offer Share, payable in full upon acceptance of the relevant assured allotment under the Open Offer. The Subscription Price represents:

- (a) a discount of approximately 57.7% to the closing price of HK\$0.71 per Consolidated Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 59.5% to the average closing price of approximately HK\$0.74 per Consolidated Share for the five consecutive trading days ended on the Last Trading Day;
- (c) a discount of approximately 31.8% to the theoretical ex-entitlement price of approximately HK\$0.44 per Consolidated Share based on the closing price of HK\$0.71 per Consolidated Share as quoted on the Stock Exchange on the Last Trading Day;
- (d) a discount of approximately 78.1% over the net asset value per Consolidated Share of approximately HK\$1.37 as at 30 September 2014 (based on the net asset value per Existing Share of approximately HK\$0.137 as at 30 September 2014 according to the 2014 annual report of the Company and adjusted for the effect of the Share Consolidation); and
- (e) a discount of approximately 34.8% to the closing price of HK\$0.46 per Consolidated Share (based on the closing price of HK\$0.046 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Share Consolidation).

Based on the Subscription Price of HK\$0.3 and assuming no change in the shareholding structure of the Company from the Latest Practicable Date to immediately after completion of the Open Offer, the gross proceeds to be raised by the Company from the Open Offer will amount to approximately HK\$490.4 million (before expenses). The net proceeds to be raised by the Company from the Open Offer will amount to approximately HK\$487.2 million (after expenses). The net price raised per Offer Share is estimated at approximately HK\$0.298.

The Subscription Price was determined after arm's length negotiation between the Company and the Underwriter with reference to the prevailing market price of the Shares and financial position of the Company. In particular, the Group recorded a gross loss in the financial year ended 30 September 2014 amounted to approximately HK\$862.5 million and a total loss attributable to the owners of the Company in the financial year ended 30 September 2014 amounted to approximately HK\$1,052.1 million, representing an increase in total loss of approximately 28.7% as compared to the financial year ended 30 September 2013. As all Qualifying Shareholders are entitled to subscribe for the Offer Shares in the same proportion to his/her/its existing shareholdings in the Company held on the Record Date, the Directors (excluding the independent non-executive Directors whose views are set out in the section headed "Letter from the Independent Board

## LETTER FROM THE BOARD

Committee” after considering the advice of the Independent Financial Adviser) consider that the discount of the Subscription Price would encourage the Qualifying Shareholders to take up their entitlements so as to maintain their shareholdings in the Company and participate in the future growth of the Group, particularly in view that the trading liquidity of the Shares is thin. The Directors (excluding the independent non-executive Directors whose views are set out in the section headed “Letter from the Independent Board Committee” after considering the advice of the Independent Financial Adviser) consider the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Basis of Assured Allotment**

The basis of the assured allotment shall be two (2) Offer Shares for every Consolidated Share held by the Qualifying Shareholders on the Record Date at the Subscription Price. Application for all or any part of a Qualifying Shareholder’s assured allotment should be made by completing the Application Form and lodging the same with a remittance for the Offer Shares being applied for.

### **Status of the Offer Shares**

The Offer Shares, when allotted, issued and fully paid, shall rank pari passu in all respects with the then existing Shares in issue on the date of allotment of the Offer Shares, including the right to receive all dividends and distributions which may be declared, made or paid on or after such date.

### **Share Certificates and Refund Cheques for the Offer Shares**

Subject to the fulfillment of the conditions precedent as set out in the paragraph headed “Conditions of the Open Offer” in this circular, share certificates for all fully-paid Offer Shares are expected to be posted on or before Thursday, 23 April 2015 by ordinary mail to the Qualifying Shareholders who have validly accepted and applied for (where appropriate), and paid for the Offer Shares by 4:00 p.m. on Tuesday, 14 April 2015 at their own risk. If the Open Offer is terminated, refund cheques will be despatched on or before Thursday, 23 April 2015 by ordinary post at the respective Shareholders’ own risk.

### **Qualifying Shareholders**

The Company will send the Prospectus Documents to the Qualifying Shareholders only and will send the Prospectus (but not the Application Forms) to the Non-Qualifying Shareholders for information only.

To qualify for the Open Offer, a Shareholder must:

1. be registered as a member of the Company at the close of business on the Record Date;
2. be a Qualifying Shareholder.

## LETTER FROM THE BOARD

The last day of dealings in the Shares on the Stock Exchange on a cum-entitlement basis will be Tuesday, 17 March 2015. The Shares will be dealt in on an ex-entitlement basis on the Stock Exchange from Wednesday, 18 March 2015.

In order to be registered as members of the Company at the close of business on the Record Date, owners of Shares must lodge any transfer of Shares (together with the relevant share certificates) with the Company's Hong Kong branch share register and transfer office, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 19 March 2015.

The invitation to apply for the Offer Shares will not be transferable.

### **Closure of Register of Members**

The register of members of the Company will be closed from Friday, 13 March 2015 to Monday, 16 March 2015, both dates inclusive, for the purpose of determining entitlements to attend and vote at the EGM. No transfer of share will be registered during this period.

The register of members of the Company will be closed from Friday, 20 March 2015 to Tuesday, 24 March 2015, both dates inclusive, for the purpose of ascertaining entitlements to the Open Offer. No transfer of Shares will be registered during this period.

### **Overseas Shareholders and Non-Qualifying Shareholders**

If at the close of business on the Record Date, a Shareholder's address on the Company's register of members is in a place outside of Hong Kong, that Shareholder may not be eligible to take part in the Open Offer. The Prospectus Documents will not be registered or filed under the applicable securities or equivalent legislation of any jurisdiction other than in Hong Kong.

As at the Latest Practicable Date, based on the register of members of the Company, the Company had 2 Overseas Shareholders whose addresses as shown on such register are in BVI and Mauritius. In compliance with Rule 13.36(2)(a) of the Listing Rules, the Board has made an enquiry as to whether the issue of Offer Shares may contravene the applicable securities legislation of BVI or Mauritius, as the case may be, or the requirements of the relevant regulatory bodies or stock exchanges.

The Directors have been advised that it is expedient to extend the Open Offer to the Overseas Shareholder in BVI as there are no legal restrictions prohibiting the Company from making the Open Offer in the BVI jurisdiction and no local legal or regulatory compliance is required to be attended by the Company in BVI. Accordingly, such Overseas Shareholder together with the Shareholders with registered addresses in Hong Kong are Qualifying Shareholders.

The Directors have also been advised that all offers and sales of securities in Mauritius must be registered with the Financial Services Commission in Mauritius. The Directors consider that it would be onerous for the Company to comply with all the legal

## LETTER FROM THE BOARD

requirements in Mauritius to extend the Open Offer to such Overseas Shareholder. The Company will send the Prospectus (but not the Application Form) to such Non-Qualifying Shareholder in Mauritius for information only.

If there is no change in the composition of the Overseas Shareholders at the Record Date, there will not be any other Non-Qualifying Shareholder. The Company will continue to ascertain whether there is any other Overseas Shareholder on the Record Date, and will, if applicable, make further enquiries with legal adviser(s) in other overseas jurisdiction(s) regarding the feasibility of extending the Open Offer to such Overseas Shareholders on the Record Date and make relevant disclosures in the Prospectus.

Further information in this connection will be set out in the Prospectus Documents containing, among other things, details of the Open Offer, to be despatched to the Qualifying Shareholders on the date of the Prospectus. If the Overseas Shareholder is excluded, the Company will send a copy of the Prospectus to the Non-Qualifying Shareholder for his information only provided that the delivery of such Prospectus does not contravene any applicable security legislation of the relevant overseas jurisdiction, but the Company will not send any Application Form to the Non-Qualifying Shareholder.

The Offer Shares to which the Non-Qualifying Shareholders would have been entitled will be underwritten and taken up by the Underwriter.

Beneficial owners with their Shares held by a nominee (or which are held in CCASS) should note that the Board will regard such nominee (including HKSCC) as a single Shareholder according to the register of members of the Company. Beneficial owners with their Shares held by a nominee (or which are held in CCASS) are advised to consider whether they would like to arrange registration of their Shares in their own names prior to the relevant book closure period. In order to be registered as members of the Company on the Record Date, beneficial owners whose Shares are held by a nominee (or which are held in CCASS) and who would like to have their names registered on the register of members of the Company, must lodge all necessary documents with the Registrar by 4:30 p.m. on Thursday, 19 March 2015. Beneficial owners should consult their professional advisers if they are in any doubt as to whether they should register their shareholding in their own names.

**Those Qualifying Shareholders who do not take up the Offer Shares to which they are entitled and the Non-Qualifying Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Open Offer.**

### **No application for excess Offer Shares**

No application for excess Offer Shares will be available to any Qualifying Shareholders to apply for any Offer Share in excess of their respective assured entitlements since each Qualifying Shareholder will be given equal and fair opportunities to participate in the Company's future development by subscribing for his/her/its assured entitlements under the Open Offer and if an application for excess Offer Shares is arranged, the Company would be required to put in additional efforts and costs to administer the excess application procedures, which is not cost-effective.

## LETTER FROM THE BOARD

Any Offer Shares not taken up by Qualifying Shareholders, any Offer Shares created by aggregation of fractional Offer Shares and any Offer Shares which the Non-Qualifying Shareholders would otherwise have been entitled (if any) will be taken up by the Underwriter.

To facilitate the trading of odd lots (if any) of the Offer Shares arising from Open Offer, the Company has appointed the Underwriter to stand in the market to provide matching services for the odd lots of the Offer Shares on a best effort basis at the relevant market price per Offer Shares for the period from 9:00 a.m. on Tuesday, 31 March 2015 to 4:00 p.m. on Thursday, 23 April 2015 (both dates inclusive). Holders of odd lots of the Offer Shares who wish to take advantage of this matching service either to dispose of their odd lots Shares or to top up to board lots of 12,000 Shares, may contact Mr. Simon Lou of the Underwriter on 27/F, Low Block, Grand Millenium Plaza, 181 Queen's Road Central, Hong Kong or at telephone number (852) 2509 7519 during this period. Shareholders should note that the above matching services is on a best effort basis only and successful matching of the sale and purchase of odd lots of the Offer Shares is not guaranteed. Any Shareholder, who is in any doubt about the odd lot arrangement, is recommended to consult his/her/its own professional advisers.

### **Fractions of the Offer Shares**

Fractional entitlements to the Offer Shares will not be issued to the Qualifying Shareholders but will be aggregated and taken up by the Underwriter. The Company will not allot any fractions of the Offer Shares.

### **Application for listing**

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares. Dealings in the Offer Shares will be subject to the payment of stamp duty, Stock Exchange trading fee and any other applicable fees and charges in Hong Kong.

None of the securities of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is proposed to be sought.

Subject to the granting of listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.



## LETTER FROM THE BOARD

### (V) THE UNDERWRITING AGREEMENT

Date	4 February 2015 (after trading hours) (as supplemented and amended by the Supplemental Agreement dated 25 February 2015)
Underwriter	Guotai Junan Securities (Hong Kong) Limited, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Underwriter and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules)
Total number of Offer Shares being underwritten by the Underwriter	The Underwriter has conditionally agreed pursuant to the Underwriting Agreement to underwrite the 1,185,432,526 Offer Shares (excluding the Prestige Rich Undertaken Shares) on a fully underwritten basis, subject to the terms and conditions of the Underwriting Agreement
Commission	0.5% of the aggregate Subscription Price of the Underwritten Shares as determined on the Record Date

The commission rate was determined after arm's length negotiation between the Company and the Underwriter by reference to the size of the Open Offer and the current and expected market conditions. The Board considers the terms of the Underwriting Agreement including the commission rate are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Offer Shares (excluding the Prestige Rich Undertaken Shares) will be fully underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement. Upon completion of the Open Offer in accordance with the terms of the Underwriting Agreement, the public float requirement under the Listing Rules will be complied with.

#### **Irrevocable Undertaking by Prestige Rich**

Prestige Rich is interested in 2,245,407,727 Existing Shares, representing approximately 27.47% of the issued share capital of the Company as at the Latest Practicable Date. Prestige Rich has irrevocably undertaken to the Company that (i) from the date of the Underwriting Agreement and up to the Record Date, it shall not sell or transfer (or cause the same to be done) or otherwise dispose of (or permit any such action to occur) in respect of any interest in any Shares registered in its name; and (ii) subject to fulfillment of the conditions to the Underwriting Agreement, and the Underwriters not having terminated the Underwriting Agreement, Prestige Rich shall take up the Prestige Rich Undertaken Shares by no later than the Latest Time for Acceptance, which will be allotted and issued to Prestige Rich as its entitlement under the Open Offer in accordance with the Prospectus Documents.

## LETTER FROM THE BOARD

### (VI) CONDITIONS OF THE OPEN OFFER

The Open Offer is subject to the Underwriting Agreement having become unconditional and not being terminated in accordance with its terms. In addition, the Open Offer is conditional upon the following conditions precedent being fulfilled:

- (a) the Share Consolidation and the Increase in Authorised Share Capital having become effective;
- (b) the passing of the relevant ordinary resolution to approve the Open Offer by the Independent Shareholders at the EGM in accordance with the Listing Rules;
- (c) the delivery to the Stock Exchange and the Registrar of Companies one copy of the Prospectus Documents each duly signed by two Directors (or by their authorised agents) in accordance with the relevant requirements under section 342C of the Companies (WUMP) Ordinance and otherwise in compliance with the Listing Rules and the Companies (WUMP) Ordinance;
- (d) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Non-Qualifying Shareholders;
- (e) the Listing Division of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Consolidated Shares and the Offer Shares;
- (f) compliance by the Company with its obligations in connection with the making of the Open Offer and allotment and offer of the Offer Shares by the times specified in the Underwriting Agreement;
- (g) (i) the Shares remaining listed on the Stock Exchange at all times prior to the Settlement Date and the current listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a consecutive period of more than three trading days (other than pending publications of announcements, circulars or the Prospectus in respect of the Open Offer); and (ii) no indication being received before 4:00 p.m. on the Settlement Date from the Stock Exchange to the effect that such listing may be withdrawn or objected to (or conditions will or may be attached thereto) (other than pending publications of announcements in respect of the Open Offer); and
- (h) by the Latest Time for Termination, (i) no material breach of any of the warranties or the undertakings referred to in the Underwriting Agreement having come to the knowledge of the Underwriter; and (ii) a matter not having arisen which would reasonably be expected to give rise to a material breach or a material claim.

None of the conditions above can be waived. In the event that any of the conditions has not been satisfied and/or waived (where applicable) in whole or in part by the Underwriter pursuant to the terms of the Underwriting Agreement and being no later than 4:00 p.m. on the

## LETTER FROM THE BOARD

Settlement Date, all obligations and liabilities of the parties to the Underwriting Agreement shall cease and determine and no party thereto shall have any claim against the other parties save for any antecedent breach of the Underwriting Agreement.

If the Underwriting Agreement is terminated, the Open Offer will not proceed.

### **(VII) TERMINATION OF THE UNDERWRITING AGREEMENT**

The Underwriting Agreement contains provisions entitling the Underwriter, by notice in writing, to terminate its obligations thereunder on the occurrence of certain events. If, prior to the Latest Time for Termination (i.e. 4:00 p.m. on Friday, 17 April 2015 pursuant to the expected timetable),

- (1) any material breach of any warranties or the undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter, or there has been a material breach on the part of the Company of any other provision of the Underwriting Agreement or any matter has arisen which would reasonably be expected to give rise to such a material breach or material claim in respect of the warranties or undertakings contained in the Underwriting Agreement; or
- (2) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) which would materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer after the signing of the Underwriting Agreement; or
- (3) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring after the signing of the Underwriting Agreement or continuing after the signing of the Underwriting Agreement), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which would materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (4) any materially adverse change after the signing of the Underwriting Agreement in the business or in the financial or trading position of the Group as a whole which is material in the context of the Open Offer; or
- (5) any event or circumstances in the nature of force majeure including but without limitation any act of God, war, riot, public disorder, civil commotion, fire, flood, terrorism or strike occurred after the signing of the Underwriting Agreement in or affecting Hong Kong, the PRC or other jurisdiction relevant to the Group or any member of the Group which would materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (6) the commencement by any third party of any litigation or claim against any member of the Group after the signing of the Underwriting Agreement which is or might be material to the Group taken as a whole; or

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- (7) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (8) there is any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, imposition of economic sanctions, on Hong Kong, the PRC or other jurisdiction relevant to the Group or any member of the Group); or
- (9) any statement contained in the Prospectus has become and been discovered to be untrue, incorrect, incomplete or misleading in any material aspect, or matters have arisen or have been discovered which would, if the Prospectus was to be issued at the time, constitute a material omissions therefrom,

the effect of which events and circumstances individually or in aggregate (in the reasonable opinion of the Underwriter after consultation with the Company): (i) is or would be reasonably likely to be materially adverse to, or prejudicially affects or would be reasonably likely to prejudicially affect, the Group as a whole or the Open Offer; or (ii) makes it inadvisable or inexpedient to proceed with the Open Offer, the Underwriter shall be entitled, by notice in writing to the Company served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

Upon giving of notice of termination or pursuant to the Underwriting Agreement, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine and save as provided in the Underwriting Agreement, the obligations of the parties to the Underwriting Agreement shall terminate forthwith provided that the Company shall remain liable to pay to the Underwriter such fees and expenses (but not the underwriting commission) referred to in the Underwriting Agreement. If the Underwriter exercises such right, the Open Offer will not proceed.

### **(VIII) WARNING OF THE RISKS OF DEALING IN SHARES**

**The Open Offer is conditional upon, inter alia, the fulfillment of the conditions precedent set out under the paragraph headed “Conditions of the Open Offer” in this circular. Therefore, the Open Offer may or may not proceed. Any dealings in the Shares from the date of the Announcement up to the date on which all such conditions precedent are fulfilled will accordingly bear the risk that the Open Offer may not become unconditional or may not proceed. Any Shareholders or other persons contemplating dealings in the Shares are recommended to consult their own professional advisers. Shareholders and potential investors of the Company should therefore exercise extreme caution when dealing in the Shares.**

## LETTER FROM THE BOARD

### (IX) SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company assuming that there is no change in the shareholding structure of the Company from the Latest Practicable Date to immediately after completion of the Open Offer:

	As at the Latest Practicable Date		Immediately after Share Consolidation and Increase in Authorised Share Capital having become effective		Immediately after completion of Open Offer assuming all Qualifying Shareholders take up their respective entitlements under the Open Offer		The Underwriter takes up all the Offer Shares (excluding the Prestige Rich Undertaken Shares) in accordance with its underwriting commitment under the Underwriting Agreement (Note 3)	
							Number of Shares	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Mr. Zhang Jinbing (Note 1)	2,245,407,727	27.47	224,540,772	27.47	673,622,316	27.47	673,622,316	27.47
Hengdeli Holdings Limited (Note 2)	1,000,000,000	12.24	100,000,000	12.24	300,000,000	12.24	100,000,000	4.08
Underwriter and Sub-underwriters (Note 3)	—	0.00	—	0.00	—	0.00	1,185,432,526	48.35
Public Shareholders	4,927,162,623	60.29	492,716,263	60.29	1,478,148,789	60.29	492,716,263	20.10
<b>TOTAL:</b>	<b>8,172,570,350</b>	<b>100.00</b>	<b>817,257,035</b>	<b>100.00</b>	<b>2,451,771,105</b>	<b>100.00</b>	<b>2,451,771,105</b>	<b>100.00</b>

*Notes:*

- The interest disclosed represents the 2,245,407,727 Existing Shares or 224,540,772 Consolidated Shares (upon Share Consolidation having become effective) held by Prestige Rich. All the interests disclosed above represent long positions in the Shares.
- The 1,000,000,000 Existing Shares or 100,000,000 Consolidated Shares (upon Share Consolidation having become effective) are held by Alpha Key Investments Limited, which is wholly-owned by Hengdeli Holdings Limited. Thus, Hengdeli Holdings Limited is deemed to be interested in the 1,000,000,000 Existing Shares or 100,000,000 Consolidated Shares (upon Share Consolidation having become effective) held by Alpha Key Investments Limited pursuant to the SFO.
- This scenario is for illustration purpose only. The Underwriter shall not subscribe, for its own account, for such number of untaken Shares which will result in the shareholding of its and parties acting in concert with it (within the meaning of the Takeover Code) in the Company to own 30% or more of the voting rights of the Company upon completion of the Open Offer; and pursuant to the Underwriting Agreement, the Underwriter shall use its best endeavours to ensure that (i) each of the Sub-Underwriters and independent placees and/or subscribers procured by any of them shall be third party independent placees and/or subscribers procured by any of them shall be third party independent of, not acting in concert (within the meaning of the Takeovers Code) with and not connected with the Directors or Substantial Shareholders or their respective associates; and (ii) save for the Underwriter itself and its associates, each of the independent placees procured by the Sub-Underwriters shall not, together with any party acting in concert (within the meaning of the Takeovers Code) with them, hold 10% or more of the voting rights of the Company upon completion of the Open Offer.

The Company will take appropriate measures, including but not limited to making necessary placing arrangements, to ensure that not less than 25% of the Shares are held by the public at all times in order to comply with the minimum public float requirement under the Listing Rules.

## LETTER FROM THE BOARD

### (X) REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS

The Group is principally engaged in (i) the export of manufactured jewellery products and writing instruments; (ii) trading of jewellery products and watches; and (iii) mining, exploration and sale of gold resources.

Based on the Subscription Price of HK\$0.3 per Offer Share and assuming no change in the shareholding structure of the Company from the Latest Practicable Date to immediately after completion of the Open Offer, the gross proceeds to be raised by the Company from the Open Offer will amount to approximately HK\$490.4 million (before expenses). The net proceeds to be raised by the Company from the Open Offer will amount to approximately HK\$487.2 million (after expenses). The Group intends to apply the net proceeds from the Open Offer (i) as to approximately HK\$100 million for development of new jewellery products bearing the trademarks of Omas which include fine writing instruments and trendy handmade jewellery products targeted at young customers. Omas will position itself as a mid-range brand in the Greater China Region and plan to open 3 to 5 shops in the mainland China in the coming two years; (ii) as to approximately HK\$100 million for further expansion of existing distribution business which include the increase in marketing and customer service expenses in relation to the existing and newly acquired brands in the territories of the mainland China, Hong Kong, Macau and Taiwan; (iii) as to approximately HK\$200 million for purchase of inventories in existing and newly acquired brands. The inventories include timepieces and accessories, jewellery products, writing instruments, eyewear frames, clothing and leather goods and other products bearing the trademarks of GUCCI, GIRARD-PERREGAUX and JEANRICHARD; and (iv) any remaining net proceeds will be for the general working capital of the Group to enhance financial position and for future investments opportunities of the Group if suitable activities identified. As at the Latest Practicable Date, the Company was yet to identify any business and investment opportunities or engaged in any negotiations regarding such opportunities.

Having considered other fund raising alternatives for the Group (including but not limited to, bank borrowings and placing of new Shares or other convertible securities) and taking into account the benefits and cost of each of the alternatives, the Directors are of the view that the Open Offer allows the Group to strengthen its balance sheet without facing the increasing interest rates and to enlarge the capital base of the Company, which may facilitate long-term development of the Group. In addition, given the fluctuating financial performance of the Group, the Directors are of the view that it may be difficult to obtain bank borrowings/debt financing with terms which the management of the Group consider acceptable to the Group, and that incurring additional debts will increase the Group's liabilities burden. The Company is now moving ahead to restructure those existing business which are now operating at loss or at low profit margin, and at the same time seeking for investment opportunities.

The Company has also considered the possibility of rights issue instead of Open Offer which allows Shareholders to trade the nil-paid rights. However, given the additional administrative costs, underwriting commission, and expenses to be incurred by the Company in arranging trading arrangement of the nil-paid rights and additional time for trading of nil-paid rights shares, the Company considers that the Open Offer is more time saving and cost effective and a better option. If the Company is to carry out a rights issue instead of the Open

## LETTER FROM THE BOARD

Offer, it is estimated that additional cost and expenses of around HK\$2.58 million would be incurred. It is also estimated that additional time would be involved by the Company for arranging the nil-paid rights trading, reviewing relevant documents, liaising with the parties involved such as the Company's branch share registrar in Hong Kong, the Underwriter, financial printer and other professional advisers.

Regarding the current structure of the Open Offer, the management of the Group has taken into account that the liquidity in the trading of Shares was thin. For illustrative purpose, a table showing the average daily volume of the Shares per month and the respective percentages of the average daily trading volume as compared to the then total number of issued Shares for the period from 5 February 2014 up to and including the Last Trading Day is set out as below:

	Total trading volume of the Shares	Number of trading days	Average daily trading volume of the Shares	Number of issued Shares as at the end of the month/ period	Percentage of average daily trading volume to total number of issued Shares as at the end of the month/ period (%)
<b>2014</b>					
February (since 5 February)	405,546,620	18	22,530,368	4,366,027,293	0.52
March	449,058,482	21	21,383,737	4,366,027,293	0.49
April	198,824,054	20	9,941,203	6,549,040,939	0.15
May	201,819,000	20	10,090,950	6,549,040,939	0.15
June	204,641,767	20	10,232,088	6,549,040,939	0.16
July	326,594,000	22	14,845,182	6,549,040,939	0.23
August	372,309,000	21	17,729,000	6,549,040,939	0.27
September	499,060,359	21	23,764,779	6,549,040,939	0.36
October	191,189,860	21	9,104,279	6,549,040,939	0.14
November	93,562,804	20	4,678,140	6,549,040,939	0.07
December	123,450,359	21	5,878,589	8,172,570,350	0.07
<b>2015</b>					
January	108,545,000	21	5,168,810	8,172,570,350	0.06
February (up to and including the Last Trading Day)	23,500,000	3	7,833,333	8,172,570,350	0.10

*Source: The Stock Exchange*

As shown in the above table, for the period from 5 February 2014 up to and including the Last Trading Day, the average daily trading volume of the Shares per month ranged from approximately 0.06% to approximately 0.52% of the then total number of issued Shares as at the end of the relevant month/period. The management of the Group is of the view that by

## LETTER FROM THE BOARD

increasing the Subscription Price and lowering the allotment ratio, the attractiveness of the Qualifying Shareholder to subscribe for the Offer Shares will decrease. Given that a deep discount of the Subscription Price (i) can provide an incentive for the Qualifying Shareholders to subscribe for the Offer Shares as the Company has funding needs to raise such amount of proceeds to finance the investments; and (ii) are not uncommon in the market practice, the management of the Group are of the view that the current structure of the Open Offer is fair and reasonable. Potential dilution to the shareholding interests may only happen to Qualifying Shareholders if they still choose not to subscribe for their full allotment entitlement of the Offer Shares.

The Company is of the view that it is in the interest of the Company and the Shareholders as a whole to raise the capital through the Open Offer since it offers the Qualifying Shareholders the opportunity to maintain their pro rata shareholding interests in the Company and continue to participate in the future growth and development of the Group should they wish to do so.

To the extent that the net proceeds to be used for general working capital are not applied immediately to the above purposes, the Group will deposit the net proceeds into short-term deposits/investments. The Group will only select investment products based on minimum exposure of investment risk and flexibility. The Group may also subscribe for investment products, preferably of principal guaranteed, with expected interest returns higher than that of ordinary bank deposits in the future. The investment period is normally restricted to not more than one year in order to keep the Group with adequate cash flow for flexibility.

### **(XI) FUND RAISING ACTIVITIES INVOLVING ISSUE OF SECURITIES IN THE PAST 12 MONTHS**

The Company's equity fund raising exercises over the past 12-month period immediately preceding the date of the Announcement are set out below:

<b>Date of Announcement</b>	<b>Fund raising activity</b>	<b>Net proceeds raised (approximately)</b>	<b>Proposed use of the net proceeds</b>	<b>Actual use of the net proceeds</b>
26 February 2014 (completed on 9 April 2014)	Open offer of 2,183,013,646 Shares at the price of HK\$0.08 per Share	HK\$172.1 million	For general working capital of the Group	Approximately HK\$130 million was used for development of distribution business, and the remaining proceeds was used for general working capital of the Group

### **(XII) EGM**

The notice of EGM convening the EGM to be held at Room 1825, 18th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong at 10 a.m. on Monday, 16 March 2015 is set out on pages 71 to 74 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the



## **LETTER FROM THE BOARD**

Company's branch share registrar in Hong Kong, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, 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 shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so desire. As none of the Shareholders is interested in the Share Consolidation and Increase in Authorised Share Capital, no Shareholder is required to abstain from voting at the EGM.

As the Open Offer will increase the issued share capital of the Company by more than 50%, pursuant to the Listing Rules, any controlling shareholders of the Company and their associates or, where there are no controlling shareholders, the Directors (excluding independent non-executive Director), the chief executive of the Company and their respective associates will abstain from voting in favour of the resolutions relating to the Open Offer. As at the Latest Practicable Date, the Company does not have any controlling Shareholders (as defined in the Listing Rules). Therefore, Mr. Wong Chi Ming, Jeffry, being an executive Director and the Chairman and his respective associates and Mr. Zhang Jinbing, being an executive Director and the chief executive officer and his respective associates, together holding approximately 27.47% of the issued share capital of the Company as at the Latest Practicable Date, will abstain from voting in favour of the resolution(s) relating to the Open Offer at the EGM.

Save as aforesaid, there was no other Director or chief executive of the Company holding any Share in the Company as at the Latest Practicable Date.

Save as disclosed above, there are no other particulars of voting arrangement under Rule 2.17(2) of the Listing Rules.

### **(XIII) VOTING BY POLL**

According to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, all the resolutions put to the vote at the EGM will be taken by way of poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

### **(XIV) RECOMMENDATIONS**

The Board believes that the terms of the Share Consolidation and Increase in Authorised Share Capital are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Board recommends the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM in relation to the Share Consolidation and Increase in Authorised Share Capital.

## LETTER FROM THE BOARD

The executive Directors consider the terms of the Open Offer are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Independent Board Committee comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the terms of the Open Offer are fair and reasonable and in the interest of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote at the EGM. Industrial Securities has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

You are advised to read carefully the letter from the Independent Board Committee and the letter from Industrial Securities set out on pages 33 and 34 and pages 35 to 53 of this circular, respectively. The Independent Board Committee, having taken into account the advice of Industrial Securities, considers that the terms of the Open Offer are fair and reasonable so far as the Independent Shareholders are concerned and the Open Offer is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the proposed resolution.

Upon passing the necessary resolutions by the Shareholders (where applicable, the Independent Shareholders) at the EGM approving the Share Consolidation and the Increase in Authorised Share Capital and the Open Offer, the Prospectus Documents will be despatched to the Qualifying Shareholders as soon as practicable in accordance with the expected timetable.

Yours faithfully,  
By order of the Board  
**Ming Fung Jewellery Group Limited**  
**Wong Chi Ming, Jeffry**  
*Chairman*



**MING FUNG JEWELLERY GROUP LIMITED**

**明豐珠寶集團有限公司\***

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

**(Stock code: 860)**

27 February 2015

*To the Independent Shareholders*

Dear Sir or Madam,

**PROPOSED OPEN OFFER OF 1,634,514,070 OFFER SHARES  
ON THE BASIS OF TWO OFFER SHARES  
FOR EVERY CONSOLIDATED SHARE HELD ON RECORD DATE**

We refer to the circular dated 27 February 2015 issued by the Company (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall bear the same meanings when used herein unless the context requires otherwise.

We have been appointed by the Board as the Independent Board Committee to advise you in connection with the Open Offer and to advise you as to whether, in our opinion, the terms of the Open Offer are fair and reasonable so far as the Independent Shareholders are concerned. Details of the Open Offer are set out in the “Letter from the Board” contained in the Circular. Industrial Securities (HK) Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Open Offer. Details of its advice and the principal factors taken into consideration in arriving at its recommendations are set out in the “Letter from the Independent Financial Adviser” contained in the Circular.

Having considered the terms of the Open Offer, taking into account the information contained in the Circular and the advice of Industrial Securities (HK) Capital Limited, we are of the opinion that the terms of the Open Offer are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

\* *For identification purpose only*

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

Accordingly, we would recommend the Independent Shareholders to vote in favour of the relevant resolution approving the Open Offer at the EGM.

Yours faithfully,  
For and on behalf of  
**Independent Board Committee of  
Ming Fung Jewellery Group Limited**

**Ms. Chu Wai Fan**  
*Independent*  
*Non-Executive Director*

**Mr. Tam Ping Kuen, Daniel**  
*Independent*  
*Non-Executive Director*

**Dr. Willinge Garry Alides**  
*Independent*  
*Non-Executive Director*

## LETTER FROM INDUSTRIAL SECURITIES

*The following is the full text of the letter of advice from Industrial Securities to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



30/F  
AIA Central  
1 Connaught Road  
Central  
Hong Kong

27 February 2015

*To: The Independent Board Committee and the Independent Shareholders*

Dear Sirs,

### **PROPOSED OPEN OFFER OF 1,634,514,070 OFFER SHARES ON THE BASIS OF TWO OFFER SHARES FOR EVERY CONSOLIDATED SHARE HELD ON THE RECORD DATE**

#### **INTRODUCTION**

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the Open Offer, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular (the “**Circular**”) of the Company to the Shareholders dated 27 February 2015, of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 4 February 2015, the Company announced that, among other things, subject to the Share Consolidation and the Increase in Authorised Share Capital becoming effective, the Company proposes to raise approximately HK\$490.4 million (before expenses) by way of an open offer of issuing 1,634,514,070 Offer Shares at the Subscription Price of HK\$0.3 per Offer Share on the basis of two Offer Shares for every Consolidated Share held on the Record Date.

As stated in the Board Letter, the Company had no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares. Assuming no further issue of new Shares or repurchase of Shares on or before the Record Date, the 1,634,514,070 Offer Shares represent approximately 200% of the Company’s issued share capital immediately upon completion of the Share Consolidation, and approximately 66.7% of the Company’s issued share capital as enlarged by the issue of the Offer Shares.

As the Open Offer will increase the issued share capital of the Company by more than 50%, pursuant to the Listing Rules, any controlling shareholders of the Company and their associates or, where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective

## LETTER FROM INDUSTRIAL SECURITIES

associates will abstain from voting in favor of the resolutions relating to the Open Offer. As at the Latest Practicable Date, the Company does not have any controlling Shareholders (as defined in the Listing Rules). Therefore, Mr. Wong Chi Ming, Jeffrey, being an executive Director and the Chairman and his respective associates, and Mr. Zhang Jinbing, an executive Director and the chief executive officer of the Company and his respective associates, together holding approximately 27.47% of the issued share capital of the Company as at the Latest Practicable Date, will abstain from voting in favor of the resolution relating to the Open Offer at the EGM. Apart from the aforesaid, there was no other Director or chief executive of the Company holding any Share in the Company as at the Latest Practicable Date. Save as disclosed above, there are no other particulars of voting arrangement under Rule 2.17(2) of the Listing Rules.

As set out in the Board Letter, no application for excess Offer Shares will be made available to any Qualifying Shareholders to apply for any Offer Share in excess of their respective assured entitlements. Any Offer Shares not taken up by Qualifying Shareholders, any Offer Shares created by aggregation of fractional Offer Shares and any Offer Shares which the Non-Qualifying Shareholders would otherwise have been entitled (if any) will be taken up by the Underwriter, which is not a Director, chief executive of the Company or Substantial Shareholder (or an associate of any of them). Hence, the absence of arrangement for application for excess Offer Shares will not be subject to the approval of the Shareholders as required by Rule 7.26A(2) of the Listing Rules.

An Independent Board Committee, comprising all independent non-executive Directors, namely, Ms. Chu Wai Fan, Mr. Tam Ping Kuen, Daniel, and Dr. Willinge Garry Alides, has been established by the Board to make recommendations to the Independent Shareholders in respect of the Open Offer.

We are appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Open Offer are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the relevant resolution to approve the Open Offer.

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees in connection with this appointment as the Independent Financial Adviser, no other arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. As such, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

### **BASIS OF OUR ADVICE**

In arriving at our recommendation, we have relied on the information and facts provided by the Company and have assumed that any representations made to us are true, accurate and complete. We have also relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the

## LETTER FROM INDUSTRIAL SECURITIES

Directors and the management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors and the management of the Company for which they are solely responsible, are true and accurate at the time they were made and will continue to be accurate at the date of the despatch of the Circular.

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

In formulating our opinion, we consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion, and we have discussed with the management of the Company so as to assess the fairness and reasonableness of the terms of the Open Offer. 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 and opinions made to us untrue, inaccurate or misleading. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted any independent investigation into the business and affairs of the Group. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion expressed herein, which may come or be brought to our attention after the Latest Practicable Date. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose, without our prior written consent.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders in respect of the Open Offer, we have taken the following principal factors and reasons into consideration:

#### **A. Background Information of the Group**

##### *(a) Principal Business*

As mentioned in the Board Letter, the Group is principally engaged in (i) the export of manufactured jewellery products and writing instruments; (ii) trading of jewellery products and watches; and (iii) mining, exploration and sale of gold resources.

## LETTER FROM INDUSTRIAL SECURITIES

*(b) Historical Financial Information*

Set out below is a summary of the audited consolidated financial results of the Group for the three years ended 30 September 2014, as extracted from the Company's annual reports for the financial years ended 30 September 2012, 30 September 2013 (the "2013 Annual Report") and 30 September 2014 (the "2014 Annual Report") respectively (collectively, the "Annual Reports"):

	<b>For the year ended 30 September</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>	1,207,105	782,551	919,409
<b>Gross profit (loss)</b>	(862,490)	76,868	252,979
<b>Profit/(Loss) for the year attributable to the owners of the Company</b>	(1,052,066)	(817,573)	83,158

	<b>For the year ended 30 September</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Total assets</b>	1,270,403	2,374,328	3,345,424
<b>Total liabilities</b>	147,505	339,196	431,134
<b>Net assets</b>	1,122,898	2,035,132	2,914,290

	<b>For the year ended 30 September</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Net cash used in operating activities</b>	(129,440)	(214,898)	(130,782)

*Sources: the Annual Reports*

As disclosed in the 2013 Annual Report and the above table, for the year ended 30 September 2013, as compared to the corresponding amount of 2012, the revenue of the Group decreased by approximately 14.9% from approximately HK\$919.4 million to approximately HK\$782.6 million, and the gross profit of the Group dropped substantially by approximately 69.6% to approximately HK\$76.9 million. For the year ended 30 September 2012, the Group recorded a total profit attributable to the owners of the Company of approximately HK\$83.2 million. However, for the year ended 30 September 2013, the Group recorded a significant loss attributable to the owners of the Company amounting to approximately HK\$817.6 million. The dropdown from profit to loss was mainly due to the significantly decreased demands for the Group's fine jewellery and luxury watch items and inventories impairment of



## LETTER FROM INDUSTRIAL SECURITIES

HK\$96.6 million, which was suffered from the downturn of luxury goods market in China, and the restricted government spending along with the global economy volatility.

For the financial year ended 30 September 2014, the Group recorded revenue of approximately HK\$1,207.1 million, representing an increase of approximately 54.3% as compared to the corresponding amount of 2013. Though the Group achieved increase in revenue in the financial year ended 30 September 2014 as compared to 2013, the Group recorded a gross loss in 2014 amounted to approximately HK\$862.5 million as compared to the gross profit in the financial year ended 30 September 2013 of approximately HK\$76.9 million, and a total loss attributable to the owners of the Company in the financial year ended 30 September 2014 amounted to approximately HK\$1,052.1 million, representing an increase in total loss of approximately 28.7% as compared to the previous year. As stated in the 2014 Annual Report, the increase in gross loss and total loss attributable to the owners of the Company was mainly because of the discounted block sale of slow moving inventories due to the continuous downturn of luxury goods market in China and the impairment on trade receivable, goodwill and other intangible assets in 2014.

### **B. Reasons for the Open Offer and Use of the Proceeds**

#### *(a) Use of the Proceeds*

As stated in the Board Letter, based on the Subscription Price of HK\$0.3 per Offer Share and assuming no change in the shareholding structure of the Company from the Latest Practicable Date to immediately after completion of the Open Offer, the estimated net proceeds of the Open Offer (after expenses) to be raised by the Company will amount to approximately HK\$487.2 million. The Group intends to apply such net proceeds from the Open Offer as to (i) approximately HK\$100 million for development of new jewellery products bearing the trademarks of Omas which include fine writing instruments and trendy handmade jewellery products targeted at young customers. Omas will position itself as a mid-range brand in the Greater China Region and plan to open 3 to 5 shops in the mainland China in the coming two years; (ii) approximately HK\$100 million for further expansion of existing distribution business which include the increase in marketing and customer service expenses in relation to the existing and newly acquired brands in the territories of the mainland China, Hong Kong, Macau and Taiwan; (iii) approximately HK\$200 million for purchase of inventories in existing and newly acquired brands. The inventories include timepieces and accessories, jewellery products, writing instruments, eyewear frames, clothing and leather goods and other products bearing the trademarks of GUCCI, GIRARD-PERREGAUX and JEANRICHARD; and (iv) any remaining net proceeds will be for the general working capital of the Group to enhance financial position and for future investments opportunities of the Group if suitable activities identified. As at the Latest Practicable Date, the Company was yet to identify any business and investment opportunities or engaged in any negotiations regarding such opportunities.

## LETTER FROM INDUSTRIAL SECURITIES

Regarding the development of new jewellery products in the trademarks of Omas, we have discussed with the management of the Company and reviewed the relevant business strategy and expenditure budgets for five-year period from 2015 to 2019. As advised by the management of the Company, facing with the current challenging environment in which the sales of the high-end jewellery products is unsatisfactory, the Group is planning to launch a new line of quality jewellery products in the trademarks of Omas which targets the mid-range market. Since the development of new mid-range jewellery products would broaden the product portfolio of the Group and attract new groups of customers, we are of the view that the intended application of approximately HK\$100 million out of the net proceeds from the Open Offer to the development of new jewellery products in the trademarks of Omas is in line with the Group's principal business and activities and this is in the interests of the Company and the Shareholders as a whole.

Regarding the further expansion of existing distribution business and the purchase of inventories in existing and newly acquired brands, we have obtained and reviewed the relevant distribution agreements entered into by the Group as the exclusive distributor in relation to the distribution business of the Group of the products bearing the trademarks of GUCCI, GIRARD-PERREGAUX and JEANRICHARD, as well as the internal calculation on the estimated marketing cost in respect of its existing and newly acquired brands prepared by the Company. We noted that there are planned purchase amounts or minimum purchase amounts as specified and stated in the respective distribution agreements which the Company agreed to be achieved for each of the year during the periods of the respective distribution agreements. We also noted that the internal calculation of the estimated marketing cost is in line with the intended use of net proceeds for further expansion of existing distribution business. In addition, as stated in the 2014 Annual Report, the Group has taken further steps to enhance the distributor business by entering into a sale and purchase agreement to acquire the entire interest in Sinoforce Group Limited, which indirectly hold the exclusive distribution right of the products bearing the trademarks of "GIRARD-PERREGAUX" and "JEANRICHARD" in the territories of the mainland China, Macau, Hong Kong and Taiwan on 6 October 2014. The acquisition was completed on 18 December 2014. As such, we are of the view that the intended utilization of net proceeds from the Open Offer is in line with the business strategy of the Group and the Group is in the genuine need for funding to achieve the specified targets under the existing respective distribution agreements.

As shown in the table in the section headed "Historical Financial Information" above, the Group recorded a loss attributable to the owners of the Company amounting to approximately HK\$817.6 million and approximately HK\$1,052.1 million for the financial year ended 30 September 2013 and the financial year ended 30 September 2014 respectively. Moreover, the Group suffered net cash outflow from operating activities amounting to approximately HK\$130.8 million, approximately HK\$214.9 million, and approximately HK\$129.4 million for the three financial years ended 30 September 2012, 30 September 2013 and 30 September 2014 respectively. However, according to the 2014 Annual Report, the cash and cash equivalent for the financial year ended 30 September 2014 amounted to

## LETTER FROM INDUSTRIAL SECURITIES

approximately HK\$202.0 million due to the completion of an open offer on 9 April 2014, which had raised net proceeds of approximately HK\$172.1 million. As confirmed by the Company, approximately HK\$130 million of the net proceeds, representing 75.5% of the total net proceeds, raised from the open offer completed on 9 April 2014 had been already used for the development of distribution business.

With respect to the prospect of the Group's business, as advised by the management of the Company and as set out in the paragraph headed "Business Trend and Financial and Trading Prospects" contained in Appendix I to the Circular, the challenging environment in PRC luxury goods market is expected to persist, the Group will continue to adopt stringent cost control measures and look for new opportunity to cope with existing market environment and constantly review the business strategy in a cautious manner.

As stated in the Board Letter, to the extent that the net proceeds to be used for general working capital are not applied immediately to the above purposes, the Group will deposit the net proceeds into short-term deposits/investments. As confirmed by the Directors, the Group will only select investment products based on minimum exposure of investment risk and flexibility. The Group may also subscribe for investment products, preferably of principal guaranteed, with expected interest returns higher than that of ordinary bank deposits in the future. The investment period is normally restricted to not more than one year in order to keep the Group with adequate cash flow for flexibility.

In view of the above, particularly, (i) the intended utilization of the net proceeds to be raised from the Open Offer is in line with the business strategy of the Group and the Group is in the genuine need for funding to achieve the specified targets under the existing respective distribution agreements; and (ii) the loss-making financial performance and the consecutively net cash outflow from the operating activities of the Group, we consider that the intended utilization of the estimated net proceeds from the Open Offer is fair and reasonable.

### *(b) Financing Alternatives*

As set out in the Board Letter, over the past 12-month period immediately preceding the Latest Practicable Date, the Company has carried out a fund raising activity by way of an open offer of 2,183,013,646 Shares at the price of HK\$0.08 per Share. Net proceeds of approximately HK\$172.1 million were raised, out of which approximately HK\$130 million was used for development of distribution business, and the remaining was used for general working capital of the Group.

We noted from the Board Letter that, apart from the Open Offer, the Company has also considered other fund raising alternatives, including but not limited to bank borrowings and placing of new Shares or other convertible securities, as well as the rights issue. We are advised by the management of the Company that, in light of the fluctuating financial performance of the Group as discussed and analyzed in the section headed "Historical Financial Information" above, it may be difficult to obtain bank borrowings/debt financing for the Group with acceptable and appropriate

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terms. Further, additional debts will be incurred which will further increase the Group's liabilities burden. As such, we concur with the Directors' view that the Open Offer is a better option and allows the Group to strengthen its balance sheet without facing the increasing interest rates and to enlarge the capital base of the Company, which may facilitate long-term development of the Group.

In addition, choosing the Open Offer instead of rights issue with trading of nil-paid rights, the Directors consider that setting up the trading arrangement of the nil-paid rights, the Company would have to spend additional time to review the relevant documents, liaise with the parties involved, and incur additional administrative costs, underwriting commission, and expenses, which will result in lower net proceeds to be raised. Compared to the rights issue, Open Offer is more time saving and cost effective. As stated in the Board Letter, if the Company is to carry out a rights issue instead of the Open Offer, it is estimated that additional cost and expense of around HK\$2.58 million would be incurred. Furthermore, we have discussed with the management of the Company and by taking into account that the liquidity in the trading of the Company's Shares was thin as discussed in the section headed "Trading Liquidity of the Shares" below, regarding the structure of the Open Offer, the management of the Group is of the view that by increasing the Subscription Price and lowering the allotment ratio, the attractiveness of the Qualifying Shareholder to subscribe for the Offer Shares will decrease. Given that a deep discount of the Subscription Price (i) can provide an incentive for the Qualifying Shareholders to subscribe for the Offer Shares as the Company has funding needs to raise such amount of proceeds to finance investments; and (ii) are in line with the market practice as discussed in the section headed "Comparison with Other Open Offers" below, we are of the view that the current structure of the Open Offer is fair and reasonable.

According to the arrangement of the Open Offer, the Qualifying Shareholders are offered an equal and fair opportunity to maintain their pro rata shareholding interests in the Company. However, unlike the Open Offer, placing of new Shares or other convertible securities will result in immediate dilution to the shareholding interests of the Qualifying Shareholders. Moreover, placement on best-efforts basis is associated with larger degree of uncertainty as compared to the Open Offer on a fully underwritten basis. As such, we concur with the Directors that the Open Offer is preferred than placing of new Shares or other convertible securities.

The Company is of the view that it is in the interests of the Company and the Shareholders as a whole to raise the capital through the Open Offer since it offers the Qualifying Shareholders the opportunity to maintain their pro rate shareholding interests in the Company and continue to participate in the future growth and development of the Group should they wish to do so.

Having considered that, (i) the estimated net proceeds from the Open Offer will be utilized to finance for the development and operations in line with the Group's normal business and principal activities; (ii) the Open Offer is considered to be a more desirable means for the Company to raise capital than alternative financing

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means as discussed above, in particular, the Open Offer would allow the Company to save up around HK\$2.58 million as compared to conducting a rights issue although a rights issue allows Shareholders to trade the nil-paid rights; (iii) the Open Offer could allow the Group to strengthen its capital base and enhance its financial position without facing the increasing interest rates and the increasing liabilities burden; and (iv) all the Qualifying Shareholders are offered an equal and fair opportunity to participate in the Open Offer to maintain their pro rata shareholding interests in the Company and in the future development of the Company, we are of the view that the Open Offer is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### C. Principal Terms of the Open Offer

#### (a) Issue Statistics

The table below summaries the issue statistics of the Open Offer:

Basis of the Open Offer	:	Two (2) Offer Shares for every Consolidated Share held on the Record Date
Number of Shares in issue as at the Latest Practicable Date	:	8,172,570,350 Existing Shares
Number of Shares in issue upon completion of Share Consolidation	:	817,257,035 Consolidated Shares
Number of Offer Shares	:	1,634,514,070 Offer Shares (assuming no further issue of new Shares on or before the Record Date)
Subscription Price	:	HK\$0.3 per Offer Share with nominal value of HK\$0.1 each
Underwriter	:	Guotai Junan Securities (Hong Kong) Limited
Number of shares in issue upon completion of the Open Offer	:	2,451,771,105 Shares
Funds raised before expenses	:	Approximately HK\$490.4 million

As at the Latest Practicable Date, the Company had no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares. Assuming no further issue of new Shares or repurchase of Shares on or before the Record Date, the 1,634,514,070 Offer Shares represent approximately 200% of the Company's issued share capital immediately upon completion of the Share Consolidation, and approximately 66.7% of the Company's issued share capital as enlarged by the issue of the Offer Shares.

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### *(b) Subscription Price*

The Subscription Price of HK\$0.3 per Offer Share will be payable in full upon acceptance of the relevant assured allotment under the Open Offer. The Subscription Price represents:

- (i) a discount of approximately 57.7% to the closing price of HK\$0.71 per Consolidated Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 59.5% to the average closing price of approximately HK\$0.74 per Consolidated Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 31.8% to the theoretical ex-entitlement price of approximately HK\$0.44 per Consolidated Share based on the closing price of HK\$0.71 per Consolidated Share as quoted on the Stock Exchange on the Last Trading Day;
- (iv) a discount of approximately 78.1% over the net asset value per Consolidated Share of approximately HK\$1.37 as at 30 September 2014 (based on the net asset value per Existing Share of approximately HK\$0.137 as at 30 September 2014 according to the 2014 Annual Report and adjusted for the effect of the Share Consolidation); and
- (v) a discount of approximately 34.8% to the closing price of HK\$0.46 per Consolidated Share (based on the closing price of HK\$0.046 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Share Consolidation).

As stated in the Board Letter, the Subscription Price was determined after arm's length negotiation between the Company and the Underwriter with reference to the prevailing market price of the Shares and the financial position of the Company. In particular, the Group recorded a gross loss in the financial year ended 30 September 2014 amounted to approximately HK\$862.5 million and a total loss attributable to the owners of the Company in the financial year ended 30 September 2014 amounted to approximately HK\$1,052.1 million, representing an increase in total loss of approximately 28.7% as compared to the financial year ended 30 September 2013. As all Qualifying Shareholders are entitled to subscribe for the Offer Shares in the same proportion to his/her/its existing shareholdings in the Company held on the Record Date, the Directors consider that the discount of the Subscription Price would encourage the Qualifying Shareholders to take up their entitlements so as to maintain their shareholdings in the Company and participate in the future growth of the Group, particularly in view that the trading liquidity of the Shares is thin.

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To assess the fairness and reasonableness of the Subscription Price, we have compared the Subscription Price with reference to, (i) the recent price performance of the Shares (adjusted for the effect of the Share Consolidation) and the trading liquidity of the Shares; and (ii) the market comparable analysis, as set out below:

(i) *Recent Price Performance of the Shares*

We have reviewed the closing prices and the trading liquidity of the Shares during the twelve-month period from 5 February 2014, up to and including 4 February 2015, being the Last Trading Day and the date of the Underwriting Agreement, (the “**Review Period**”). The below chart shows the daily closing price of the Shares during the Review Period, assuming the Share Consolidation has been effective since the beginning of the Review Period:

**Daily Closing Price of the Shares during the Review Period  
(Adjusted to the effect of the Share Consolidation)**



Source: The Stock Exchange

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For illustrative purpose, we have adjusted the closing price of the Share and assumed that the Share Consolidation has been in effect since the beginning of the Review Period. As shown in the above chart, during the Review Period, the lowest closing price of the Shares was HK\$0.71 recorded on 21 May 2014, 3 February 2015 and 4 February 2015 respectively, and the highest closing prices of the Shares was HK\$1.53 recorded on 25 February 2014, as quoted on the Stock Exchange with the adjustment of the Share Consolidation. The average daily closing price of the Shares during the Review Period was approximately HK\$0.93 per Share. The Subscription Price represents (i) a discount of approximately 57.7% from the lowest closing price of the Shares; (ii) a discount of approximately 80.4% from the highest closing price of the Shares; and (iii) a discount of approximately 67.7% from the average daily closing price of the Shares during the Review Period.

We noted that the closing price of the Shares gradually increased from HK\$1.17 per Share at the beginning of the Review Period on 5 February 2014 to the highest closing price of HK\$1.53 per Share on 25 February 2014. Thereafter, the closing price of the Shares was on a general downward trend, closing at HK\$0.71 per Share on 4 February 2015, being the Last Trading Day. As discussed with the management of the Company, they are not aware of any reasons for the decreasing trend in the Share price during the Review Period.

As discussed in the section headed “Comparison with Other Open Offers” below, we noted that it is a common market practice that, for the purpose of increasing the attractiveness of the open offers and encouraging the shareholders to participate in the open offers, the subscription price is normally set at a discount to the prevailing market prices of the relevant shares.



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### (ii) Trading Liquidity of the Shares

Regarding the trading liquidity of the Shares, for the illustrative purpose, a table showing the average daily volume of the Shares per month and the respective percentages of the average daily trading volume as compared to the then total number of issued Shares as at the last trading day of the respective month/period during the Review Period is set out below:

	Total trading volume of the Shares	Number of trading days	Average daily trading volume of the Shares	Number of issued Shares as at the end of the month/ period	Percentage of average daily trading volume to total number of issued Shares as at the end of the month/period (%)
<b>2014</b>					
February (since 5 February)	405,546,620	18	22,530,368	4,366,027,293	0.52
March	449,058,482	21	21,383,737	4,366,027,293	0.49
April	198,824,054	20	9,941,203	6,549,040,939	0.15
May	201,819,000	20	10,090,950	6,549,040,939	0.15
June	204,641,767	20	10,232,088	6,549,040,939	0.16
July	326,594,000	22	14,845,182	6,549,040,939	0.23
August	372,309,000	21	17,729,000	6,549,040,939	0.27
September	499,060,359	21	23,764,779	6,549,040,939	0.36
October	191,189,860	21	9,104,279	6,549,040,939	0.14
November	93,562,804	20	4,678,140	6,549,040,939	0.07
December	123,450,359	21	5,878,589	8,172,570,350	0.07
<b>2015</b>					
January	108,545,000	21	5,168,810	8,172,570,350	0.06
February (up to and including the Last Trading Day)	23,500,000	3	7,833,333	8,172,570,350	0.10

Source: The Stock Exchange

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As shown in the above table, throughout the Review Period, the percentage of average daily trading volume of the Shares per month ranged from approximately 0.06% to approximately 0.52% of the total number of issued Shares as at the end of the relevant month/period. We are of the view that the Shares were traded at thin liquidity during the Review Period with less than 1% to the then total number of issued Shares as at the end of relevant month/period.

### *(iii) Comparison with Other Open Offers*

To further assess the fairness and reasonableness of the Open Offer, we have selected and identified 11 open offers firstly announced and conducted by companies (the “**Comparables**”) listed on the Stock Exchange for the three-month period from 5 November 2014 up to and including the Last Trading Day (the “**Comparable Period**”), which is considered to be relevant and comprehensive for comparison purpose. We noted that although the Comparables vary from the Company in terms of their business operations, financial positions and future prospects, the Comparables could be used to provide a general reference to the common market practice in open offer transactions by the listed companies in Hong Kong. Since the Comparables are the most recent open offer transactions announced to the public, we consider

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that the Comparables could represent the recent market conditions and provide a general reference to the terms of the Open Offer in the prevailing market conditions. Details of our findings are summarized as below table:

Date of announcement	Company name	Stock code	Basis of entitlement	Subscription price HK\$	Closing price as quoted on the Stock Exchange on the respective last trading day HK\$	Premium/	Theoretical ex-entitlement price HK\$	Premium/	Maximum dilution (%)	Underwriting commission (%)	Excess application (Yes/No)
						(Discount) of subscription price over/(to) the closing price on the respective last trading day (%)		(Discount) of subscription price over/(to) the theoretical ex-entitlement price (%)			
2015.01.16	Prosperity Investment Holdings Limited	0310.HK	1 for 2	0.17	0.238	(28.6)	0.2153	(21.0)	33.3	3.0	No
2014.12.18	Mission Capital Holdings Limited	1141.HK	1 for 2	0.1	0.113	(11.5)	0.1087	(8.0)	33.3	2.5	No
2014.12.18	Far East Holdings International Limited	0036.HK	1 for 2	0.3	0.73	(58.9)	0.587	(48.9)	33.3	2.5	No
2014.12.16	Li Ning Company Limited	2331.HK	5 for 12	2.6	3.33	(21.9)	3.21	(19.0)	29.4	2.5	Yes
2014.12.15	Unity Investments Holdings Limited	0913.HK	4 for 1	0.16	0.73	(78.1)	0.274	(41.6)	80.0	2.5	No
2014.12.07	Man Sang International Limited	0938.HK	1 for 2	0.638	0.72	(11.4)	0.693	(7.9)	33.3	1.5	No
2014.11.25	Mastermind Capital Limited	0905.HK	1 for 2	0.45	0.52	(13.5)	0.497	(9.5)	33.3	3.5	No
2014.11.21	New Times Energy Corporation Limited	0166.HK	1 for 2	0.17	0.365	(53.4)	0.3	(43.3)	33.3	2.5	No
2014.11.17	Vitop Bioenergy Holdings Limited	1178.HK	1 for 2	0.1	0.53	(81.1)	0.387	(74.2)	33.3	3.5	No
2014.11.11	China Best Group Holding Limited	0370.HK	1 for 2	0.15	0.249	(39.8)	0.216	(30.6)	33.3	2.5	No
2014.11.07	Allied Cement Holdings Limited	1312.HK	1 for 2	1.5	3.15	(52.4)	2.6	(42.3)	33.3	2.5	No
		Maximum				(81.1)		(74.2)	80.0	3.5	
		Minimum				(11.4)		(7.9)	29.4	1.5	
		Average				(41.0)		(31.5)	37.2	2.6	
		<b>The Company</b>	<b>2 for 1</b>	<b>0.3</b>	<b>0.71</b>	<b>(57.7)</b>	<b>0.44</b>	<b>(31.8)</b>	<b>66.7</b>	<b>0.5</b>	<b>No</b>

Source: The Stock Exchange

As indicated in the above table, subscription prices of all of the Comparables were set at a discount to their respective closing prices per share on the last trading day prior to the release of the respective announcement, ranging from a discount of approximately 11.4% to a discount of approximately 81.1%, with an average discount of approximately 41.0%. The discount of the Subscription Price of the Open Offer to the closing price per Consolidated Share on the Last Trading Day is approximately 57.7%, which falls within the range and higher than the average of the Comparables. In terms of the subscription prices to the theoretical ex-entitlement prices per share based on the closing

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prices on the last trading days prior to the release of the announcements, the discounts of the Comparables range from approximately 7.9% to approximately 74.2% with an average discount of approximately 31.5%. The discount of the Subscription Price of the Open Offer to the theoretical ex-entitlement price per Consolidated Share based on the closing price per Consolidated Share on the Last Trading Day is approximately 31.8%, which falls within the range and at a similar level to the average discount of the Comparables.

Taking into account of (i) the loss-making of the historical financial performance of the Group as discussed in the section headed “Historical Financial Information” above; (ii) the general downward trend of the closing prices of the Shares since March 2014; (iii) the funding needs of the Group to raise proceeds to further develop and expand its distribution business as well as to capture future investment opportunities of the Group if suitable activities identified; (iv) common market practice that the subscription price of an open offer is set at various degrees of discount to the prevailing market prices of the relevant shares in order to increase the attractiveness of an open offer to the shareholders; (v) thin trading liquidity of the Shares of the Company during the Review Period; (vi) the discounts of the Subscription Price of the Open Offer to the closing price of the Consolidated Shares and to the theoretical ex-entitlement price based on the closing price of the Consolidated Shares on the Last Trading Day falling within the range of the Comparables and at a higher and a similar level to the average discounts of the Comparables respectively; and (vii) the equal opportunity offered by the Open Offer to all of the Qualifying Shareholders to participate and fully take up their entitlements at the same price to maintain their respective shareholding interests in the Company, we consider that the Subscription Price is fair and reasonable and this is in the interests of the Company and the Shareholders as a whole.

### *(c) Underwriting Commission*

With reference to the section headed “Comparison with Other Open Offers” above, we noted that the rates of underwriting commission for the Comparables range from 1.5% to 3.5% with an average rate of approximately 2.6%. Pursuant to the Underwriting Agreement, the Underwriter of the Open Offer will receive an underwriting commission of 0.5% of the aggregate Subscription Price of the Underwritten Shares as determined on the Record Date, which is lower than the minimum and average underwriting commission rate of the Comparables. We are confirmed by the management of the Company that the underwriting commission rate was determined after arm’s length negotiations between the Company and the Underwriter by reference to the size of the Open Offer, and the current and expected market conditions. Accordingly, we are of the view that the commission charged by the Underwriter is on normal commercial terms and is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

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### *(d) Termination of the Underwriting Agreement*

As stated in the Board Letter, the Open Offer would not proceed if the Underwriter exercises their termination rights under the Underwriting Agreement. Details of the provisions granting the Underwriter such termination rights are included in the section headed “Termination of the Underwriting Agreement” in the Board Letter. After reviewing the respective announcement and/or the circular of the Comparables regarding the open offer transactions, we noted that the inclusion of such provisions is on normal commercial terms and in line with the market practice.

### *(e) No Application for Excess Offer Shares*

According to the Board Letter, no application for excess Offer Shares will be available to any Qualifying Shareholders to apply for any Offer Shares in excess of their respective assured entitlements since each Qualifying Shareholder will be given equal and fair opportunities to participate in the Company’s future development by subscribing for his/her/its assured entitlements under the Open Offer and if an application for excess Offer Shares is arranged, the Company would be required to put in additional efforts and costs to administer the excess application procedures, which is not cost-effective. Any Offer Shares not taken up by Qualifying Shareholders, any Offer Shares created by aggregation of fractional Offer Shares and any Offer Shares to which the Non-Qualifying Shareholders would otherwise have been entitled (if any) will not be available for subscription by other Qualifying Shareholders by way of excess application and will be taken up by the Underwriter.

Based on our review of the identified 11 recent open offer transactions as listed in the table in the section headed “Comparison with Other Open Offers”, we found that 10 out of 11 Comparables did not adopt excess application for excess shares. In view of the Subscription Price has been set to a discount to the closing price of the Consolidate Share on the Last Trading Day to give Qualifying Shareholders incentives to take up their respective entitlements in full and maintain their proportionate shareholding interests in the Company, and the absence of the arrangement for application for the excess Offer Shares will lower the administrative costs of the Open Offer, we consider that no adoption of the application for excess Offer Shares is in line with the market practice and this is fair and reasonable.

## **D. Possible Financial Effects of the Open Offer**

### *(a) Net Tangible Assets Value*

As set out in the “Unaudited Pro Forma Financial Information” contained in Appendix II to the Circular, the audited consolidated net tangible assets of the Group attributable to the owners of the Company was approximately HK\$953.5 million as at 30 September 2014. After taking into account the net proceeds from the Open Offer, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company will be raised to approximately HK\$1,440.7 million.

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As at 30 September 2014, the audited consolidated net tangible assets value of the Group attributable to the owners of the Company per Existing Share is HK\$0.117 and per Consolidated Share is HK\$1.17. Immediately upon the completion of the Open Offer, the total number of Consolidated Shares will be increased to 2,451,771,105 Consolidated Shares, accordingly the unaudited pro forma adjusted consolidated net tangible assets value of the Group attributable to the owners of the Company per Consolidated Share will be approximately HK\$0.59, representing a decrease of approximately 49.6% from the audited consolidated net tangible assets value of the Group attributable to the owners of the Company per Consolidated Share of approximately HK\$1.17 as at 30 September 2014.

### *(b) Working Capital*

With reference to the 2014 Annual Report, the audited net current assets of the Group amounted to approximately HK\$972.6 million as at 30 September 2014. Upon completion of the Open Offer, the net current assets for the Group would increase by the estimated net proceeds of approximately HK\$487.2 million (after expenses) raised from the Open Offer. As such, we are of the view that the Open Offer will improve the liquidity position of the Group.

### *(c) Gearing Ratio*

As disclosed in the 2014 Annual Report, the gearing ratio (being total liabilities over total assets) of the Group as at 30 September 2014 was approximately 11.6%. Additional liquidity in the form of equity will be brought in by the Open Offer to the Group, resulting in improvement in the financial position and increase in the total equity of the Group. With the enlarged cash resources and capital base, the Company's gearing ratio is expected to be improved.

In view of the above, after taking into consideration the enhancement on the working capital and the improvement of the gearing ratio of the Group, we consider that the Open Offer is in the interests of the Company and the Shareholders as a whole. It should be noted that the abovementioned analysis is for illustrative purpose only and does not purport to represent how the financial position of the Group will be upon completion of the Open Offer.

## **E. Potential Dilution Effect of the Open Offer on the Shareholding Interests**

As the Open Offer is offered to all Qualifying Shareholders on the same basis, the Qualifying Shareholders will be able to maintain their proportionate shareholding interests in the Company if they take up in full their respective assured entitlements under the Open Offer. Any Qualifying Shareholders who choose not to take up in full their assured entitlements will have their shareholdings in the Company diluted by up to a maximum of approximately 66.7% upon completion of the Open Offer. The possible dilution effect of the Open Offer on shareholding interests of the Company is set out in the section headed "Shareholding Structure of the Company" in the Board Letter.

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As shown in the table in the section headed “Comparison with Other Open Offers”, the dilution effect of the Comparables range from 29.4% to 80.0% with an average of approximately 37.2%. The maximum dilution effect of the Open Offer of approximately 66.7% falls within the range of the dilution effect of the Comparables.

Having considered that (i) the Open Offer would enable the Group to strengthen its financial positions and improve its liquidity position; (ii) each Qualifying Shareholder is offered an equal and fair opportunity of participating in the Open Offer in proportion to their respective shareholding interests in the Company; (iii) the Open Offer is generally associated with the inherent dilutive nature; (iv) other fund raising alternatives than the Open Offer will incur additional liabilities burden to the Company; (v) the Open Offer is more time saving and cost effective than rights issue with trading of nil-paid rights; and (vi) lower subscription price at a discount to the closing price of the Consolidated Share on the Last Trading Day and to the theoretical ex-entitlement may likely to attract the Qualifying Shareholders to participate in the Open Offer, we are of the view that the potential dilution effect on the shareholding interests in the Company, which may only happen to the Non-Qualifying Shareholders and the Qualifying Shareholders who choose not to take up their respective assured entitlements in full, is acceptable and is not prejudicial to the interests of the Independent Shareholders if they choose to accept their full assured entitlement under the Open Offer.

### RECOMMENDATION

Having considered the principal factors and reasons discussed above, we are of the view that the terms of Open Offer are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Open Offer.

Yours faithfully,

For and on behalf of

**Industrial Securities (HK) Capital Limited**

**Leung Kin Cheong, Laurent**

*General Manager*

**Lu Ting Pong, Johnny**

*Director*

*Mr. Leung Kin Cheong, Laurent is a licensed person and the principal and the responsible officer of Industrial Securities (HK) Capital Limited registered with the SFC to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over ten years of experience in corporate finance industry.*

*Mr. Lu Ting Pong, Johnny is a licensed person and the representative for type 1 (dealing in securities) regulated activities and the responsible officer for type 6 (advising on corporate finance) regulated activities of Industrial Securities (HK) Capital Limited registered with the SFC under the SFO and has over ten years of experience in corporate finance industry.*

## 1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Financial information with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited balance sheets together with the notes on the annual accounts of the Group for each of the three years ended 30 September 2012, 2013 and 2014 are disclosed on pages 29 to 96 of 2012 annual report, pages 28 to 88 of 2013 annual report and pages 27 to 88 of 2014 annual report of the Company respectively.

The said annual reports of the Company are available on both the website of The Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the website of the Company ([www.mingfung.com](http://www.mingfung.com)).

## 2. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 30 September 2014, the date to which the latest published audited consolidated financial statements of the Group were made up.

## 3. INDEBTEDNESS

As at the close of business on 31 January 2015, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this Circular, the Group had outstanding secured bank loans of approximately HK\$81,702,000. The Group's secured bank loans were secured by financial guarantee given by the Company.

As at the close of business on 31 January 2015, the Group had no material contingent liabilities.

Foreign currency amounts have been translated into Hong Kong dollars at the rates of exchange prevailing at the close of business on 31 January 2015.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of the business, as at the close of business on 31 January 2015, the Group did not have other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

## 4. WORKING CAPITAL

The Directors are of the opinion that after taking into account the estimated net proceeds from the Open Offer and the Group's internal resources, cash flow from operations and the available banking facilities, the Group will have sufficient working capital for its present requirements for at least the next twelve months following the date of this circular.



## 5. BUSINESS TREND AND FINANCIAL AND TRADING PROSPECTS

During the financial year ended 30 September 2014, the luxury goods market in the PRC continuously impacted by the decelerated customer spending momentum due to the frugality campaign in the PRC government. This has seriously affected the business of the Group's jewellery products. To avoid further slowdown of the inventory turnover, the management decided to sell the slow moving inventories by block with discount. In response to the severe market condition, the Group started to consolidate the business by disposing underperforming retail and gold mining business in Liaoning and Anhui Province during the year.

For the gold mining business, the production schedule of the Chi Feng gold mines of the Group has been delayed due to an extensive time has been spent on (i) reviewing and negotiating the construction cost of the infrastructure of the mining facilities with the PRC mining institution, and (ii) revision of production plan in compliance with the PRC safety regulation. The Group will continue to carry out such work as necessary to generate revenue contribution in the near future.

The Group has taken further steps to enhance the distributor business by acquiring Sinoforce Group Limited, which indirectly hold the exclusive distribution right of the Products bearing the trademarks of "GIRARD-PERREGAUX" and "JEANRICHARD" in the territories of the mainland China, Macau, Hong Kong and Taiwan (reserved areas as per the relevant distribution agreement excepted). The acquisition was completed on 18 December 2014. The Group's strategy managed to weather the downturn in the luxury goods market by focusing on the distributor business. Looking forward, the challenging environment in the PRC luxury goods market is expected to persist, the Group will continue to adopt stringent cost control measures and look for new opportunity to cope with existing market environment and constantly review the business strategy in a cautious manner.

### A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF ADJUSTED NET TANGIBLE ASSETS OF THE GROUP

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group (the “**Unaudited Pro Forma Financial Information**”) prepared by the Directors in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the Open Offer on the basis of two Offer Shares for every Consolidated Share held on the Record Date on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as if the Open Offer had taken place on 30 September 2014.

The Unaudited Pro Forma Financial Information of the Group is prepared based on the audited consolidated net tangible assets of the Group attributable to owners of the Company derived from the audited consolidated statement of financial position of the Group as at 30 September 2014, as extracted from the published annual report of the Company for the year ended 30 September 2014 and is adjusted for the effect of the Open Offer.

The Unaudited Pro Forma Financial Information of the Group has been prepared for illustrative purpose only, based on the judgments, estimates and assumptions of the Directors, and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Open Offer actually been completed as at 30 September 2014 or at any future date.

	<b>Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2014 HK\$'000 (Note 1)</b>	<b>Unaudited estimated net proceeds from the Open Offer HK\$'000 (Note 2)</b>	<b>Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company immediately after the completion of the Open Offer HK\$'000</b>
Consolidated net tangible assets	<u>953,491</u>	<u>487,202</u>	<u>1,440,693</u>
Number of Consolidated Shares issued ('000)	<u>817,257</u>	<u>1,634,514</u>	<u>2,451,771</u>
Audited consolidated net tangible assets per Consolidated Share attributable to the owners of the Company prior to the completion of the Open Offer (Note 3)			<u>HK\$1.17</u>
Unaudited consolidated net tangible assets per Consolidated Share attributable to the owners of the Company immediately after the completion of the Open Offer (Note 4)			<u>HK\$0.59</u>

*Notes:*

1. The audited consolidated net tangible assets of the Group attributable to the owners of the Company at 30 September 2014 is arrived at by deducting intangible assets of approximately HK\$111,118,000 and goodwill of approximately HK\$29,555,000 as at 30 September 2014 from the audited consolidated net assets of the Group attributable to the owners of the Company of HK\$1,094,164,000 as at 30 September 2014.
2. The unaudited estimated net proceeds from the Open Offer are approximately HK\$487,202,000 calculated based on the maximum number of 1,634,514,000 Offer Shares to be issued at the Subscription Price of HK\$0.3 per Offer Share, and after deduction of estimated related expenses of approximately HK\$3,152,000 attributable to the Open Offer.
3. The calculation of the audited consolidated net tangible assets of the Group attributable to the owners of the Company per Consolidated Share prior to the completion of the Open Offer is based on the audited consolidated net tangible assets of the Group attributable to the owners of the Company of approximately HK\$953,491,000 and 817,257,000 Consolidated Shares. The number of 817,257,000 Consolidated Shares is calculated based on the 8,172,570,000 Existing Shares in issued as at 31 January 2015 and adjusted for the Share Consolidation of every ten issued and unissued Existing Shares of HK\$0.01 each into one Consolidated Share of HK\$0.1. At 30 September 2014, the consolidated net tangible assets per Existing Shares is HK\$0.117 and per the Consolidated Shares is HK\$1.17.
4. The calculation of the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Consolidated Share immediately after the completion of the Open Offer is based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company immediately after the completion of the Open Offer of HK\$1,440,693,000 and 2,451,771,000 Consolidated Shares in issue immediately following completion of the Open Offer which comprises 817,257,000 Consolidated Shares in issue as at 31 January 2015 and 1,634,514,000 Offer Shares to be issued. At the Latest Practicable Date, the Company had no outstanding convertible securities, options, warrants or derivatives in issue which confer any right to subscribe for, convert or exchange into Shares.
5. No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 30 September 2014.

## B. ASSURANCE REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

*The following is the text of a report received from the Company's reporting accountants, KTC Partners CPA Limited, Certified Public Accountants, Hong Kong, in respect of the Group's unaudited pro forma financial information for the purpose of incorporation in this Circular.*

### KTC Partners CPA Limited

*Certified Public Accountants (Practising)*

和信會計師事務所有限公司

Tel 電話: (852) 2770 8232 Fax 傳真: (852) 2770 8378

E-mail 電子郵件: info@ktccpa.com.hk

Room 801, 802A, 8/F., Tower 2, South Seas Centre,

75 Mody Road, Tsimshatsui East, Kowloon, Hong Kong

香港九龍尖沙咀東部麼地道75號南洋中心第2座8樓801及802A室

## INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

### To the Directors of Ming Fung Jewellery Group Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Ming Fung Jewellery Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The pro forma financial information consists of the pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 September 2014 and related notes as set out on pages 56 and 57 of Appendix II to the circular issued by the Company dated 27 February 2015 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages 56 and 57 of Appendix II to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed open offer on the basis of two offer shares for every Consolidated Share of the Company held on the record date (the "**Open Offer**") on the Group's financial position as at 30 September 2014 as if the proposed open offer had taken place at 30 September 2014. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the year ended 30 September 2014, on which an audit report has been published.

### Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

### Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“**HKSAE**”) 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2014 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**KTC Partners CPA Limited**

*Certified Public Accountants*

**Chow Yiu Wah, Joseph**

Practising Certificate Number: P04686

Hong Kong

27 February 2015

## 1. RESPONSIBILITY STATEMENT

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

## 2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date is as follows:

<i>Authorised:</i>	<i>HK\$</i>
<b><u>10,000,000,000</u></b> ordinary shares of HK\$0.01 each	<b><u>100,000,000.00</u></b>
<i>Fully paid Existing Shares in issue:</i>	
<b><u>8,172,570,350</u></b> Existing Shares in issue as at the Latest Practicable Date	<b><u>81,725,703.50</u></b>

The authorised and issued share capital of the Company assuming the Share Consolidation and the Increase in Authorised Share Capital having become effective and immediately following completion of the Open Offer are as follows:

<i>Authorised:</i>	<i>HK\$</i>
<b><u>10,000,000,000</u></b> ordinary shares of HK\$0.1 each	<b><u>1,000,000,000.00</u></b>
<i>Fully paid Consolidated Shares/Offer Shares in issue or to be issued:</i>	
817,257,035 Consolidated Shares of HK\$0.1 each in issue upon Share Consolidation having become effective	81,725,703.50
<b><u>1,634,514,070</u></b> Offer Shares to be issued	<b><u>163,451,407.00</u></b>
<b><u>2,451,771,105</u></b>	<b><u>245,177,110.50</u></b>

All the Consolidated Shares and Offer Shares, when allotted and issued, shall rank pari passu with each other and in all respects with the existing Shares in all respects including the rights as to voting, dividends and return of capital.

The Shares in issue are listed on the Stock Exchange. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, the Company had no outstanding derivatives, options, warrants and conversion rights or other similar rights which were convertible or exchangeable into Shares.

### 3. DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interests of the Directors and chief executives in the shares, underlying shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the SFO), which were required (a) 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 (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix 10 to the Listing Rules, were as follows:

Name of Director	Type of interests	Number of Issued Existing Shares held	Number of Underlying Shares held	Total Interests	Approximate percentage of shareholding of the Company (%)
Mr. Zhang Jinbing	Corporate (Note 1)	2,245,407,727	—	2,245,407,727	27.47
Mr. Wong Chi Ming, Jeffrey	Corporate (Note 2)	1	—	1	< 0.001

*Notes:*

1. The interest disclosed represents the 2,245,407,727 Shares held by Prestige Rich. All the interests disclosed above represent long position in the Shares.
2. The interest disclosed represents the 1 Share held by Equity Base Holdings Limited which is wholly-owned by Mr. Wong Chi Ming, Jeffrey. All the interests disclosed above represent long position in the Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any beneficial or deemed interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) 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 (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix 10 to the Listing Rules.

#### 4. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons had an interest or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under provisions of Division 2 and 3 of Part XV of the SFO, or were directly or indirectly interested in ten per cent (10%) or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of person/corporation	Type of interests	Number of Issued Existing Shares held	Number of Underlying Shares held	Total Interests	Approximate percentage of shareholding of the Company (%)
Mr. Zhang Jinbing	Corporate (Note 1)	2,245,407,727	—	2,245,407,727	27.47
Hengdeli Holdings Limited	Corporate (Note 2)	1,000,000,000	—	1,000,000,000	12.24

*Notes:*

1. The interest disclosed represents the 2,245,407,727 Shares held by Prestige Rich. All the interests disclosed above represent long positions in the Shares.
2. The 1,000,000,000 Shares are held by Alpha Key Investments Limited, which is wholly-owned by Hengdeli Holdings Limited. Thus, Hengdeli Holdings Limited is deemed to be interested in the 1,000,000,000 Shares held by Alpha Key Investments Limited pursuant to the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Director is a director or employee of the companies who are the Substantial Shareholders of the Company.

#### 5. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 30 September 2014 (being the date up to which the latest published audited accounts of the Group were made up), (i) acquired or disposed of by; or (ii) lease to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Group.

## 6. DIRECTORS' SERVICE CONTRACTS

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

## 7. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors and his respective associates was interested in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the Group's businesses pursuant to Rule 8.10 of the Listing Rules.

## 8. LITIGATION

As at the Latest Practicable Date, neither the Company nor its subsidiaries, was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

## 9. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular or has given opinion or letter contained in this circular:

<b>Name</b>	<b>Qualifications</b>
KTC Partners CPA Limited	Certified Public Accountants
Industrial Securities (HK) Capital Limited	a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter and/or references to its name, in the form and context in which it appears.

As at the Latest Practicable Date, each of the above experts was not beneficially interested in the share capital of any member of the Group 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 Group. In addition, each of the above experts does not have any interest, either directly or indirectly, in any assets which have been, since 30 September 2014 (being the date to which

the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

## 10. EXPENSES

The expenses in connection with the Open Offer, including financial advisory fees, independent financial adviser fees, underwriting commission, printing, registration, translation, legal and accountancy charges are estimated to be approximately HK\$3.2 million, which are payable by the Company.

## 11. MATERIAL CONTRACT

The following contract (not being contracts in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the Latest Practicable Date:

- (i) the underwriting agreement dated 25 February 2014 entered into between the Company and Guotai Junan Securities (Hong Kong) Limited in respect of the open offer of the Company completed on 9 April 2014; and
- (ii) the Underwriting Agreement.

## 12. CORPORATE INFORMATION OF THE COMPANY AND THE PARTIES INVOLVED IN THE OPEN OFFER

Board of Directors	Executive Director	Address
	Mr. Wong Chi Ming, Jeffrey	Flat E, 17th Floor, Block 6, Phase 3, Belvedere Garden, Castle Peak Road, Tsuen Wan, New Territories, Hong Kong
	Mr. Zhang Jinbing	Flat G, 61/F, Star Sky, The Cullinan, 1 Austin Road West, Tsimshatsui, Kowloon, Hong Kong
	Mr. Yu Fei, Philip	Flat B, 22nd Floor, Tower 1, 23 Tai Hang Drive, The Legend, Tai Hang, Hong Kong

**Independent  
non-executive Directors**

Ms. Chu Wai Fan  
28B Tower, 2, Park Summit,  
88 Beech Street, Tai Kok Tsui,  
Kowloon, Hong Kong

Mr. Tam Ping Kuen, Daniel  
Flat F, 21st Floor, Tower 2,  
Sorrento, Tsimshatsui,  
Kowloon, Hong Kong

Dr. Willinge Garry Alides  
Unit E, 9th Floor, Tower 5,  
The Long Beach,  
8 Hoi Fat Road,  
Kowloon, Hong Kong

**Authorised  
representatives**

Mr. Wong Chi Ming, Jeffrey  
Flat E, 17th Floor, Block 6,  
Phase 3, Belvedere Garden,  
Castle Peak Road, Tsuen Wan,  
New Territories, Hong Kong

Mr. Lau Chun Pong  
Flat D, 17 Floor,  
Mount Sterling Mall 9,  
Mei Foo Sun Chuen,  
Kowloon, Hong Kong

**Senior Management**

**Company Secretary**

Mr. Lau Chun Pong  
Flat D, 17 Floor,  
Mount Sterling Mall 9,  
Mei Foo Sun Chuen,  
Kowloon, Hong Kong

**Senior Finance  
Manager**

Mr. Gao Qiang  
No. 12, Long Wei Road,  
Xi Chong, Luen Jiao,  
Shunde, Guangdong, China

**Assistant Financial  
Controller**

Mr. Wong Kang Bor, Alex  
Room B, 14 Floor,  
50 Broadway Street,  
Mei Foo Sun Chuen,  
Kowloon, Hong Kong

<b>Registered office</b>	Cricket Square Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands
<b>Head office and principal place of business in Hong Kong</b>	Room 1825, 18th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong
<b>Principal share registrar and transfer office in the Cayman Islands</b>	Royal Bank of Canada Trust Company (Cayman) Limited 4th Floor, Royal Bank House, 24 Shedden Road, George Town, Grand Cayman KY1-1110, Cayman Islands
<b>Branch share registrar and transfer office in Hong Kong</b>	Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong
<b>Underwriter</b>	Guotai Junan Securities (Hong Kong) Limited 27/F, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong
<b>Financial Adviser to the Company</b>	Guotai Junan Capital Limited 27/F, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong
<b>Independent financial adviser to the Independent Board Committee and the Independent Shareholders</b>	Industrial Securities (HK) Capital Limited 30th Floor, AIA Central, 1 Connaught Road Central, Hong Kong
<b>Auditors</b>	KTC Partners CPA Limited, Room 501, 502 & 508, 5/F, Mirror Tower, 61 Mody Road, Tsimshatsui East, Hong Kong

**Legal advisers to the Company in relation to the Open Offer**

*As to Hong Kong law:*  
Stevenson, Wong & Co.  
4th, 5th Floors and 1602, Central Tower,  
28 Queen's Road Central,  
Hong Kong

*As to Cayman Islands law:*  
Conyers Dill & Pearman  
2901 One Exchange Square,  
8 Connaught Place,  
Central,  
Hong Kong

**Principal bankers**

Hang Seng Bank  
83 Des Voeux Road, Central,  
Hong Kong

**Website**

<http://www.mingfung.com>

**13. BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT****Executive Directors**

**Mr. Wong Chi Ming, Jeffrey**, aged 58, is the Chairman of the Company and the Co-founder of the Group. Mr. Wong, with extensive experience in the jewellery industry in Hong Kong and extensive knowledge in the jewellery industry of the United States and Europe, is responsible for the overall strategic planning and policy making of the Group. He was appointed as a Director on 28 February 2002.

**Mr. Zhang Jinbing**, aged 43, is the chief executive officer of the Company. Mr. Zhang graduated from Guangzhou Foreign Language Institute (廣州外國語學院) with a bachelor's degree of arts in 1994. He is responsible for the overall management and operations of the Company and was appointed as a Director in January 2015.

**Mr. Yu Fei, Philip**, aged 57, is a Director of the Company. He obtained a Bachelor of Science degree from California State University, Los Angeles. Mr. Yu is responsible for the sales and marketing of the Group's products and has over 29 years of experience in trading businesses. He was appointed as a Director on 2 April 2004.

**Independent Non-Executive Directors**

**Ms. Chu Wai Fan**, aged 42, was appointed as an independent non-executive Director in June 2013. She graduated from University of Hong Kong and is an associate member of the Hong Kong Institute of Certified Public Accountants. She has over 15 years of experience in the in the field of tax, finance, accounting and auditing.

**Mr. Tam Ping Kuen, Daniel**, aged 51, joined the Company as an independent non-executive Director in May 2006. He is the Founder of Daniel Tam & Co., Certified Public Accountants (Practising). Mr. Tam holds a Master of Financial Economics degree from

the University of London and is an associate member of Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants.

**Dr. Willinge Garry Alides**, aged 65, was appointed as independent non-executive Director in January 2015. Dr. Willinge holds a bachelor of science degree from the University of Melbourne, a graduate diploma in Applied Finance and Investment from the Securities Institute of Australia, a graduate diploma in Corporate Governance from the University of New England/Australian Institute of Company Directors and a honorary degree of Doctor of Technology from Curtin University of Technology. He also graduated from the INSEAD Asian International Executive Program in 2004. Dr. Willinge is a fellow of the Australian Institute of Company Directors and a fellow of the Hong Kong Institute of Directors. He has over 40 years of experience in management in Hong Kong and overseas.

### Senior Management

**Mr. Lau Chun Pong**, aged 41, is the financial controller of the Group. He joined the Group in 2008 and is responsible for the financial and accounting matters of the Group. Mr. Lau holds a bachelor of arts degree from University of California, Los Angeles and is an associate member of the Hong Kong Institute of Certified Public Accountants and American Institute of Certified Public Accountants. He has over 14 years of experience in the field of finance, accounting and auditing.

**Mr. Gao Qiang**, aged 50, is the senior finance manager of the Group. He joined the Group in 2008 and is responsible for the financial and accounting matters of the Group. He has over 20 years of experience in the field of finance and accounting.

**Mr. Wong Kang Bor, Alex**, aged 42, is the assistant financial controller of the Group. He joined the Group in 2008 and is responsible for the financial matters of the Group. Mr. Wong holds a bachelor of arts degree from San Francisco State University. He has over 14 years of experience in the field of finance and accounting.

### 14. MISCELLANEOUS

- (i) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the head office and principal place of business of the Company is situated at Room 1825, 18th Floor Hutchison House, 10 Harcourt Road, Central, Hong Kong.
- (ii) The principal share registrar and transfer office of the Company in the Cayman Islands is Royal Bank of Canada Trust Company (Cayman) Limited at 4th Floor, Royal Bank House, 24 Shedden Road, George Town, Grand Cayman KY1-1110, Cayman Islands.
- (iii) The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited, having its office situated at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

- (iv) Mr. Lau Chun Pong, the company secretary of the Company, is an associate member of the Hong Kong Institute of Certified Public Accountants.
- (v) As at the Latest Practicable, there was no restriction affecting the remittance of profits or repatriation of capital of the Company into Hong Kong from outside of Hong Kong.
- (vi) The English text of this circular shall prevail over their respective Chinese texts in the case of inconsistency.

#### 15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company at Room 1825, 18th Floor Hutchison House 10 Harcourt Road, Central, Hong Kong during normal business hours on any weekday other than public holidays, up to and including Monday, 16 March 2015:

- (i) the memorandum and articles of association of the Company;
- (ii) the annual reports of the Company for the three financial years ended 30 September 2012, 2013 and 2014;
- (iii) the letter from KTC Partners CPA Limited regarding the unaudited pro forma financial information on the Group as set out in Appendix II to this circular;
- (iv) the written consent referred to in the paragraph headed “Expert and consent” to this appendix;
- (v) the material contract referred to in the paragraph headed “Material Contract” to this appendix; and
- (vi) this circular.





**MING FUNG JEWELLERY GROUP LIMITED**

**明豐珠寶集團有限公司\***

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

**(Stock code: 860)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of Ming Fung Jewellery Group Limited (the “**Company**”) will be held at Room 1825, 18th Floor, Hutchison House, 10 Harcourt Road Central, Hong Kong at 10:00 a.m. on 16 March 2015 for the purpose of considering and, if thought fit, passing with or without amendments the following resolutions which will be proposed as ordinary resolutions of the Company:

**ORDINARY RESOLUTIONS**

1. “**THAT:**

subject to and conditional upon, among others the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the listing of and permission to deal in, the Consolidated Shares (as defined below) in issue upon the Share Consolidation (as defined below) becoming effective:

- (a) every ten (10) issued and unissued ordinary shares of nominal value HK\$0.01 each in the share capital of the Company be consolidated into one (1) share of nominal value HK\$0.1 each (the “**Consolidated Share**”) in the share capital of the Company (the “**Share Consolidation**”), all of the Consolidated Shares shall rank pari passu in all respects with each other and have the same rights and privileges and be subject to the restrictions in respect of ordinary shares contained in the articles of association of the Company;
- (b) all fractional Consolidated Shares will be disregarded and not be issued to the holders of the existing ordinary shares of the Company but all fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company; and
- (c) any one or more of the directors of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents, including under the seal of the Company, where applicable, as he/she/they may consider necessary, desirable or expedient to complete, implement and give effect to any and all of the foregoing arrangements for the Share Consolidation.”

\* *For identification purpose only*

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2. “**THAT:**

- (a) the authorised share capital of the Company be increased from HK\$100,000,000 (divided into 1,000,000,000 ordinary shares (the “**Shares**”) of nominal value HK\$0.1 each) to HK\$1,000,000,000 (divided into 10,000,000,000 Shares of nominal value HK\$0.1 each) by the creation of an additional 9,000,000,000 unissued Shares of nominal value HK\$0.1 each immediately following the Share Consolidation becoming effective, and that each such new Share, upon issue, shall rank pari passu in all respects with the existing Shares (the “**Increase in the Authorised Share Capital**”); and
- (b) any one or more of the directors of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents, including under the seal of the Company, where applicable, as he/she/they may consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of the Increase in the Authorised Share Capital.”

3. “**THAT:**

conditional upon fulfilment or waiver (where applicable) of the conditions of the Underwriting Agreement (as defined below):

- (a) The allotment and issue of 1,634,514,070 Consolidated Shares in the share capital of the Company (the “**Offer Shares**”) by way of open offer (the “**Open Offer**”) at a subscription price of HK\$0.3 per Offer Share on the basis of two (2) Offer Shares for every Consolidated Share to the qualifying holders of the Shares (the “**Qualifying Shareholders**”) of the Company whose names appear on the register of members of the Company on Tuesday, 24 March 2015 (or such other date as the Underwriter (as defined below) may agree with the Company) (the “**Record Date**”) other than those shareholders of the Company whose names appear on the register of members of the Company at the close of business on the Record Date and whose addresses as shown on such register are outside Hong Kong whom the directors of the Company, based on legal advice provided by the Company’s legal advisers, consider it necessary or expedient not to offer the Open Offer to such shareholders on account either of legal restrictions under the laws of the relevant places or the requirements of the relevant regulatory body or stock exchange in those places (the “**Non-Qualifying Shareholders**”) as described in further details in the Company’s circular dated 27 February 2015 and on and subject to such terms and conditions as may be determined by the directors of the company and otherwise pursuant to and subject to the fulfilment of the conditions set out in the underwriting agreement (the “**Underwriting Agreement**” including all supplement agreement(s) relating thereto, if any) (a copy of which has been produced to this meeting marked “A” and signed by the chairman of this meeting for the purpose of identification) dated 4 February 2015 (which is supplemented and amended by the supplemental agreement dated 25 February 2015 (the “**Supplemental Agreement**”), a copy of which has been produced to

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this meeting marked “**B**” and signed by the chairman of this meeting for the purpose of identification) and made between the Company and Guotai Junan Securities (Hong Kong) Limited as underwriter (the “**Underwriter**”), and the transactions contemplated thereunder, be and are hereby approved;

- (b) any one or more of the directors of the Company be and is/are hereby authorised to allot and issue the Offer Shares pursuant to or in connection with the Open Offer notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the directors of the Company may make such exclusions or other arrangement in relation to the Non-Qualifying Shareholders as he/she/they may deem necessary or expedient having regard to any restrictions or obligations under the laws of, or the requirement of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong;
- (c) the entering into the Underwriting Agreement and the Supplemental Agreement by the Company be and is hereby approved, confirmed and ratified and the performance of the transactions contemplated thereunder by the Company (including but not limited to the arrangements for taking up of the underwritten Offer Shares, if any, by the Underwriter be and are hereby approved; and
- (d) any one or more of the Directors be and is/are hereby authorised to sign and execute such documents and do all such acts and things incidental to the Open Offer as he/she/they may consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of or giving effect to the Open Offer, the Underwriting Agreement (as supplemented and amended by the Supplemental Agreement) and the transactions contemplated thereunder or in this resolution.”

By order of the board  
**Ming Fung Jewellery Group Limited**  
**Wong Chi Ming, Jeffrey**  
*Chairman*

Hong Kong, 27 February 2015

*Registered Office:*

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

*Head office and principal place of business in Hong Kong:*

Room 1825, 18th Floor  
Hutchison House  
10 Harcourt Road Central  
Hong Kong

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*Notes:*

1. A form of proxy to be used for the meeting is enclosed with the circular of the Company despatched to the shareholder of the Company on 27 February 2015.
2. Any member of the Company entitled to attend and vote at the meeting of the Company shall be entitled to appoint another person (who must be an individual) as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. On a poll votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead at any one general meeting (or at any one class meeting).
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney authorised in writing, or if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorised to sign the same.
4. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the Hong Kong branch registrar of the Company, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the meeting at which the person named in the instrument proposes to vote. Delivery of any instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.
6. As at the date of this notice, the Board comprises Mr. Wong Chi Ming, Jeffry, Mr. Zhang Jinbing and Mr. Yu Fei, Philip as executive Directors, and Ms. Chu Wai Fan, Mr. Tam Ping Kuen, Daniel and Dr. Willinge Garry Alides as independent non-executive Directors.