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If you have sold or transferred all your shares in King Fook Holdings Limited (the "Company"), you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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king fook holdings limited 景福集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 280)

**(1) PROPOSED RIGHTS ISSUE OF 261,042,990 RIGHTS SHARES
IN THE PROPORTION OF TWO RIGHTS SHARES FOR
EVERY FIVE EXISTING SHARES HELD ON THE RECORD DATE AT
HK\$0.60 PER RIGHTS SHARE
AND
(2) APPLICATION FOR WHITEWASH WAIVER**

Financial Adviser to the Company

 **SOMERLEY CAPITAL LIMITED**

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

AMASSE CAPITAL
寶 積 資 本

A notice of EGM to be held at 4:00 p.m. on Tuesday, 11 August 2015 at Tsui Hang Village, 2nd Floor, New World Tower, 16-18 Queen's Road Central, Hong Kong is set out on pages N - 1 and N - 2 of this circular. You are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon not less than 48 hours before the time fixed for holding the meeting, whether or not you intend to be present at the meeting. The completion and return of the form of proxy will not preclude you from attending and voting in person should you so wish.

It is expected that Shares will be dealt with on an ex-rights basis from Thursday, 13 August 2015. The Rights Shares will be dealt with in their nil-paid form from Friday, 21 August 2015 to Friday, 28 August 2015. Any person dealing in Shares or Rights Shares between the date of this circular and the date the Rights Issue becomes unconditional will bear the risk that the Rights Issue may not become unconditional and may not proceed.

The Rights Issue is conditional on the Underwriting Agreement having become unconditional and not having been terminated (see the sub-section headed "Termination of the Underwriting Agreement" in the letter from the Board). The conditions to the Underwriting Agreement are set out in the sub-section headed "Conditions of the Underwriting Agreement" in the letter from the Board. In particular, it is subject to the approval of the Whitewash Waiver by the Independent Shareholders at the EGM and the Whitewash Waiver having been granted by the Executive.

The Underwriter may (after such consultation with the Company and/or its adviser as the circumstances shall admit) by notice in writing given to the Company on or before 5:00 p.m. on the third Business Day immediately prior to the Despatch Date rescind the Underwriting Agreement if (a) there develops, occurs or comes into force: (1) any new law or government regulation or other occurrence of any nature whatsoever which in the absolute opinion of the Underwriter adversely affects or may adversely affect the business of the Group or any part thereof to a material extent or is materially adverse in the context of the Rights Issue; or (2) any change in local, national, international, financial, political or economic conditions which in the absolute opinion of the Underwriter is materially adverse in the context of the Rights Issue; or (3) any adverse change in market conditions which in the absolute opinion of the Underwriter materially adverse in the context of the Rights Issue; or (b) there comes to the notice of the Underwriter any matter or event showing any of the representations and warranties in the Underwriting Agreement to be untrue or inaccurate in any respect which the Underwriter consider to be material. If the Underwriter terminates the Underwriting Agreement, then the Rights Issue will not proceed.

A letter from Amasse Capital containing its recommendations to the Independent Board Committee and the Independent Shareholders in connection with the Rights Issue, the Underwriting Agreement and the Whitewash Waiver is set out on pages 21 to 32 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders in relation to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver is set out on pages 19 to 20 of this circular.

24 July 2015

CONTENTS

	<i>Page</i>
Definitions	1
Expected Timetable	5
Letter from the Board	7
Letter from the Independent Board Committee	19
Letter from Amasse Capital	21
Appendix I — Financial Information of the Group	I – 1
Appendix II — Unaudited Pro Forma Financial Information of the Group	II – 1
Appendix III — General Information	III – 1
Notice of Extraordinary General Meeting	N – 1

DEFINITIONS

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

- “acting in concert” : has the meaning ascribed to it under the Takeovers Code
- “Allotment Posting Date” : Wednesday, 19 August 2015 (or such other date as the Underwriter and the Company may agree in writing), being the intended date of despatch of the Rights Issue Documents
- “Amasse Capital” or “Independent Financial Adviser” : Amasse Capital Limited, a licensed corporation under the SFO licensed to conduct type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver
- “Announcement” : the announcement of the Company dated 8 July 2015 relating to, among other things, the Rights Issue and the application for the Whitewash Waiver
- “Board” : the board of Directors
- “Business Day” : a day (excluding Saturday, Sunday or a public holiday) on which banks are generally open for business in Hong Kong
- “CCASS” : the Central Clearing and Settlement System established and operated by HKSCC
- “Company” : King Fook Holdings Limited, a company incorporated in Hong Kong with limited liability, whose Shares are listed on the Main Board of the Stock Exchange
- “Companies Ordinance” : the Companies Ordinance, Chapter 622 of the Laws of Hong Kong
- “Concert Group” : YCSEL and parties acting in concert with it
- “Despatch Date” : Wednesday, 9 September 2015 (or such other date as the Underwriter and the Company may agree in writing), being the intended date of despatch of certificates of the Rights Shares to those entitled thereto
- “Director(s)” : the director(s) of the Company
- “EGM” : the extraordinary general meeting of the Company to be convened and held at which a resolution will be proposed to consider, and, if thought fit, approve the Rights Issue, the Underwriting Agreement and the Whitewash Waiver
- “Excess Application Form(s)” : the form(s) of application for excess Rights Shares to be used in connection with the Rights Issue

DEFINITIONS

- “Excluded Shareholder(s)” : Overseas Shareholder(s) whom the Directors, after making enquiry regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange, consider it necessary or expedient to exclude them from the Rights Issue
- “Executive” : the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)
- “Final Acceptance Date” : Wednesday, 2 September 2015 (or such other date as the Underwriter and the Company may approve), being the intended last day for acceptance of and payment for the Rights Shares
- “Group” : the Company and its subsidiaries
- “HK\$” : Hong Kong dollar(s), the lawful currency of Hong Kong
- “Hong Kong” : the Hong Kong Special Administrative Region of the People’s Republic of China
- “HKSCC” : Hong Kong Securities Clearing Company Limited
- “Independent Board Committee” : a committee of the Board (comprising Mr. Lau To Yee, Mr. Cheng Kar Shing, Peter, Mr. Ho Hau Hay, Hamilton, Mr. Sin Nga Yan, Benedict and Mr. Cheng Kwok Shing, Anthony, all being independent non-executive Directors) established to advise the Independent Shareholders on the Rights Issue, the Underwriting Agreement and the Whitewash Waiver
- “Independent Shareholders” : the Shareholders other than the Concert Group and those who are involved in or interested in the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver
- “Latest Practicable Date” : 22 July 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
- “Listing Committee” : has the meaning ascribed thereto in the Listing Rules
- “Listing Rules” : the Rules Governing the Listing of Securities on the Stock Exchange
- “Overseas Shareholder(s)” : the Shareholder(s) whose registered address(es) as shown in the register of members of the Company on the Record Date is/are outside Hong Kong

DEFINITIONS

“Principal Shares”	:	the 313,127,784 Shares in which YCSEL has interests, and any further Shares which YCSEL or its associates may acquire on or before the Record Date
“Prospectus”	:	the prospectus to be issued by the Company in relation to the Rights Issue
“Provisional Allotment Letter(s)”	:	the provisional allotment letter(s) to be used in connection with the Rights Issue in such form as the Underwriter and the Company may approve
“Qualifying Shareholder(s)”	:	the Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date, other than the Excluded Shareholders
“Record Date”	:	Monday, 17 August 2015 (or such other date as the Underwriter and the Company may approve), being the intended record date to determine entitlements to the Rights Issue
“Relevant Period”	:	the period commencing on 8 January 2015 (being the date falling six months immediately prior to the date of the Announcement) and ending on the Latest Practicable Date
“relevant securities”	:	has the meaning as defined in Note 4 to Rule 22 of the Takeovers Code
“Rights Issue”	:	the issue by the Company of 261,042,990 Rights Shares at the Subscription Price on the basis of two Rights Shares for every five existing Shares held on the Record Date payable in full on acceptance on the terms and conditions as set out in the Prospectus
“Rights Issue Documents”	:	the Prospectus, the Provisional Allotment Letter and the Excess Application Form to be issued by the Company
“Rights Share(s)”	:	new Share(s) to be allotted and issued by the Company under the Rights Issue
“SFC”	:	the Securities and Futures Commission of Hong Kong
“SFO”	:	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Registrar”	:	Computershare Hong Kong Investor Services Limited
“Share(s)”	:	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	:	holder(s) of Share(s)
“Stock Exchange”	:	The Stock Exchange of Hong Kong Limited

DEFINITIONS

- “Subscription Price” : the issue price of HK\$0.60 per Rights Share at which the Rights Shares are proposed to be offered for subscription
- “Takeovers Code” : the Hong Kong Code on Takeovers and Mergers
- “Underwriting Agreement” : the underwriting agreement dated 3 July 2015 among the Company, the executive Directors and the Underwriter in relation to the Rights Issue
- “Underwritten Shares” : the Rights Shares, other than those undertaken to be subscribed by YCSEL and its associates, underwritten by the Underwriter subject to the terms and conditions of the Underwriting Agreement (being 135,791,878 Rights Shares)
- “Untaken Shares” : any of the Underwritten Shares not taken up by the Qualifying Shareholders under the Rights Issue
- “Whitewash Waiver” : a waiver to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligation of YCSEL to make a general offer for all the issued Shares not already owned or agreed to be acquired by the Concert Group which may otherwise arise as a result of the subscription of the Rights Shares by YCSEL pursuant to the Underwriting Agreement and/or pursuant to the Concert Group’s application for any excess Rights Shares which is accepted by the Company
- “YCSEL” or “Underwriter” : Yeung Chi Shing Estates Limited, a company incorporated in Hong Kong with limited liability, and a substantial Shareholder and the underwriter to the Rights Issue
- “%” : per cent

EXPECTED TIMETABLE

The expected timetable for the Rights Issue is set out below:

2015

Latest time for return of proxy form of the EGM	:	4:00 p.m. on Saturday, 8 August
EGM	:	4:00 p.m. on Tuesday, 11 August
Announcement of poll results of the EGM	:	Tuesday, 11 August
Last day of dealing in Shares on a cum-rights basis	:	Wednesday, 12 August
First day of dealing in Shares on an ex-rights basis	:	Thursday, 13 August
Latest time for lodging transfer of Shares in order to qualify for the Rights Issue	:	4:30 p.m. on Friday, 14 August
Register of members of the Company closes	:	Monday, 17 August
Record Date	:	Monday, 17 August
Register of members of the Company re-opens	:	Tuesday, 18 August
Despatch of the Rights Issue Documents	:	Wednesday, 19 August
First day of dealings in nil-paid Rights Shares	:	Friday, 21 August
Latest time for splitting of nil-paid Rights Shares	:	4:30 p.m. on Tuesday, 25 August
Last day of dealings in nil-paid Rights Shares	:	Friday, 28 August
Latest time for acceptance of, and payment for the Rights Shares and for application and payment for excess Rights Shares	:	4:30 p.m. on Wednesday, 2 September
Rights Issue expected to become unconditional	:	5:00 p.m. on Friday, 4 September
Announcement of results of acceptance of and excess applications for the Rights Issue	:	Tuesday, 8 September
Despatch of refund cheques in respect of unsuccessful or partially unsuccessful excess applications for excess Rights Shares on or before	:	Wednesday, 9 September
Despatch of certificates for fully-paid Rights Shares on or before	:	Wednesday, 9 September
Commencement of dealings in fully-paid Rights Shares	:	9:00 a.m. on Thursday, 10 September

EXPECTED TIMETABLE

Notes:

1. All times in this circular refer to Hong Kong times.
2. The latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take place at the time stated above if there is a tropical cyclone warning signal no. 8 or above, or a “black” rainstorm warning:
 - (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Final Acceptance Date. In such event, the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
 - (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Final Acceptance Date. In such event, the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights 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 Rights Shares and for application and payment for excess Rights Shares does not take place on the Final Acceptance Date, the dates mentioned in the expected timetable above may be affected. The Company will notify the Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

LETTER FROM THE BOARD



king fook holdings limited
景福集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 280)

Executive Directors

Mr. Yeung Ping Leung, Howard
Mr. Tang Yat Sun, Richard
Mr. Cheng Ka On, Dominic
Ms. Fung Chung Yee, Caroline

Registered office

9th Floor
King Fook Building
30–32 Des Voeux Road Central
Hong Kong

Non-executive Director

Mr. Wong Wei Ping, Martin

Independent non-executive Directors

Mr. Lau To Yee
Mr. Cheng Kar Shing, Peter
Mr. Ho Hau Hay, Hamilton
Mr. Sin Nga Yan, Benedict
Mr. Cheng Kwok Shing, Anthony

24 July 2015

To the Independent Shareholders

Dear Sir or Madam,

**(1) PROPOSED RIGHTS ISSUE OF 261,042,990 RIGHTS SHARES
IN THE PROPORTION OF TWO RIGHTS SHARES FOR
EVERY FIVE EXISTING SHARES HELD ON THE RECORD DATE AT
HK\$0.60 PER RIGHTS SHARE
AND
(2) APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

As mentioned in the Announcement, subject to the satisfaction of certain conditions, the Company proposed to raise about HK\$156.6 million before expenses by way of a rights issue of 261,042,990 Shares, on the basis of two Rights Shares for every five existing Shares held on the Record Date at the Subscription Price of HK\$0.60 per Rights Share. The Rights Issue will be fully underwritten by the Underwriter on the terms and subject to the conditions set out in the Underwriting Agreement.

LETTER FROM THE BOARD

Pursuant to the Underwriting Agreement, YCSEL has conditionally agreed to underwrite the Underwritten Shares. Assuming no acceptance by the Qualifying Shareholders (except YCSEL) under the Rights Issue, YCSEL will be required to take up the Underwritten Shares and the total shareholding of the Concert Group upon completion of the Rights Issue would amount to approximately 63.39% of the then issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares. Under such circumstance, the Concert Group would be required to make a mandatory general offer for all the issued Shares (other than those already owned or agreed to be acquired by the Concert Group) under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive. YCSEL has made an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code.

The Independent Board Committee (comprising Mr. Lau To Yee, Mr. Cheng Kar Shing, Peter, Mr. Ho Hau Hay, Hamilton, Mr. Sin Nga Yan, Benedict and Mr. Cheng Kwok Shing, Anthony, all being independent non-executive Directors) has been established to consider the Rights Issue, the Underwriting Agreement and the Whitewash Waiver. Mr. Wong Wei Ping, Martin, a non-executive Director, is a brother-in-law of Mr. Yeung Ping Leung, Howard who, together with other members of his family, control the management of YCSEL. Accordingly, Mr. Wong Wei Ping, Martin would not be a member of the Independent Board Committee. Amasse Capital has been appointed as the independent financial adviser to the Independent Board Committee in this regard. Such appointment has been approved by the Independent Board Committee.

The purpose of this circular is to give you further details of (i) the Rights Issue, the Underwriting Agreement and the Whitewash Waiver; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver; (iii) a letter of advice from Amasse Capital to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver; and (iv) a notice of the EGM.

RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue	:	Two Rights Shares for every five existing Shares held on the Record Date
Subscription Price	:	HK\$0.60 per Rights Share
Number of existing Shares in issue as at the Latest Practicable Date	:	652,607,475 Shares
Number of Rights Shares	:	261,042,990 Rights Shares
Enlarged total number of issued Shares upon completion of the Rights Issue	:	913,650,465 Shares

As at the Latest Practicable Date, the Company had no outstanding warrants, options, derivatives or securities convertible into or exchangeable for Shares.

The 261,042,990 Rights Shares to be issued pursuant to the terms of the Rights Issue represent 40.0% of the existing issued share capital of the Company and approximately 28.57% of the enlarged issued share capital of the Company immediately upon completion of the Rights Issue.

LETTER FROM THE BOARD

Subscription Price

The subscription price of HK\$0.60 per Rights Share is payable in full when a Qualifying Shareholder accepts his/her/its provisional allotment under the Rights Issue or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 28.57% to the closing price of HK\$0.84 per Share as quoted on the Stock Exchange on 3 July 2015, being the last trading day prior to the publication of the Announcement;
- (ii) a discount of approximately 37.50% to the average closing price of approximately HK\$0.96 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including 3 July 2015;
- (iii) a discount of approximately 41.18% to the average closing price of approximately HK\$1.02 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including 3 July 2015;
- (iv) a discount of approximately 22.08% to the theoretical ex-rights price of approximately HK\$0.77 per Share based on the closing price as quoted on the Stock Exchange on 3 July 2015;
- (v) a discount of approximately 44.44% to the audited consolidated net tangible asset value per Share of approximately HK\$1.08 (based on the latest published audited consolidated net tangible asset value of the Group attributable to the Shareholders of approximately HK\$707.5 million as at 31 March 2015 and 652,607,475 Shares in issue as at the Latest Practicable Date); and
- (vi) a discount of approximately 14.29% to the closing price of HK\$0.70 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to (i) the loss-making performance of the Group for the latest two years ended 31 March 2015; and (ii) the recent market prices and trading volume of the Shares. Each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its shareholding in the Company held on the Record Date. The Directors consider the Subscription Price, which has been set at a discount as described above with an objective to encourage the existing Shareholders to take up their entitlements so as to participate in the potential growth of the Company, to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Status of the Rights Shares

The Rights Shares, when issued and fully paid, will rank pari passu with the Shares in issue on the date of allotment of the Rights Shares in all respects. Holders of such Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment of the Rights Shares.

LETTER FROM THE BOARD

Qualifying Shareholders

To qualify for the Rights Issue, a Qualifying Shareholder must be registered as a member of the Company on the Record Date. In order to be registered as members of the Company on the Record Date, all transfers of Shares (together with the relevant share certificate(s)) must be lodged with the Share Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by not later than 4:30 p.m. on Friday, 14 August 2015. It is expected that the last day of dealings in Shares on a cum-rights basis is Wednesday, 12 August 2015 and the Shares will be dealt with on an ex-rights basis from Thursday, 13 August 2015.

The Company will send the Rights Issue Documents to the Qualifying Shareholders on the Allotment Posting Date. The Company will send the Prospectus only to the Excluded Shareholders (if any) for information purposes on the same date.

Excluded Shareholders

The Rights Issue Documents will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. There were 10 Overseas Shareholders in Canada, United Kingdom, Macau, Malaysia and the United States of America as at the Latest Practicable Date. The Company has made enquiries regarding the legal restrictions under the laws of the relevant places and the requirements of the relevant regulatory bodies or stock exchange of extending the Rights Issue to such Overseas Shareholders. The Directors, based on results of such enquiries made, consider that it is expedient to exclude such Overseas Shareholders from the Rights Issue.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders in nil-paid form, to be sold as soon as practicable after dealings in nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of HK\$100 or more will be paid pro rata (but rounded down to the nearest cent) to the relevant Excluded Shareholders in Hong Kong dollars. The Company will retain individual amounts of less than HK\$100 for its own benefit.

Fractional entitlement to the Rights Shares

The Company will not provisionally allot fractions of Rights Shares. All fractions of Rights Shares will be aggregated and sold in the market and, if a premium (net of expenses) can be achieved, the Company will keep the net proceeds for its own benefit. Any unsold fractions of Rights Shares will be available for excess application.

Application for excess Rights Shares

Qualifying Shareholders are entitled to apply for any unsold entitlements of the Excluded Shareholders, any unsold Rights Shares created by adding together fractions of the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders.

Application may be made by completing the Excess Application Form and lodging the same with a separate remittance for the excess Rights Shares. The Directors will allocate the excess Rights Shares at their discretion, but on a fair and equitable basis to Qualifying Shareholders who have applied for excess Rights Shares on the following principles:

- (1) preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings (in particular those already existed on the date of the Announcement or created as a result of the Rights Issue) to whole-lot holdings and that such applications are not made with the intention to abuse this mechanism;

LETTER FROM THE BOARD

- (2) subject to availability of excess Rights Shares after allocation under principle (1) above, any remaining excess Rights Shares will be allocated to applicants in proportion to the respective shareholdings of the applicants in the Company as at the Record Date; and
- (3) subject to availability of excess Rights Shares after allocation under principles (1) and (2) above (which may arise if applicants with relatively high shareholdings in the Company as at the Record Date apply for small number of excess Rights Shares), any further remaining excess Rights Shares will be allocated to applicants in proportion to the number of excess Rights Shares being applied for under each application.

Shareholders with their Shares held by a nominee company (or which are deposited into CCASS) should note that the Board will regard the nominee company (including HKSCC) as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the above arrangement in relation to allocation of excess Rights Shares will not be extended to the beneficial owners individually. The Shareholders with their Shares held by a nominee company (or which are deposited into CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date.

Shareholders whose Shares are held by their nominee(s) (or which are deposited into CCASS) and who would like to have their names registered on the register of members of the Company on the Record Date, must lodge all necessary documents with the Share Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for completion of the relevant registration by 4:30 p.m. on Friday, 14 August 2015 (the register of members of the Company will be closed on Monday, 17 August 2015).

Application for listings

The Company will apply to the Listing Committee for the listings of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. The nil-paid Rights Shares shall have the same board lot size as the Shares, i.e. 2,000 Shares in one board lot.

Dealings in the Rights Shares in their nil-paid and fully-paid forms will be subject to the payment of stamp duty in Hong Kong.

It is expected that the Rights Shares will be dealt with in their nil-paid form from Friday, 21 August 2015 to Friday, 28 August 2015. Dealings in the Rights Shares in both their nil-paid and fully-paid forms which are registered in the register of members of the Company will be subject to payment of stamp duty, Stock Exchange trading fee, SFC transaction levy and any other applicable fees and charges in Hong Kong.

Subject to the grant of listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both nil-paid and fully-paid forms on the Stock Exchange or such other dates 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. All necessary arrangements will be made to enable the Rights Shares in both their nil-paid and fully-paid forms to be admitted into CCASS.

LETTER FROM THE BOARD

Share certificates and refund cheques for the Rights Issue

Subject to the fulfillment of the condition of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by Wednesday, 9 September 2015 by ordinary post at their own risk. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted by Wednesday, 9 September 2015 by ordinary post to the applicants at their own risk.

Condition of the Rights Issue

The Rights Issue is conditional upon the Underwriting Agreement having become unconditional and not being terminated in accordance with its terms or otherwise. The conditions to the Underwriting Agreement are set out in the sub-section headed “Conditions of the Underwriting Agreement” below.

If the conditions of the Underwriting Agreement which include but not limited to, the granting of the Whitewash Waiver to YCSEL by the Executive, are not fulfilled, the Rights Issue will not proceed.

Irrevocable undertaking from YCSEL

YCSEL, which was interested in 313,127,784 Shares as at the Latest Practicable Date representing approximately 47.98% of the existing issued Shares, has irrevocably undertaken to the Company that:

- (a) it and its associates are and up to and inclusive of the Final Acceptance Date will remain the beneficial owners of at least the number of Principal Shares; and
- (b) it and its associates will take up and accept (or procure that the registered holders thereof shall take up and accept) the rights entitlement in full under the Rights Issue in respect of the Principal Shares prior to 4:30 p.m. on the Final Acceptance Date.

Underwriting Agreement

Date: 3 July 2015

Parties: (i) the Company;
(ii) the executive Directors; and
(iii) YCSEL.

Number of the Underwritten Shares: 135,791,878 Rights Shares, being the total number of Rights Shares under the Rights Issue excluding 125,251,112 Rights Shares undertaken to be subscribed by YCSEL and its associates pursuant to the irrevocable undertaking mentioned above.

Fee and commission: In consideration of the services of the Underwriter thereunder, the Company will pay to the Underwriter an underwriting commission of 2.5% of the Subscription Price on all of the Underwritten Shares.

LETTER FROM THE BOARD

The commission rate was determined after arm's length negotiation between the Company and the Underwriter by reference to, among other things, the size of the Rights Issue, and the current and expected market condition. The Directors (excluding the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) consider the terms of the Underwriting Agreement including the commission rate are fair and reasonable so far as the Company and the Shareholders are concerned.

Conditions of the Underwriting Agreement

The Underwriting Agreement is conditional on:

- a) the passing at the EGM of necessary resolution(s) by the Independent Shareholders to approve the Rights Issue and the Whitewash Waiver at which the voting shall be taken on a poll and in accordance with the Listing Rules and the Takeovers Code;
- b) the granting of the Whitewash Waiver to YCSEL by the Executive;
- c) the signing by or on behalf of all Directors of two copies each of the Rights Issue Documents;
- d) the registration of one such copy signed by or on behalf of all Directors of the Rights Issue Documents (and all documents required to be attached thereto) by the Registrar of Companies in Hong Kong;
- e) the posting of the Prospectus to the Excluded Shareholders and the posting of the Rights Issue Documents to the Qualifying Shareholders;
- f) the performance in full by YCSEL of its undertaking to take up its rights entitlements in full; and
- g) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject only to allotment) listings of and permission to deal in the Rights Shares, in nil-paid and fully paid forms.

None of the conditions above is waivable. In the event of the conditions (a) to (e) above not being fulfilled on or before the Allotment Posting Date or condition (f) above not being fulfilled on or before the Final Acceptance Date or condition (g) above not being fulfilled on or before 5:00 p.m. on the third business day immediately before the Despatch Date (or such later date or dates as the Underwriter may agree), all liabilities of the parties hereunder will cease and determine and no party will have any claim against the others save that the Company will pay to the Underwriter the fees and expenses pursuant to the Underwriting Agreement.

LETTER FROM THE BOARD

Termination of the Underwriting Agreement

The Underwriter may (after such consultation with the Company and/or its adviser as the circumstances shall admit) by notice in writing given to the Company on or before 5:00 p.m. on the third business day immediately prior to the Despatch Date rescind the Underwriting Agreement if:

- a) **there develops, occurs or comes into force:**
 - (i) **any new law or government regulation or other occurrence of any nature whatsoever which in the absolute opinion of YCSEL adversely affects or may adversely affect the business of the Group or any part thereof to a material extent or is materially adverse in the context of the Rights Issue; or**
 - (ii) **any change in local, national, international, financial, political or economic conditions which in the absolute opinion of YCSEL is materially adverse in the context of the Rights Issue; or**
 - (iii) **any adverse change in market conditions which in the absolute opinion of YCSEL materially prejudicially affects the Rights Issue and makes it inadvisable or inexpedient to proceed therewith,**

or

- b) **there comes to the notice of YCSEL any matter or event showing any of the representations and warranties in the Underwriting Agreement to be untrue or inaccurate in any respect which YCSEL considers to be material.**

If the Underwriter terminates the Underwriting Agreement, all obligations of the Underwriter thereunder will cease and determine and no party will have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided however that the Company shall pay the Underwriter the fees and expenses as agreed in the Underwriting Agreement. In such event the Rights Issue will not proceed.

LETTER FROM THE BOARD

Changes in the shareholding structure of the Company

Set out below is the shareholding structures of the Company (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Rights Issue under various scenarios:

	(i) As at the Latest Practicable Date		(ii) Immediately upon completion of the Rights Issue			
	No. of Shares	Approx. %	(a) assuming full acceptance by all Qualifying Shareholders under the Rights Issue		(b) assuming full acceptance by YCSEL but nil acceptance by other Qualifying Shareholders under the Rights Issue	
No. of Shares			Approx. %	No. of Shares	Approx. %	No. of Shares
YCSEL (<i>Note 1</i>)	313,127,784	47.98	438,378,896	47.98	574,170,774	62.84
Estate of Madam Kwok Yan Chee	5,061,000	0.78	7,085,400	0.78	5,061,000	0.55
Sub-total of the Concert Group	318,188,784	48.76	445,464,296	48.76	579,231,774	63.39
Tang Yat Sun, Richard (<i>Note 2</i>)	27,928,500	4.28	39,099,900	4.28	27,928,500	3.06
Ho Hau Hay, Hamilton (<i>Note 2</i>)	4,755,000	0.73	6,657,000	0.73	4,755,000	0.52
Cheng Ka On, Dominic (<i>Note 2</i>)	2,622,000	0.40	3,670,800	0.40	2,622,000	0.29
Public Shareholders	299,113,191	45.83	418,758,469	45.83	299,113,191	32.74
Total	652,607,475	100.00	913,650,465	100.00	913,650,465	100.00

Note:

- 303,887,754 Shares are beneficially owned by YCSEL while 9,240,030 Shares are owned by its wholly owned subsidiary, Hilmanway Enterprises Limited.
- Messrs. Tang Yat Sun, Richard, Cheng Ka On, Dominic and Ho Hau Hay, Hamilton are Directors. They are Independent Shareholders as none of them is a party acting in concert with YCSEL nor is involved in or interested in the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver.

Reasons for the Rights Issue and use of proceeds

The Group is principally engaged in gold ornament, jewellery, watch, fashion and gift retailing, bullion trading and diamond wholesaling.

The gross proceeds of the Rights Issue are expected to be approximately HK\$156.6 million before expenses. The net proceeds from the Rights Issue after deducting related expenses are estimated to be approximately HK\$151.6 million. The net Subscription Price is expected to be approximately HK\$0.58.

The Company intends to apply the net proceeds of the Rights Issue (i) as to about 35% of the net proceeds (approximately HK\$53.1 million) for optimising capital structure, including but not limited to, repayment of existing indebtedness of the Group; and (ii) as to about 65% of the net proceeds (approximately HK\$98.5 million) for expected working capital requirements for operations, including but not limited to, salaries and rental expenses.

The Directors (excluding the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) consider that the terms and conditions of the Rights Issue to be fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND RIGHTS SHARES IN NIL-PAID FORM

The Rights Issue is conditional on the Underwriting Agreement having become unconditional and not having been terminated (see the sub-section headed “Termination of the Underwriting Agreement” above). The conditions to the Underwriting Agreement are set out in the sub-section headed “Conditions of the Underwriting Agreement” above. In particular, it is subject to the approval of the Whitewash Waiver by the Independent Shareholders at the EGM and the Whitewash Waiver having been granted by the Executive. It is expected that Shares will be dealt with on an ex-rights basis from Thursday, 13 August 2015 and Rights Shares will be dealt with in their nil-paid form from Friday, 21 August 2015 to Friday, 28 August 2015. If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed.

Any buying or selling of Shares or nil-paid Rights Shares between the Latest Practicable Date and the date the Rights Issue becomes unconditional is at an investor’s own risk.

Shareholders and potential investors of the Company are advised to exercise extreme caution when dealing in Shares and nil-paid Rights Shares, and if they are in any doubt about their position, they should consult their professional advisers.

FUND RAISING EXERCISE OF THE COMPANY DURING THE PAST 12 MONTHS

The Company had not conducted other equity fund raising exercise in the 12 months immediately preceding the Latest Practicable Date.

APPLICATION FOR THE WHITEWASH WAIVER

As at the Latest Practicable Date, the Concert Group was interested in an aggregate of 318,188,784 Shares, representing approximately 48.76% of the total issued share capital of the Company.

Pursuant to the Underwriting Agreement, YCSEL has conditionally agreed to underwrite the Underwritten Shares. Assuming no acceptance by the Qualifying Shareholders (except YCSEL and its associates) under the Rights Issue, YCSEL will be required to take up the Underwritten Shares and the total shareholding of the Concert Group upon completion of the Rights Issue would amount to approximately 63.39% of the then issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares. Under such circumstance, the Concert Group would be required to make a mandatory general offer for all the issued Shares (other than those already owned or agreed to be acquired by the Concert Group) under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive.

YCSEL has made an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that the Whitewash Waiver will be granted and will be conditional upon, among other things, the approval of the Independent Shareholders by way of poll at the EGM in which the Concert Group and those who are involved in or interested in the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver are required to abstain from voting. It is a condition precedent of the Underwriting Agreement and completion of the Rights Issue that the Whitewash Waiver is granted by the Executive. If the Whitewash Waiver is not granted, the Underwriting Agreement will not become unconditional and the Rights Issue will not proceed.

LETTER FROM THE BOARD

Upon completion of the Rights Issue, the Concert Group may collectively hold more than 50% of the then issued share capital of the Company, in which case YCSEL may increase its shareholding in the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

INFORMATION ON YCSEL AND THE CONCERT GROUP

YCSEL is an investment holding company. It is not engaged in the business of underwriting. All of the beneficial owners of YCSEL are close family members and foundations of the late Mr. Young Chi Wan (who are parties acting in concert with YCSEL), including Mr. Yeung Ping Leung, Howard (the Chairman of the Company and an executive Director, and a director of YCSEL). Such Director and other members of his family control the management of YCSEL. There is no controlling shareholder of YCSEL (within the meaning of the Takeovers Code).

It is the intention of YCSEL to continue to carry on the businesses of the Group and to continue the employment of the employees of the Group. YCSEL has no intention to introduce any changes to the businesses of the Group including redeployment of the fixed assets of the Group.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, YCSEL was interested in an aggregate of 313,127,784 Shares, representing approximately 47.98% of the total issued share capital of the Company. Accordingly, YCSEL is a connected person of the Company and the transaction contemplated under the Underwriting Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.92(2) of the Listing Rules, as the Company has made arrangements for the Qualifying Shareholders to apply for the Rights Shares in excess of their entitlements under the Rights Issue in compliance with Rule 7.21(1) of the Listing Rules, the Underwriting Agreement is exempted from the reporting, announcement and independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

Pursuant to Rule 7.19(6)(a) of the Listing Rules, since the Rights Issue would increase neither the issued share capital nor the market capitalisation of the Company by more than 50%, the Rights Issue is not conditional on approval by the Shareholders. However, the Whitewash Waiver is subject to approval by the Independent Shareholders under the Takeovers Code.

TAXATION

Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to the tax implications of the holding or disposal of, or dealing in the Rights Shares and, as regards the Excluded Shareholders, their receipt of the net proceeds of sale of the Rights Shares in their nil-paid form otherwise falling to be issued to them under the Rights Issue. It is emphasised that none of the Company, its Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of the holders of the Rights Shares resulting from the purchase, holding or disposal of, or dealing in the Rights Shares.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Monday, 17 August 2015. To qualify for the Rights Issue, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Share Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 14 August 2015.

LETTER FROM THE BOARD

EGM

The Rights Issue, the Underwriting Agreement and the Whitewash Waiver will be subject to the approval by the Independent Shareholders at the EGM by way of poll.

A notice of the EGM to be held at 4:00 p.m. on Tuesday, 11 August 2015 at Tsui Hang Village, 2nd Floor, New World Tower, 16–18 Queen’s Road Central, Hong Kong is set out on pages N – 1 and N – 2 of this circular at which an ordinary resolution will be proposed for considering, and, if thought fit, approving the Rights Issue, the Underwriting Agreement and the Whitewash Waiver.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the registered office of the Company, 9th Floor, King Fook Building, 30–32 Des Voeux Road Central, Hong Kong, as soon as possible and in any event not later than 4:00 p.m. on Saturday, 8 August 2015. The completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM if you so wish.

Pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code, as YCSEL is interested in the Whitewash Waiver, the Concert Group and those who are involved in or interested in the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver are required to abstain from voting on the resolution to be proposed at the EGM in relation to the Whitewash Waiver. YCSEL and the estate of Madam Kwok Yan Chee, controlled the voting rights in respect of 313,127,784 Shares and 5,061,000 Shares respectively as at the Latest Practicable Date. Save for the Concert Group, no Shareholder is involved in or interested in the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver which requires him/her/it to abstain from voting on the relevant resolution at the EGM.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 19 to 20 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM in relation to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver.

Your attention is also drawn to the letter from Amasse Capital which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver and the principal factors and reasons considered by it in arriving thereat. The text of the letter from Amasse Capital is set out on pages 21 to 32 of this circular.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board of
King Fook Holdings Limited
Yeung Ping Leung, Howard
Chairman



king fook holdings limited
景福集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 280)

24 July 2015

To the Independent Shareholders

Dear Sir or Madam,

**(1) PROPOSED RIGHTS ISSUE OF 261,042,990 RIGHTS SHARES
IN THE PROPORTION OF TWO RIGHTS SHARES FOR
EVERY FIVE EXISTING SHARES HELD ON THE RECORD DATE AT
HK\$0.60 PER RIGHTS SHARE
AND
(2) APPLICATION FOR WHITEWASH WAIVER**

We refer to the letter from the Board set out in the circular dated 24 July 2015 of the Company (the “Circular”) of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed as the Independent Board Committee to consider the Rights Issue, the Underwriting Agreement and the Whitewash Waiver and to advise the Independent Shareholders as to the fairness and reasonableness of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver and to recommend whether or not the Independent Shareholders should vote for the resolution to be proposed at the EGM to approve the same. Amasse Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver.

We wish to draw your attention to the letter from Amasse Capital to the Independent Board Committee and the Independent Shareholders which contains its advice to us in relation to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver as set out in the Circular. We also draw your attention to the letter from the Board set out in the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account principal factors and reasons considered by and the opinion of Amasse Capital as stated in its letter of advice, we are of the view that the terms of the Rights Issue and the Underwriting Agreement are fair and reasonable, and are of the view that the Whitewash Waiver, which is to facilitate the implementation of the Rights Issue, is fair and reasonable and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Rights Issue, the Underwriting Agreement and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Independent Board Committee

Lau To Yee

Cheng Kar Shing, Peter

Ho Hau Hay, Hamilton

Sin Nga Yan, Benedict

Cheng Kwok Shing, Anthony

LETTER FROM AMASSE CAPITAL

Set out below is the text of the letter of advice from Amasse Capital to the Independent Board Committee and the Independent Shareholders prepared for inclusion in this circular.

AMASSE CAPITAL
寶 積 資 本

24 July 2015

*The Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

**PROPOSED RIGHTS ISSUE OF 261,042,990 RIGHTS SHARES
IN THE PROPORTION OF TWO RIGHTS SHARES FOR EVERY FIVE EXISTING
SHARES HELD ON THE RECORD DATE AT HK\$0.60 PER RIGHTS SHARE
AND
APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 24 July 2015 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 8 July 2015, the Company announced, amongst others, the Rights Issue, the Underwriting Agreement and the Whitewash Waiver. The Company proposed to raise approximately HK\$156.6 million before expenses by way of the Rights Issue to the Shareholders. The Rights Issue involves the issue of 261,042,990 Rights Shares at the Subscription Price of HK\$0.60 per Rights Share on the basis of two Rights Shares for every five existing Shares held on the Record Date.

Under the Underwriting Agreement, YCSEL, which was interested in 313,127,784 Shares as at the Latest Practicable Date, representing approximately 47.98% of the existing issued Shares, has irrevocably undertaken to the Company that it and its associates will accept their entitlement of a total of 125,251,112 Rights Shares under the Rights Issue. It has also conditionally agreed to fully underwrite the 135,791,878 Rights Shares not subject to such undertaking.

Assuming no acceptance by the Qualifying Shareholders (except YCSEL and its associates) under the Rights Issue, YCSEL will be required to take up the Underwritten Shares and the total shareholding of the Concert Group upon completion of the Rights Issue would amount to approximately 63.39% of the then issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares. Under such circumstance, the Concert Group would be required to make a mandatory general offer for all the issued Shares (other than those already owned or agreed to be acquired by the Concert Group) under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive.

LETTER FROM AMASSE CAPITAL

Pursuant to the Note 1 on dispensations from Rule 26 of the Takeovers Code, as YCSEL is interested in the Whitewash Waiver, the Concert Group and those who are involved in or interested in the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver are required to abstain from voting on the resolution to be proposed at the EGM in relation to the Whitewash Waiver. YCSEL and the estate of Madam Kwok Yan Chee controlled the voting rights in respect of 313,127,784 Shares and 5,061,000 Shares respectively as at the Latest Practicable Date. Save for the Concert Group, no Shareholder is involved in or interested in the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver which requires him/her/it to abstain from voting on the relevant resolution at the EGM.

The Board currently comprises four executive Directors, one non-executive Director, and five independent non-executive Directors. The Independent Board Committee, currently comprising of all the independent non-executive Directors, namely Mr. Lau To Yee, Mr. Cheng Kar Shing, Peter, Mr. Ho Hau Hay, Hamilton, Mr. Sin Nga Yan, Benedict and Mr. Cheng Kwok Shing, Anthony, has been established to advise the Independent Shareholders regarding the Rights Issue, the Underwriting Agreement and the Whitewash Waiver. Mr. Wong Wei Ping, Martin, a non-executive Director, is a brother-in-law of Mr. Yeung Ping Leung, Howard, who controls the management of YCSEL with other members of his family. Accordingly, Mr. Wong Wei Ping, Martin would not form part of the Independent Board Committee. We have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect, and such appointment has been approved by the Independent Board Committee.

Our role is to provide you with our independent opinion and recommendation as to (i) whether the terms of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver are fair and reasonable and whether they are 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 Rights Issue, the Underwriting Agreement and the Whitewash Waiver.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information, opinion and representations contained or referred to in the Circular and the information, opinion and representations provided to us by the management of the Company and the Directors. We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the management of the Company and the Directors, for which they are solely and wholly responsible, were true, accurate and complete at the time when they were made and continue to be so as at the date of the Circular. We have also assumed that all statements of belief, opinion and intention of the Directors as set out in the Letter from the Board in the Circular were reasonably made after due and careful inquiry. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and representations contained in the Circular. The Directors jointly and severally accept full responsibility for the accuracy of the information 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 the omission of which would make any statement in the Circular misleading. We consider that we have been provided with sufficient information to enable us to reach an informed view regarding the Rights Issue, the Underwriting Agreement and the Whitewash Waiver, and to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinions. We have not, however, carried out any independent verification on the information provided to us by the Directors, nor have we conducted an independent in-depth investigation into the business and affairs of the Group.

LETTER FROM AMASSE CAPITAL

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver, we have taken into consideration the following principal factors and reasons:

I. The Rights Issue and the Underwriting Agreement

1. Background information of the Group

The Group is principally engaged in gold ornament, jewellery, watch, fashion and gift retailing, bullion trading and diamond wholesaling.

Set out below is a summary of the financial information of the Group for the two years ended 31 March 2015 based on its annual results announcement and annual report of the Company:

	Year ended 31 March 2015	Year ended 31 March 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>
Revenue		
— Gold ornament, jewellery, watch, fashion and gift retailing	817,617	1,132,248
— Bullion trading	10,083	15,611
— Diamond wholesaling	4,510	7,980
— Revenue on construction contracts	3,314	1,502
— Income from provision of travel related products and services	6,739	6,392
	<hr/>	<hr/>
Total revenue	<u>842,263</u>	<u>1,163,733</u>
Gross profit	176,149	275,772
Loss before taxation	(150,994)	(127,160)
Loss attributable to the Shareholders from continuing operations	(149,251)	(127,603)
	As at 31 March 2015	As at 31 March 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>
Current assets	894,982	1,110,365
Current liabilities	199,419	282,063
Non-current assets	12,137	29,307
Non-current liabilities	112	294
Net assets	707,588	857,315
Bank loans	147,500	201,000

Source: The annual results announcement of the Company for the year ended 31 March 2015 and annual report of the Company for the year ended 31 March 2014.

LETTER FROM AMASSE CAPITAL

The Group's retailing business accounted for approximately 97.1% of the overall turnover of the Group for the year ended 31 March 2015. We note that the Group's turnover from retailing business for the year ended 31 March 2015 decreased by 27.8% to HK\$817,617,000 owing to the general decline of the Hong Kong luxury goods retail market and spending of the tourists from Mainland China was adversely affected by Mainland China's decelerating economic growth and Chinese Government's anti-extravagant campaign, which in turn had seriously affected the luxury goods retail market. Moreover, local consumption sentiment was negatively impacted by the outbreak of the "Occupy Central" protests during the period from September to December 2014.

The Group's consolidated loss attributable to the shareholders of the Company from continuing operations for the year ended 31 March 2015 was HK\$149,251,000, representing an increase of 17.0% as compared to that of the previous year which was mainly due to the decrease in turnover as discussed above and the drop in gross profit margin as the Group offered more discount to attract sales.

As at 31 March 2015, the Company had net assets of approximately HK\$707,588,000, representing a decrease of approximately 17.5% as compared to that as at 31 March 2014. Such decrease in the net assets was mainly attributed by the loss incurred in its operation.

2. *Reasons for the Rights Issue and use of proceeds*

As discussed with the management of the Company, having considered other fund raising alternatives for the Group, such as bank borrowings and placing of new Shares, and taking into account the benefits and cost of each of the alternatives, the Board considers the Rights Issue allows the Group to strengthen its balance sheet without incurring further interest costs which will make the financial results of the Group even worst. The Board also considers that the Rights Issue, as compared to placing of new Shares, is in the interests of the Company and the Shareholders as a whole as it offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and continue to participate in the future development of the Group should they wish to do so.

The gross proceeds from the Rights Issue are expected to be approximately HK\$156.6 million before expenses. The net proceeds from the Rights Issue after deducting related expenses are estimated to be approximately HK\$151.6 million. The net Subscription Price per Rights Share is expected to be approximately HK\$0.58.

The Company intends to apply the net proceeds from the Rights Issue (i) as to about 35% of the net proceeds (approximately HK\$53.1 million) for optimising capital structure, including but not limited to, repayment of existing indebtedness of the Group; and (ii) as to about 65% of the net proceeds (approximately HK\$98.5 million) for expected working capital requirements for operations, including but not limited to, salaries and rental expenses.

According to the Letter from the Board set out in the Circular, except for the Rights Issue, the Company has not conducted other equity fund raising exercise during the 12 months immediately preceding the Latest Practicable Date.

As further discussed with the management of the Company, we have been advised that given (i) debt financing and borrowing will increase its interest expenses and that the Group plans to optimise its capital structure by reducing its indebtedness; (ii) placing of new Shares would not offer the existing Shareholders the opportunity to participate in the Company's equity raising exercise and would result in dilution of

LETTER FROM AMASSE CAPITAL

shareholding of the existing Shareholders; and (iii) the Rights Issue will enable the Qualifying Shareholders to maintain their proportionate interests in the Company, the management of the Company considers the Rights Issue is an appropriate financing means for the Company. Having considered the factors set out above, we concur with the view of management of the Company that conducting the Rights Issue is in the best interest of the Company and the Independent Shareholders as a whole.

3. *Principal terms of the Rights Issue*

Set out below are the principal terms of the Rights Issue as extracted from the Circular. Further details of the terms of the Rights Issue are set out in the Letter from the Board.

Issue statistics

Basis of the Rights Issue:	Two Rights Shares for every five existing Shares held on the Record Date
Subscription Price:	HK\$0.60 per Rights Share
Number of existing Shares in issue as at the Latest Practicable Date:	652,607,475 Shares
Number of Rights Shares:	261,042,990 Rights Shares
Enlarged total number of issued Shares upon completion of the Rights Issue:	913,650,465 Shares

As at the Latest Practicable Date, the Company has no outstanding warrants, options, derivatives or securities convertible into or exchangeable for Shares.

The 261,042,990 Rights Shares to be issued pursuant to the terms of the Rights Issue represent 40.00% of the existing issued share capital of the Company and approximately 28.57% of the enlarged issued share capital of the Company immediately upon completion of the Rights Issue.

4. *The Subscription Price*

The Subscription Price of HK\$0.60 per Rights Share represents:

- (i) a discount of approximately 28.57% to the closing price of HK\$0.84 per Share as quoted on the Stock Exchange on 3 July 2015, being the last trading day prior to the publication of the Announcement;
- (ii) a discount of approximately 37.50% to the average closing price of approximately HK\$0.96 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including 3 July 2015;
- (iii) a discount of approximately 41.18% to the average closing price of approximately HK\$1.02 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including 3 July 2015;
- (iv) a discount of approximately 22.08% to the theoretical ex-rights price of approximately HK\$0.77 per Share based on the closing price as quoted on the Stock Exchange on 3 July 2015;

LETTER FROM AMASSE CAPITAL

- (v) a discount of approximately 44.44% to the audited consolidated net tangible asset value per Share of approximately HK\$1.08 (based on the latest published audited consolidated net asset value of the Group attributable to the Shareholders of approximately HK\$707.5 million as at 31 March 2015 and 652,607,475 Shares in issue as at the date of the Announcement); and
- (vi) a discount of approximately 14.29% to the closing price of HK\$0.70 per Share as quote on the Stock Exchange as at the Latest Practicable Date.

As set out in the Letter from the Board, the Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to (i) the loss-making performance of the Group for the latest two years ended 31 March 2015; and (ii) the recent market prices and trading volume of the Shares. Each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its shareholding in the Company held on the Record Date. The Directors (excluding the independent non-executive Directors) consider the Subscription Price, which has been set at a discount as described above with an objective to encourage the existing Shareholders to take up their entitlements so as to participate in the potential growth of the Company, to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Comparison with other rights issues

To further assess the fairness and reasonableness of the Rights Issue, we have selected and reviewed 30 rights issue transactions announced by companies (the "Comparables") listed on the Stock Exchange for the six-month period immediately before the publication of the Announcement, which is considered to be exhaustive, relevant and comprehensive for comparison purpose as set out in the table below. We are of the opinion that the Comparables are fair, sufficient and representative samples to illustrate the recent trend and terms of the rights issue transactions under common market practice, even though the Independent Shareholders should note that the businesses, operations and prospects of the Company are not the same as the Comparables and we have not conducted any in-depth investigation into their businesses and operations. The Comparables are hence only used to provide a general reference for the common market practice in rights issue transactions of companies listed on the Stock Exchange.

Date of announcement	Company (stock code)	Basis of entitlement	Discount of subscription price to the closing price on the last trading date (approximately %)	Discount of subscription price to the theoretical ex-entitlement price on the last trading day (approximately %)	Potential maximum dilution of shareholding (approximately %) (Note 1)	Underwriting commission (approximately %)
26/6/2015	Gayety Holdings Limited (8179)	1 for 2	46.4%	36.7%	33.3%	1.5%
26/6/2015	King Stone Energy Group Limited (0663)	1 for 2	68.0%	58.6%	33.3%	2.5%
25/6/2015	Vanke Property (Overseas) Limited (1036)	1 for 2	19.9%	14.2%	33.3%	5.98%
23/6/2015	AMCO United Holding Limited (0630)	3 for 1	41.2%	14.7%	75.0%	3.5%
22/6/2015	Hua Xia Healthcare Holdings Limited (8143)	1 for 5	48.2%	7.9%	16.7%	2.75%
11/6/2015	Rui Kang Pharmaceutical Group Investments Limited (8037)	4 for 1	43.1%	12.1%	80.0%	3.5%
10/6/2015	China Rare Earth Holdings Limited (769)	2 for 5	58.6%	50.3%	28.6%	3.5%
9/6/2015	Jia Meng Holdings Limited (8101)	3 for 1	57.9%	25.5%	75.0%	3.5%
4/6/2015	PNG Resources Holdings Limited (0221)	5 for 2	48.3%	21.1%	71.4%	2.5%
1/6/2015	TCC International Holdings Limited (1136)	1 for 2	25.2%	18.2%	33.3%	1.2%
26/5/2015	Universe International Holdings Limited (1046)	2 for 1	74.8%	49.7%	66.7%	3.5%
20/5/2015	China Strategic Holdings Limited (235)	1 for 2	49.2%	39.3%	33.3%	2.5%
15/5/2015	Eternity Investment Limited (764)	1 for 1	4.1%	2.1%	50.0%	2.5%
14/5/2015	Capital Estate Limited (193)	1 for 2	34.5%	26.1%	33.3%	2.0%
4/5/2015	Shihua Development Company Limited (485)	2 for 1 (Note 2)	85.2%	49.1%	83.3%	2.5%
30/4/2015	South China Financial Holdings Limited (619)	1 for 2	42.5%	32.9%	33.3%	1.0%

LETTER FROM AMASSE CAPITAL

Date of announcement	Company (stock code)	Basis of entitlement	Discount of subscription price to the closing price on the last trading date (approximately %)	Discount of subscription price to the theoretical ex-entitlement price on the last trading day (approximately %)	Potential maximum dilution of shareholding (approximately %) (Note 1)	Underwriting commission (approximately %)
24/4/2015	Hong Kong Education (Int'l) Investments Limited (1082)	4 for 1 (Note 3)	70.0%	25.0%	85.7%	3.5%
22/4/2015	Landing International Development Limited (582)	10 for 1	75.9%	22.2%	90.9%	2.5% & 2.0%
21/4/2015	Capital Environment Holdings Limited (3989)	1 for 1	25.0%	15.1%	50.0%	0.0%
9/4/2015	Hanny Holdings Limited (275)	6 for 1	74.2%	29.1%	85.7%	3.0%
26/3/2015	Wai Yuen Tong Medicine Holdings Limited (897)	1 for 2	31.7%	23.4%	33.3%	2.5%
26/3/2015	Emperor Capital Group Limited (717)	1 for 2	32.4%	24.2%	33.3%	3.0%
18/3/2015	Haitong International Securities Group Limited (665)	1 for 1	33.7%	20.3%	50.0%	1.0%
11/3/2015	Larry Jewelry International Company Limited (8351)	9 for 1	84.7%	35.6%	90.0%	2.5%
27/2/2015	Joy City Property Limited (207)	1 for 2	5.6%	3.6%	33.3%	N/A (Note 4)
24/2/2015	GET Holdings Limited (8100)	3 for 1	59.8%	27.1%	75.0%	3.5%
17/2/2015	Shanghai Tonva Petrochemical Co., Ltd (1103)	4.5 for 10	6.0%	4.3%	31.0%	1.0%
17/2/2015	Get Nice Holdings Limited (64)	1 for 2	21.1%	15.2%	33.3%	1.0%
2/2/2015	Easykmit Enterprises Holdings Limited (616)	20 for 1	85.6%	21.7%	95.2%	1.0%
8/1/2015	China Agri-Products Exchange Limited (149)	8 for 1	82.5%	34.4%	88.9%	2.5%
	Average		47.8%	25.3%	55.2%	2.46%
	Maximum		85.6%	58.6%	95.2%	5.98%
	Minimum		4.1%	2.1%	16.7%	0.0%
8/7/2015	The Company	2 for 5	28.6%	22.1%	28.6%	2.5%

Source: website of the Stock Exchange (<http://www.hkex.com.hk>)

Note 1: Maximum dilution effect of each rights issue is calculated as: (number of new shares to be issued under the basis of entitlement)/(number of existing shares held for the entitlement for the new shares under the basis of entitlement + number of new shares to be issued under the basis of entitlement) x 100%.

Note 2: The rights issue was conducted by this comparable on the basis of 2 rights shares for every share held on the record date with a bonus issue on the basis of 3 bonus shares for every 2 rights shares taken up under the rights issue.

Note 3: The rights issue was conducted by this comparable on the basis of 4 rights shares for every share held on the record date with a bonus issue on the basis of 1 bonus share for every 2 rights shares taken up under the rights issue.

Note 4: The rights issue of this company was on non-underwritten basis, hence no underwriting commission.

As shown by the above table, the subscription prices of the Comparables ranged from discounts of approximately 4.1% to 85.6% to the respective closing prices of their shares on the last trading days (the “**LTD Market Range**”), with an average discount of approximately 47.8%. The Subscription Price, which represents a discount of approximately 28.6% to the closing price of the Shares on the last trading day prior to the publication of the Announcement, falls within the LTD Market Range.

Moreover, the subscription prices of the Comparables ranged from discounts of approximately 2.1% to 58.6% to the respective theoretical ex-rights prices of their shares on their respective last trading days (the “**TERP Market Range**”), with an average discount of approximately 25.3%. The Subscription Price, which represents a discount of approximately 22.1% to the theoretical ex-rights price of the Shares on the last trading day prior to the publication of the Announcement, falls within the TERP Market Range.

Having considered (i) the Rights Issue is available to all Qualifying Shareholders by providing them with an equal opportunity to participate in the Rights Issue; (ii) the discount would attract the Shareholders to participate in the Rights Issue and accordingly maintain their shareholding interests in the Company and participate in the future growth of the Group; (iii) the Subscription Price was determined at after arm’s length negotiations between the Company and the Underwriter; and (iv) the Subscription Price falls within the LTD Market Range and the TERP Market Range, we concur with the Directors that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we consider that the discount of the Subscription Price to the prevailing market Share price is acceptable.

LETTER FROM AMASSE CAPITAL

5. *The Underwriting Agreement*

Subject to the terms and conditions of the Underwriting Agreement, the Underwriter has conditionally agreed to fully underwrite the 135,791,878 Rights Shares, being the total number of Rights Shares under the Rights Issue excluding 125,251,112 Rights Shares undertaken to be subscribed by YCSEL and its associates pursuant to the irrevocable undertaking.

Based on our review of the underwriting arrangements of the Comparables set out in the table above, we noted that the rates of the underwriting commission paid by the Comparables ranged from nil to 5.98%. We also noted from the Comparables that (i) the rights shares of Shihua Development Company Limited, Emperor Capital Group Limited and Capital Environment Holdings Limited; and (ii) part of the rights shares of Landing International Development Limited were underwritten by their respective controlling shareholders, with underwriting commission ranged from nil to 3%. Accordingly, the underwriting commission of 2.50% of the Subscription Price of the Underwritten Shares is within the range of the rate of the underwriting commission paid by the Comparables.

In addition, the commission rate was determined after arm's length negotiation between the Company and the Underwriter by reference to, among other things, the size of the Rights Issue, and the current and expected market condition. Therefore, in light of the above reasons, we are of the view that the underwriting commission payable to the Underwriter is in line with the market practice and is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

6. *Application for excess Rights Shares*

Pursuant to the terms of the Rights Issue, Qualifying Shareholders are entitled to apply for any unsold entitlements of the Excluded Shareholders, any unsold Rights Shares created by adding together fractions of the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders. Further details of application for excess Rights Shares are set out in the Letter from the Board. We are of the view that the above excess application mechanism is fair and reasonable to the Independent Shareholders as Qualifying Shareholders are given the first right to subscribe for any Rights Shares not taken up before the Underwriter.

Application may be made by completing the Excess Application Form and lodging the same with a separate remittance for the excess Rights Shares. The Directors will allocate the excess Rights Shares at their discretion, but on a fair and equitable basis to Qualifying Shareholders who have applied for excess Rights Shares on the following principles:

- (1) preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings (in particular those already existed on the date of the Announcement or created as a result of the Rights Issue) to whole-lot holdings and that such applications are not made with the intention to abuse this mechanism;
- (2) subject to availability of excess Rights Shares after allocation under principle (1) above, any remaining excess Rights Shares will be allocated to applicants in proportion to the respective shareholdings of the applicants in the Company as at the Record Date; and
- (3) subject to availability of excess Rights Shares after allocation under principles (1) and (2) above (which may arise if applicants with relatively high shareholdings in the Company as at

LETTER FROM AMASSE CAPITAL

the Record Date apply for small number of excess Rights Shares), any further remaining excess Rights Shares will be allocated to applicants in proportion to the number of excess Rights Shares applied by them respectively.

Save for the principle (2) above, the other two allocation principles are in line with common market practice and we are of the view that such arrangement is fair and reasonable to the Company and Shareholders as a whole. For the principle (2), we understand from the management of the Company that the purpose of it is to benefit the Shareholders with reference to their amount of investment in the Shares and to avoid the abuse of the excess application mechanism by certain investors who just purchases a small quantity of Shares while applying a huge sum of money in the excess application.

7. Financial effects of the Rights Issue on the Group

(a) Working capital

Following completion of the Rights Issue, the net proceeds are estimated to be approximately HK\$151.6 million. As such, immediately upon completion of the Rights Issue, the cash level of the Group will be increased and hence it is expected to have a positive effect on the working capital of the Group.

(b) Net assets

According to the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group set out in Appendix II to the Circular, assuming completion of the Rights Issue had taken place on 31 March 2015, the Group's net tangible assets would have been increased by approximately 21.43% from approximately HK\$707.46 million to approximately HK\$859.08 million. Such increase is attributable to the effect of the net proceeds from the Rights Issue. This significant improvement in the financial position of the Group is beneficial to the Company and the Shareholders as a whole.

The consolidated net tangible assets of the Group attributable to owners of the Company per Share before the Rights Issue is approximately HK\$1.08. Immediately after completion of the Rights Issue, the total number of Shares would increase to 913,650,465 Shares and the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share will decrease to approximately HK\$0.94.

(c) Gearing and liquidity

Based on the total borrowings of the Group of about HK\$165,059,000 and the capital and reserves attributable to the shareholders of the Company of about HK\$707,455,000 at 31 March 2015, the overall borrowings to equity ratio was approximately 23%. Upon completion of the Rights Issue, there would be an increase in the cash level of the Group and the Company would apply approximately 35% of the net proceeds of the Rights Issue (approximately HK\$53.1 million) for optimising capital structure, including but not limited to, repayment of existing indebtedness of the Group. As such, the overall borrowings to equity ratio would be decreased and improved respectively.

LETTER FROM AMASSE CAPITAL

8. Effect of the Rights Issue on the shareholding of the Company

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their entitlements in full under the Rights Issue, their shareholding interests in the Company will remain unchanged after the completion of the Rights Issue.

Qualifying Shareholders who do not accept the Rights Issue can, subject to the then prevailing market conditions, consider selling their nil-paid rights to subscribe for the Rights Shares in the market. In such case, where all Qualifying Shareholders do not accept the Rights Issue and thus the Underwriter are obligated to take up the unsubscribed Right Shares, the maximum dilution effect on the Qualifying Shareholders' shareholding interests will be approximately 28.6%. Details of such dilution effect are presented in the section headed "Changes in the shareholding structure of the Company" of the Letter from the Board.

Meanwhile, Qualifying Shareholders who wish to increase their shareholding interests in the Company through the Rights Issue may (i) subject to availability, acquire additional nil-paid Rights Shares in the market; and (ii) apply for excess Rights Shares.

We are aware of the aforementioned potential dilution to the Independent Shareholders' shareholding interests in the Company. Nonetheless, we consider that the foregoing should be balanced against by the following factors:

- the Independent Shareholders are offered a chance to express their view on the terms of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver through their votes at the EGM;
- the Qualifying Shareholders have their choice whether to accept the Rights Issue or not;
- the Qualifying Shareholders have the opportunity to realize their nil-paid Rights Shares to subscribe for the Rights Shares in the market (subject to availability); and
- the Rights Issue offers the Qualifying Shareholders a chance to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical and prevailing market prices of Shares.

In addition, we note from the Comparables as detailed in the table under the previous section of this letter that the maximum dilution to the existing Shareholders as a result of the rights issue transactions ranged from a minimum of approximately 16.7% to a maximum of approximately 95.2%. The maximum dilution of approximately 28.6% to the existing Shareholders as a result of the Rights Issue falls within the said market range.

II. THE WHITEWASH WAIVER

As mentioned in the foregoing section of this letter, YCSEL, which was interested in 313,127,784 Shares as at the Latest Practicable Date, representing approximately 47.98% of the existing issued Shares, has irrevocably undertaken to the Company that it and its associates will accept their entitlement of a total of 125,251,112 Rights Shares under the Rights Issue.

LETTER FROM AMASSE CAPITAL

Pursuant to the Underwriting Agreement, YCSEL, as the underwriter, has conditionally agreed to underwrite the 135,791,878 Rights Shares not subject to such undertaking. Assuming no acceptance by the Qualifying Shareholders (except YCSEL and its associates) under the Rights Issue, YCSEL will be required to take up the Underwritten Shares and the total shareholding of the Concert Group upon completion of the Rights Issue would amount to approximately 63.39% of the then issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares. Under such circumstance, the Concert Group would be required to make a mandatory general offer for all the issued Shares (other than those already owned or agreed to be acquired by the Concert Group) under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive.

YCSEL has made an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll. If the Whitewash Waiver is not granted or not approved by the Independent Shareholders, the Underwriting Agreement will not become unconditional and the Rights Issue will not proceed.

Moreover, Shareholders should note that based on the shareholding structure of the Company as at the Latest Practicable Date and assuming no change in the issued share capital of the Company from the Latest Practicable Date up to completion of the Rights Issue save for the issue of the Rights Shares, upon completion of the Rights Issue, the Concert Group may collectively hold more than 50% of the total voting rights of the Company. In such circumstances, YCSEL may thereafter increase its holding of Shares without incurring any further obligation to make a mandatory general offer under Rule 26 of the Takeovers Code.

In the light of (i) the reasons for and the possible benefits of the Rights Issue to the Company as set forth in the section headed “Reasons for the Rights Issue and use of proceeds” of this letter; (ii) the terms of the Rights Issue and the Underwriting Agreement being fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the underwriting arrangement by YCSEL is a demonstration of its commitment to the Company and would provide Independent Shareholders confidence in the future and growth prospects of the Company, we are of the opinion that the approval of the Whitewash Waiver, which is a prerequisite for completion of the Rights Issue, is in the interests of the Company and the Shareholders as a whole and is fair and reasonable for the purpose of proceeding with the Rights Issue.

RECOMMENDATION

Having considered the principal factors discussed above, which include:

- (i) the Rights Issue would allow the Group to strengthen its capital base and optimise its capital structure as well as to provide expected working capital requirements for operations, including but not limited to, salaries and rental expenses;
- (ii) all Qualifying Shareholders are offered an equal opportunity to participate in the Rights Issue to take up their provisional allotments in full to maintain their respective shareholdings in the Company;

LETTER FROM AMASSE CAPITAL

- (iii) the Subscription Price has been determined based on arm's length negotiations between the Company and the Underwriter;
- (iv) the discounts as represented by the Subscription Price fall within the LTD Range and the TERP Range and are in line with recent market trends; and
- (v) the positive financial effects of the Rights Issue on the Group as expected by the Company.

We consider the terms of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue, the Underwriting Agreement and the Whitewash Waiver are in the interests of the Company and the Independent Shareholders as a whole. We therefore recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to approve the Rights Issue, the Underwriting Agreement and the Whitewash Waiver at the EGM.

Yours faithfully,
For and on behalf of
Amasse Capital Limited
Michael Lam
Managing Director

1. SUMMARY OF FINANCIAL INFORMATION

Financial information of the Group for the three years ended 31 March 2015 are disclosed in the annual report of the Company for the year ended 31 March 2013 (pages 26 to 85) (<http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0730/LTN20130730279.pdf>), the annual report of the Company for the year ended 31 March 2014 (pages 27 to 85) (<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0725/LTN20140725401.pdf>) and the annual results announcement of the Company for the year ended 31 March 2015 (pages 1 to 12) (<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0625/LTN20150625641.pdf>), respectively, which are also published on the Company's designated website (<http://www.irasia.com/listco/hk/kingfook/index.htm>).

The following is a summary of the consolidated financial information of the Group for each of the three years ended 31 March 2013, 2014 and 2015, as extracted from the relevant annual results announcement or reports of the Company.

There were no exceptional items because of size, nature or incidence in the consolidated financial statements of the Company for each of the three years ended 31 March 2015.

The Company's auditors, BDO Limited, have not issued any qualified opinion on the Group's financial statements for the three years ended 31 March 2015.

	For the year ended 31 March		
	2015	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Revenue	842,263	1,163,733	1,248,580
Profit/(loss) before taxation	(150,994)	(127,160)	49,060
Taxation	<u>1,737</u>	<u>(446)</u>	<u>27</u>
Profit for the year	<u>(149,257)</u>	<u>(131,232)</u>	<u>49,087</u>
Profit/(loss) attributable to:			
Shareholders of the Company	(149,251)	(131,229)	50,457
Minority interests	<u>(6)</u>	<u>(3)</u>	<u>(1,370)</u>
	<u>(149,257)</u>	<u>(131,232)</u>	<u>49,087</u>
Earnings/(loss) per share (HK cents)	(22.9) cents	(21.8) cents	11.2 cents
Dividend per share (HK cents)	—	—	0.05 cent
Amount absorbed by dividend	—	—	218

2. AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE TWO YEARS ENDED 31 MARCH 2015

Set out below are the audited financial statements of the Group for the two years ended 31 March 2015 contained in the Company's annual results announcement published on 25 June 2015.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2015

	<i>Note</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
CONTINUING OPERATIONS			
Revenue	5	842,263	1,163,733
Cost of sales		<u>(666,114)</u>	<u>(887,961)</u>
Gross profit		176,149	275,772
Other operating income		10,016	4,025
Distribution and selling costs		(262,727)	(325,885)
Administrative expenses		(61,721)	(72,976)
Other operating expenses		<u>(7,390)</u>	<u>(674)</u>
Operating loss		(145,673)	(119,738)
Finance costs		<u>(5,321)</u>	<u>(7,422)</u>
Loss before taxation	6	(150,994)	(127,160)
Taxation	7	<u>1,737</u>	<u>(446)</u>
Loss for the year from continuing operations		(149,257)	(127,606)
DISCONTINUED OPERATION			
Loss for the year from discontinued operation	8	<u>—</u>	<u>(3,626)</u>
Loss for the year		<u>(149,257)</u>	<u>(131,232)</u>
Loss for the year attributable to:			
Shareholders of the Company			
Continuing operations		(149,251)	(127,603)
Discontinued operation		<u>—</u>	<u>(3,626)</u>
		(149,251)	(131,229)
Minority interests		<u>(6)</u>	<u>(3)</u>
		<u>(149,257)</u>	<u>(131,232)</u>
Loss per share for loss attributable to the shareholders of the Company for the year			
— Basic and diluted (HK cents)	10		
Continuing and discontinued operations		<u>(22.9) cents</u>	<u>(21.8) cents</u>
Continuing operations		<u>(22.9) cents</u>	<u>(21.2) cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 March	
	2015 HK\$'000	2014 HK\$'000
Loss for the year	(149,257)	(131,232)
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Change in fair value of available-for-sale investments	3,589	1,128
Reclassification adjustment upon disposal of available-for-sale investments	(4,717)	—
Exchange differences on translation	658	(164)
Other comprehensive income for the year	(470)	964
Total comprehensive income for the year	(149,727)	(130,268)
Total comprehensive income for the year attributable to:		
Shareholders of the Company	(149,721)	(130,265)
Minority interests	(6)	(3)
	(149,727)	(130,268)

CONSOLIDATED BALANCE SHEET

		As at 31 March 2015 HK\$'000	As at 31 March 2014 HK\$'000
	<i>Note</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		8,203	23,034
Investment properties		658	691
Available-for-sale investments		952	5,186
Deferred tax assets		1,928	—
Other assets		396	396
		<u>12,137</u>	<u>29,307</u>
Current assets			
Inventories		715,088	884,791
Debtors, deposits and prepayments	11	60,882	94,556
Investments at fair value through profit or loss		1,192	8,208
Tax recoverable		32	32
Trust bank balances held on behalf of clients		—	144
Cash and cash equivalents		117,788	122,634
		<u>894,982</u>	<u>1,110,365</u>
Current liabilities			
Creditors, deposits received, accruals and deferred income	12	34,351	56,207
Tax payable		9	6
Gold loans, unsecured		17,559	24,850
Bank loans		147,500	201,000
		<u>199,419</u>	<u>282,063</u>
Net current assets		<u>695,563</u>	<u>828,302</u>
Total assets less current liabilities		<u>707,700</u>	<u>857,609</u>
Non-current liabilities			
Provision for long service payments		112	294
Net assets		<u>707,588</u>	<u>857,315</u>
CAPITAL AND RESERVES			
Capital and reserves attributable to the shareholders of the Company			
Share capital		241,021	241,021
Other reserves		36,202	36,672
Retained profits		430,232	579,483
		<u>707,455</u>	<u>857,176</u>
Minority interests		<u>133</u>	<u>139</u>
		<u>707,588</u>	<u>857,315</u>

Note:

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and have been prepared in compliance with the Companies Ordinance.

2. ADOPTION OF NEW/REVISED HKFRSs — EFFECTIVE 1 APRIL 2014

In the year ended 31 March 2015, the Group has applied for the first time the following new/revised HKFRSs issued by the HKICPA, which are relevant to and effective for the Group’s consolidated financial statements for the annual period beginning on 1 April 2014:

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures
Amendments to HKAS 39	Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities

The adoption of these new/revised HKFRSs has no significant impact on the Group’s consolidated financial statements.

3. NEW/REVISED HKFRSs THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE

The following new/revised HKFRSs have been issued but are not yet effective and have not been early adopted by the Group:

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle ²
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle ¹
HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle ³
Amendments to HKAS 1	Disclosure Initiative ³
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ³
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ³
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations ³
HKFRS 9 (2014)	Financial Instruments ⁵
HKFRS 14	Regulatory Deferral Accounts ³
HKFRS 15	Revenue from Contracts with Customers ⁴

¹ Effective for annual periods beginning on or after 1 July 2014

² Effective for annual periods beginning, or transactions occurring on, or after 1 July 2014

³ Effective for annual periods beginning on or after 1 January 2016

⁴ Effective for annual periods beginning on or after 1 January 2017

⁵ Effective for annual periods beginning on or after 1 January 2018

The Group is in the process of making an assessment of the potential impact of adopting the above new, revised or amended standards and interpretations to the Group. The directors of the Company do not expect that the adoption of these pronouncements will have a material impact on the consolidated financial statements of the Group.

4. SEGMENT INFORMATION

The Group's three (2014: four) reporting segments are as follows:

- (a) Retailing, bullion trading and diamond wholesaling
- (b) Construction services
- (c) All others
- (d) Securities broking (presented as discontinued operation in 2014)

	Continuing operations				Total HK\$'000
	Retailing, bullion trading and diamond wholesaling HK\$'000	Construction services HK\$'000	All others HK\$'000	Inter-segment elimination HK\$'000	
Year ended 31 March 2015					
Revenue					
From external customers	832,210	3,314	6,739	—	842,263
Inter-segment sales	—	—	4	(4)	—
Reportable segment revenue	<u>832,210</u>	<u>3,314</u>	<u>6,743</u>	<u>(4)</u>	<u>842,263</u>
Interest income	46	1	—	—	47
Finance costs	(9,491)	(63)	—	—	(9,554)
Depreciation	(9,994)	—	(54)	—	(10,048)
Provision for and write down of inventories to net realisable value	(13,854)	—	—	—	(13,854)
Provision for impairment loss of property, plant and equipment	<u>(1,500)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,500)</u>
Reportable segment results	(157,372)	979	(140)	—	(156,533)
Corporate income					46,199
Corporate expenses					(47,843)
Dividend income					97
Fair value change of investments at fair value through profit or loss					2,369
Gain on disposal of available-for-sale investments					<u>4,717</u>
Loss before taxation					<u>(150,994)</u>
At 31 March 2015					
Reportable segment assets	801,194	303	6,388	—	807,885
Corporate assets					2,667
Available-for-sale investments					952
Deferred tax assets					1,928
Investments at fair value through profit or loss					1,192
Tax recoverable					32
Cash and cash equivalents					<u>92,463</u>
Total assets per consolidated balance sheet					<u>907,119</u>
Reportable segment liabilities	41,206	2,940	5,004	—	49,150
Corporate liabilities					2,872
Bank loans					147,500
Tax payable					<u>9</u>
Total liabilities per consolidated balance sheet					<u>199,531</u>

	Continuing operations					Discontinued operation	Total HK\$'000 (Re-presented)
	Retailing, bullion trading and diamond wholesaling HK\$'000	Construction services HK\$'000	All others HK\$'000	Inter- segment elimination HK\$'000	Sub-total HK\$'000	Securities broking HK\$'000	
Year ended 31 March 2014							
Revenue							
From external customers	1,155,839	1,502	6,392	—	1,163,733	913	1,164,646
Inter-segment sales	—	—	5	(5)	—	—	—
Reportable segment revenue	<u>1,155,839</u>	<u>1,502</u>	<u>6,397</u>	<u>(5)</u>	<u>1,163,733</u>	<u>913</u>	<u>1,164,646</u>
Interest income	67	—	—	—	67	43	110
Finance costs	(13,811)	(1,159)	—	—	(14,970)	—	(14,970)
Depreciation	(17,465)	—	(33)	—	(17,498)	(3)	(17,501)
Provision for and write down of inventories net realisable value	<u>(13,667)</u>	<u>(544)</u>	<u>—</u>	<u>—</u>	<u>(14,211)</u>	<u>—</u>	<u>(14,211)</u>
Reportable segment results	(122,679)	(7,679)	(675)	—	(131,033)	(3,626)	(134,659)
Corporate income					60,398		60,398
Corporate expenses					(58,358)		(58,358)
Dividend income					186		186
Fair value change of investments at fair value through profit or loss					<u>1,647</u>		<u>1,647</u>
Loss before taxation					<u>(127,160)</u>		<u>(130,786)</u>
At 31 March 2014							
Reportable segment assets	1,016,612	4,106	5,523	—	1,026,241	5,149	1,031,390
Corporate assets							2,797
Available-for-sale investments							5,186
Investments at fair value through profit or loss							8,208
Tax recoverable							32
Cash and cash equivalents							<u>92,059</u>
Total assets per consolidated balance sheet							<u>1,139,672</u>
Reportable segment liabilities	69,875	3,331	4,542	—	77,748	282	78,030
Corporate liabilities							3,321
Bank loans							201,000
Tax payable							<u>6</u>
Total liabilities per consolidated balance sheet							<u>282,357</u>

No geographical information is presented as more than 90% of the Group's revenue and assets were derived from activities in Hong Kong (place of domicile).

For the years ended 31 March 2014 and 2015, no revenue from a single customer amounted to 10% or more of the total revenue of the Group.

5. REVENUE

The Group is principally engaged in gold ornament, jewellery, watch, fashion and gift retailing, bullion trading and diamond wholesaling. Revenue, which includes the Group's turnover and other revenue, recognised during the year comprised the following:

	Year ended 31 March	
	2015 HK\$'000	2014 HK\$'000
CONTINUING OPERATIONS		
Turnover		
Gold ornament, jewellery, watch, fashion and gift retailing	817,617	1,132,248
Bullion trading	10,083	15,611
Diamond wholesaling	4,510	7,980
	<u>832,210</u>	<u>1,155,839</u>
Other revenue		
Revenue on construction contracts	3,314	1,502
Income from provision of travel related products and services	6,739	6,392
	<u>10,053</u>	<u>7,894</u>
	842,263	1,163,733
DISCONTINUED OPERATION		
Turnover		
Commission from securities broking	—	913
	<u>—</u>	<u>913</u>
Total revenue	<u>842,263</u>	<u>1,164,646</u>

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging and (crediting):

	Year ended 31 March	
	2015	2014
	HK\$'000	HK\$'000
Continuing operations		
Auditors' remuneration		
— provision for the current year	778	840
Cost of inventories sold, including	668,242	889,988
— provision for and write down of inventories to net realisable value	13,854	14,211
— reversal of provision for and write down of inventories to net realisable value*	(7,916)	(5,863)
Depreciation of property, plant and equipment	10,738	18,352
Depreciation of investment properties	33	33
Foreign exchange difference, net	47	(75)
Loss on write off/disposal of property, plant and equipment	5,713	610
Loss on write off of investments at fair value through profit or loss	19	—
Operating lease charges in respect of properties	173,642	206,882
Operating lease charges in respect of furniture and fixtures	647	644
Outgoings in respect of investment properties	80	72
Provision for impairment loss of debtors		
— provided against allowance account	159	—
— reversal of provision	(21)	(53)
Provision for impairment loss of other receivables		
— reversal of provision	(88)	—
Provision for impairment loss of property, plant and equipment	1,500	—
Provision for long service payments		
— provided against the account	19	133
— reversal of provision	(162)	(17)
Directly write off of debtors	23	64
Directly write off of other receivables	57	—
Dividend income	(97)	(186)
Fair value change of investments at fair value through profit or loss	(2,369)	(1,647)
Gain on disposal of available-for-sale investments	(4,717)	—
Interest income from financial assets at amortised cost	(271)	(327)
Provision for impairment loss of available-for-sale investments		
— reversal of provision	—	(191)
Rental income		
— owned properties	(622)	(610)
— operating sub-leases	—	(6)
	<u> </u>	<u> </u>

* The reversal of provision for and write down of inventories to net realisable value arose from inventories that were sold subsequently during the year.

7. TAXATION

No Hong Kong profits tax has been provided for the year as the Group has no estimated assessable profit (2014: Nil). Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates.

The amount of taxation (credited)/charged to the consolidated income statement represents:

	Year ended 31 March	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations		
Current tax		
— Hong Kong		
Under provision of prior years	160	—
— Overseas		
Current year	31	446
Deferred tax		
— Hong Kong		
Current year	<u>(1,928)</u>	<u>—</u>
Taxation (credit)/charge	<u><u>(1,737)</u></u>	<u><u>446</u></u>

8. DISCONTINUED OPERATION

By the end of July 2013, the business of securities broking operated by two subsidiaries of the Company, King Fook Securities Company Limited and King Fook Commodities Company Limited, had been ceased. This business segment was presented as discontinued operation in accordance with HKFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, accordingly.

The results of the securities broking segment for the year ended 31 March 2014 were as follows:

	<i>HK\$'000</i>
Income	1,137
Expenses	<u>(4,763)</u>
Loss before taxation	(3,626)
Taxation	<u>—</u>
Loss for the year ended 31 March 2014	<u><u>(3,626)</u></u>

The cash flows of the securities broking segment for the year ended 31 March 2014 were as follows:

	<i>HK\$'000</i>
Operating cash flows	(10,805)
Investing cash flows	<u>4,959</u>
Total cash flows	<u><u>(5,846)</u></u>

9. DIVIDEND

No dividend was paid or proposed during the years ended 31 March 2014 and 2015, nor has any dividend been proposed since the end of the reporting period.

10. LOSS PER SHARE**Continuing and discontinued operations**

The calculation of basic loss per share is based on the consolidated loss attributable to the shareholders of the Company of HK\$149,251,000 (2014: HK\$131,229,000) and on the weighted average number of 652,607,475 (2014: 601,401,831) ordinary shares in issue during the year.

Diluted loss per share for the years ended 31 March 2014 and 2015 are the same as the basic loss per share as there were no dilutive potential ordinary shares during both years.

Continuing operations

The calculation of basic loss per share from continuing operations attributable to the shareholders of the Company is based on the following data:

	Year ended 31 March	
	2015	2014
	HK\$'000	HK\$'000
Loss for the year	149,251	131,229
Less: Loss for the year from discontinued operation	<u>—</u>	<u>3,626</u>
Loss for the purpose of basic loss per share from continuing operations	<u>149,251</u>	<u>127,603</u>

The denominators used are the same as those detailed above for basic loss per share.

Discontinued operation

For the year ended 31 March 2014, basic loss per share for the discontinued operation attributable to the shareholders of the Company was HK0.6 cent, based on the loss for the year ended 31 March 2014 from the discontinued operation of HK\$3,626,000 and the denominators detailed above for basic loss per share.

Diluted loss per share from discontinued operation for the year ended 31 March 2014 was the same as the basic loss per share as there were no dilutive potential ordinary shares during the year ended 31 March 2014.

11. DEBTORS, DEPOSITS AND PREPAYMENTS

	As at 31 March	
	2015	2014
	HK\$'000	HK\$'000
Trade debtors	5,451	17,998
Other receivables	14,013	23,332
Deposits and prepayments	41,418	53,226
	<u>60,882</u>	<u>94,556</u>

The ageing analysis of trade debtors, based on the invoice dates, was as follows:

	As at 31 March	
	2015	2014
	HK\$'000	HK\$'000
Within 30 days	2,337	12,401
31–90 days	324	420
More than 90 days	2,790	5,177
	<u>5,451</u>	<u>17,998</u>

Trade debtors were normally due within three months.

12. CREDITORS, DEPOSITS RECEIVED, ACCRUALS AND DEFERRED INCOME

	As at 31 March	
	2015	2014
	HK\$'000	HK\$'000
Trade payables	15,151	24,198
Other payables and accruals	11,758	25,296
Deposits received and deferred income	6,767	6,038
Other provision	675	675
	<u>34,351</u>	<u>56,207</u>

The ageing analysis of trade payables, based on the invoice dates, was as follows:

	As at 31 March	
	2015	2014
	HK\$'000	HK\$'000
Within 30 days	9,820	13,546
31–90 days	1,630	5,269
More than 90 days	3,701	5,383
	<u>15,151</u>	<u>24,198</u>

4. DISCLOSURE UNDER SECTION 436 OF THE COMPANIES ORDINANCE

The financial information of the Group relating to the three years ended 31 March 2015 included in this appendix does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the two years ended 31 March 2014 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 March 2015 in due course.

The Company's auditor has reported on the financial statements of the Group for these years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Companies Ordinance.

5. INDEBTEDNESS

As at the close of business on 31 May 2015, being the latest practicable date for ascertaining information regarding this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK\$162,091,000 comprising bank loans of approximately HK\$144,500,000 and unsecured gold loans of approximately HK\$17,591,000. As at 31 May 2015, except for the bank loan of the Group of HK\$7,500,000 which was secured by an insurance policy with coverage of HK\$19,383,000, all other loans were unsecured.

As at the close of business on 31 May 2015, the Group had no contingent liability arising in the ordinary course of business.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the approximate rates of exchange prevailing at the close of business on 31 May 2015.

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

6. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Hong Kong luxury goods retail market has not recovered since the outbreak of "Occupy Central" protests, and has further deteriorated by weakened consumption patterns and decreased spending of tourists from Mainland China. The Group expects the sluggish market conditions will continue and the challenge to the luxury goods retail market is severe.

Looking forward, the Group will enhance its competitiveness by cautiously reviewing and adjusting its store locations, operating costs and product mix so as to better address the changing tourists' needs and the local market. With implementation of rigorous costs control, the Group has successfully reduced the distribution and selling costs and administrative expenses in the second half of the year ended 31 March 2015. The slowdown of the luxury goods retail market has already eased rental pressure, and some correction in rental would be expected. Moreover, the management will improve operating efficiency by streamlining the operations and optimising internal resources.

With its solid foundation and reputation, the Group is well positioned to provide exquisite, stylish and finest quality products to its customers. The management will continue launching various marketing activities and promotional events to maintain relationship with existing customers and attract new customers. Online consumption continues to trend up and is beginning to seriously influence the local retail market. The Group will take steps to develop an online platform for e-Commerce which may enable the management to better gauge customers' consumption patterns so as to more effectively localise or personalise products offerings and enhance sales efficiency. The online platform may also help directing internet users to visit the Group's retail shops personally.

7. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that the Group has sufficient working capital for its present requirements and for at least 12 months from the date of this circular in the absence of any unforeseeable circumstances after taking into account its present internal resources and available banking facilities together with the estimated net proceeds of the Rights Issue.

8. MATERIAL CHANGE

Save as disclosed in the annual results announcement of the Company for the year ended 31 March 2015 ("FY2014/15"), in particular,

- 1) the decrease in the Group's turnover from retail business from approximately HK\$1,132.2 million for the year ended 31 March 2014 ("FY2013/14") to approximately HK\$817.6 million for FY2014/15 mainly attributable to the decrease in spending of the tourists from Mainland China resulting from Mainland China's decelerating economic growth and Chinese Government's anti-extravagant campaign, the negative impact of the outbreak of the "Occupy Central" protests during the third quarter of 2014 and the closing down or downsizing of five underperformed shops to consolidate the floor areas of the Group's retail shops in Hong Kong to counter-balance the declining climate in the luxury goods retail market;
- 2) the decline in the Group's gross profit margin from 23.7% for FY2013/14 to 20.9% for FY2014/15 mainly due to aggressive discounts offered by the Group to attract sales during FY2014/15;
- 3) the decrease in distribution and selling expenses from approximately HK\$325.9 million for FY2013/14 to approximately HK\$262.7 million for FY2014/15 mainly attributable to reduction in marketing cost and rental expenses as the Group closed down or downsized five underperformed shops during the period;

- 4) the increase in consolidated loss attributable to Shareholders from continuing operations from approximately HK\$127.6 million for FY2013/14 to approximately HK\$149.3 million for FY2014/15 mainly caused by the decline in turnover of the Group and drop in the Group's gross profit margin for FY2014/15;
- 5) the decrease in balance of property, plant and equipment from approximately HK\$23.0 million as at 31 March 2014 to approximately HK\$8.2 million as at 31 March 2015 due to the write off/disposal of, provision for impairment loss of and depreciation of property, plant and equipment during FY2014/15;
- 6) the decrease in total borrowing, which comprised bank loans and gold loans, of the Group by around 26.9% from 31 March 2014 to 31 March 2015; and
- 7) the Group's expectation that the sluggish market conditions will continue and the challenge to the luxury retail market is severe,

the Board confirms that there had been no material change in the financial or trading position or outlook of the Group since 31 March 2014 (the date to which the latest audited consolidated financial statements of the Group were made up) and up to and including the Latest Practicable Date.

For illustrative purpose only, set out below is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group after completion of the Rights Issue. Although reasonable care has been exercised in preparing the unaudited pro forma financial information, Shareholders who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the Group's financial results and positions for the financial periods concerned.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED 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 Rights Issue, which involves the issue of 261,042,990 Rights Shares at the Subscription Price of HK\$0.60 per Rights Share on the basis of two Rights Shares for every five existing Shares in issue held on the Record Date, on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as if the Rights Issue had taken place on 31 March 2015.

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 consolidated statement of financial position of the Group as at 31 March 2015, as extracted from the published annual results announcement of the Company for the year ended 31 March 2015 and is adjusted for the effect of the Rights Issue.

The Unaudited Pro Forma Financial Information of the Group has been prepared for illustrative purpose only, based on the judgements, 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 Rights Issue actually been completed on 31 March 2015 or at any future date.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2015 (Note 2) HK\$'000	Estimated net proceeds of the Rights Issue (Note 3) HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company HK\$'000
Issue of 261,042,990 Rights Shares at Subscription Price of HK\$0.60 per Rights Share (Note 1)	<u>707,455</u>	<u>151,626</u>	<u>859,081</u>
	HK\$		HK\$
Consolidated net tangible assets of the Group attributable to the owners of the Company per Share as at 31 March 2015 (Note 2)	<u>1.08</u>		
Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share (Note 4)			<u>0.94</u>

Notes:

- 1) The Rights Issue of 261,042,990 Rights Shares is calculated on the basis of two Rights Shares for every five existing Shares and 652,607,475 Shares in issue as at the Latest Practicable Date.
- 2) The calculation of consolidated net tangible assets of the Group attributable to the owners of the Company per Share is based on 652,607,475 Shares in issue as at 31 March 2015.
- 3) The estimated net proceeds of the Rights Issue of approximately HK\$151,626,000 is calculated based on 261,042,990 Rights Shares to be issued at the Subscription Price of HK\$0.60 per Right Share and after deduction of the estimated related expenses of approximately HK\$5,000,000.
- 4) The unaudited pro forma adjusted consolidated net tangible assets per Share after the completion of the Rights Issue is calculated based on 913,650,465 Shares assuming that the Rights Issue had been completed on 31 March 2015.
- 5) The unaudited pro forma financial information of the Group presented above does not take account of any trading result or other transactions of the Group entered into subsequent to 31 March 2015.

The following is the text of a report from BDO Limited, the independent reporting accountants, in respect of the unaudited pro forma financial information of the Group as set out in this Appendix and prepared for the sole purpose of inclusion in this circular.

B. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The Board of Directors
King Fook Holdings Limited
9th Floor, King Fook Building
30–32 Des Voeux Road Central
Hong Kong

Dear Sirs

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of King Fook Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of consolidated net tangible assets of the Group as at 31 March 2015, and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out on pages II – 1 to II – 2 of the circular issued by the Company dated 24 July 2015 (the “**Circular**”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II – 1 to II – 2 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact in respect of the proposed rights issue of 261,042,990 rights shares on the basis of two rights shares for every five existing shares in issue held on the record date (the “**Rights Issue**”) on the Group’s consolidated net tangible assets as at 31 March 2015 as if the Rights Issue had taken place on 31 March 2015. As part of this process, information about the Group’s net tangible assets has been extracted by the Directors from the Company’s annual results announcement for the year ended 31 March 2015 which was published on 25 June 2015.

Directors’ responsibility 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 accountant’s responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited 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 Unaudited 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 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 accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the

Directors have compiled the Unaudited 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 Unaudited 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 Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the 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 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 on 31 March 2015 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited 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 Unaudited 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 unaudited pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited 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 judgement, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited 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 Unaudited 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 purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully

BDO Limited

Certified Public Accountants

Hong Kong, 24 July 2015

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 Group. 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.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than information relating to YCSEL and parties acting in concert with it) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement herein misleading.

The information contained herein (other than that relating to the Group) has been supplied by the directors of YCSEL, who jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement herein misleading.

SHARE CAPITAL

The Company does not have an authorised share capital. The Shares do not have any nominal value. The issued share capital of the Company as at the Latest Practicable Date was and immediately after completion of the Rights Issue will be, as follows:

Issued and to be issued, fully paid or credited as fully paid:

652,607,475	Shares in issue as at the Latest Practicable Date
<u>261,042,990</u>	Rights Shares to be issued
<u><u>913,650,465</u></u>	Shares

All the Shares in issue rank, pari passu in all respects with each other including rights to dividends, voting and return of capital. The Rights Shares, when allotted, issued and fully paid, will rank pari passu with each other and the then existing Shares in issue in all respects including rights to dividends, voting and return of capital.

Subsequent to 31 March 2015, the end of the last financial year of the Company, and up to the Latest Practicable Date, the Company had not issued any Shares.

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 the Rights 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 warrants, options, derivatives or securities convertible into or exchangeable for Shares.

DIRECTORS

Executive Directors

Mr. Yeung Ping Leung, Howard, aged 58, was appointed as a Director and the chairman of the Company in 1987 and 1998 respectively. Mr. Yeung is a director of King Fook Jewellery Group Limited and King Fook Holding Management Limited and an executive director of King Fook Gold & Jewellery Company Limited, all of which are wholly owned subsidiaries of the Company. He is a director of New World Development Company Limited and Miramar Hotel and Investment Company, Limited (both of which are listed on the Main Board of the Stock Exchange).

Mr. Tang Yat Sun, Richard, aged 62, was appointed as a Director and the vice chairman of the Company in 1987 and 1998 respectively. Mr. Tang is a director of King Fook Jewellery Group Limited and an executive director of King Fook Gold & Jewellery Company Limited, two wholly owned subsidiaries of the Company. He is a MBA graduate from The University of Santa Clara, California, USA and a holder of Bachelor of Science degree in Business Administration from Menlo College, California, USA. Mr. Tang is the chairman and managing director of Richcom Company Limited. He is also an executive director of Miramar Hotel and Investment Company, Limited and an independent non-executive director of Hang Seng Bank Limited and Wheelock and Company Limited (all of which are listed on the Main Board of the Stock Exchange) and a director of various private business enterprises. He is also an adviser of Tang Shiu Kin and Ho Tim Charitable Fund.

Mr. Cheng Ka On, Dominic, aged 65, was appointed as a Director in 1987. Mr. Cheng is a director of King Fook Jewellery Group Limited and an executive director of King Fook Gold & Jewellery Company Limited, two wholly owned subsidiaries of the Company. He is a director of Miramar Hotel and Investment Company, Limited, which is listed on the Main Board of the Stock Exchange, and is the managing director of the Onflo International Group of Companies.

Ms. Fung Chung Yee, Caroline, aged 62, was appointed as a Director in 1987. Ms. Fung is a director of King Fook Jewellery Group Limited and King Fook China Resources Limited, two wholly owned subsidiaries of the Company. She joined the Group in 1983. She is a member of the Remuneration Committee of the Company.

Non-executive Director

Mr. Wong Wei Ping, Martin, aged 73, is a non-executive Director and a member of the Audit Committee of the Company. He is a director of Citizen Thunderbird Travel Limited and Columbia Express Limited. He was appointed as a Director in 2000.

Independent non-executive Directors

Mr. Lau To Yee, aged 77, was appointed as an independent non-executive Director in 1994. He is a member of the Audit Committee of the Company.

Mr. Cheng Kar Shing, Peter, aged 62, was appointed as an independent non-executive Director in 1997. He is a member of the Remuneration Committee of the Company and a director of King Fook Gold & Jewellery Company Limited, a wholly owned subsidiary of the Company. Mr. Cheng is a director of New World Development Company Limited and an executive director of New World China Land Limited, both of which are listed on the Main Board of the Stock Exchange. He is also a director of New World Hotels (Holdings) Limited and Chow Tai Fook Enterprises Limited, and the deputy managing director of New World Development (China) Ltd.

Mr. Ho Hau Hay, Hamilton, aged 64, was appointed as a non-executive Director in 2004 and re-designated as an independent non-executive Director in June 2012. He is an independent non-executive director of New World Development Company Limited (which is listed on the Main Board of the Stock Exchange) and an executive director of Honorway Investments Limited and Tak Hung (Holding) Company Limited.

Mr. Sin Nga Yan, Benedict, aged 51, was appointed as a non-executive Director in 2006 and was re-designated as an independent non-executive Director in June 2012. He is a director and general manager of Myer Jewelry Manufacturer Limited. He is a member of the Australian Society of Certified Practising Accountants and a solicitor of the Supreme Court of New South Wales, Australia, the Supreme Court of England and Wales and the High Court of Hong Kong. Mr. Sin is the chairman of the Jewellery Advisory Committee and a committee member of the Fair Organising Committee of The Hong Kong Trade Development Council, a permanent honorary director of The Federation of Hong Kong Watch Trades & Industries Limited, the chairman of the Council of Management of Hong Kong Jewellery & Jade Manufacturers Association and a member of the Assembly of General Committee of Hong Kong Jewelry Manufacturers' Association.

Mr. Cheng Kwok Shing, Anthony, aged 68, was appointed as an independent non-executive Director in 2013. He is the chairman of the Audit Committee and the Remuneration Committee of the Company. He is a Fellow and a Certified Public Accountant (Practicing) of The Hong Kong Institute of Certified Public Accountants and has over 40 years of experience in auditing and accounting field.

The business address of all Directors is at 9th Floor, King Fook Building, 30-32 Des Voeux Road Central, Hong Kong.

Mr. Wong Wei Ping, Martin is the brother-in-law of Mr. Yeung Ping Leung, Howard. Save as disclosed above, none of the Directors or members of the senior management mentioned below have any relationship with each other.

SENIOR MANAGEMENT

Ms. Wong Ka Ki, Kay, aged 57, is the general manager of the Group. She joined the Group in 1999 and is responsible for the Group's overall management and business development. She has extensive management experience in the service and retail industry.

Mr. Luk Kwing Yung, aged 67, is the general manager of King Fook Jewellery Group Limited. He has extensive management experience in the retail industry, specialising in gold, jewellery and watch retailing. He has been with the Group for 49 years.

Mr. Kwong Chun Chung, aged 47, joined the Group in 2015 and is the financial controller of the Group. He has 21 years of experience in the field of finance, auditing and accounting. He holds a MBA degree from the Chinese University of Hong Kong and is a member of the Hong Kong Institute of Certified Public Accountants.

CORPORATE INFORMATION

Registered office	9th Floor, King Fook Building 30–32 Des Voeux Road Central Hong Kong
Company secretary	Ms. Cheung Kit Man, Melina
Authorised representatives	Mr. Yeung Ping Leung, Howard Ms. Cheung Kit Man, Melina
Auditor	BDO Limited <i>Certified Public Accountants</i> 25th Floor, Wing On Centre 111 Connaught Road Central Hong Kong
Share registrar and transfer agent	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal bankers	Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong The Bank of East Asia, Limited 10 Des Voeux Road Central Hong Kong

The Hongkong and Shanghai Banking Corporation
Limited
HSBC Main Building
1 Queen's Road Central
Hong Kong

PARTIES INVOLVED IN THE RIGHTS ISSUE

Underwriter	Yeung Chi Shing Estates Limited 1st Floor, King Fook Building 30–32 Des Voeux Road Central Hong Kong
Financial adviser to the Company	Somerley Capital Limited 20th Floor, China Building 29 Queen's Road Central Hong Kong
Legal adviser to the Company	Jennifer Cheung & Co. Unit A, 19th Floor Two Chinachem Plaza 68 Connaught Road Central Hong Kong

MARKET PRICES

The table below shows the closing price of the Shares on the Stock Exchange on (i) the last trading day on which trading in Shares took place in each of the six calendar months immediately preceding the date of the Announcement; (ii) 3 July 2015, being the last trading day prior to the publication of the Announcement; and (iii) the Latest Practicable Date:

Date	Closing price of the Shares (HK\$)
30 January 2015	1.06
27 February 2015	0.81
31 March 2015	0.78
30 April 2015	1.04
29 May 2015	0.96
30 June 2015	0.98
3 July 2015	0.84
Latest Practicable Date	0.70

The highest and lowest closing prices per Share recorded on the Stock Exchange during the Relevant Period were HK\$1.29 on 8 June 2015 and HK\$0.64 on 9 July 2015 respectively.

DISCLOSURE OF INTERESTS

Interests of Directors

As at the Latest Practicable Date, the interests of the Directors in the share capital of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name	Number of Shares	Nature of interest	Percentage of shareholding
Mr. Tang Yat Sun, Richard	27,928,500	<i>(Note 1)</i>	4.28%
Mr. Cheng Ka On, Dominic	2,622,000	Beneficial owner	0.40%
Mr. Ho Hau Hay, Hamilton	4,755,000	Interest of controlled corporation <i>(Note 2)</i>	0.73%

Notes:

- 5,377,500 Shares are beneficially owned and 22,551,000 Shares are interest of controlled corporation (which Shares are held by Daily Moon Investments Limited in which Mr. Tang has a 100% interest).*
- These Shares are held by Tak Hung (Holding) Co. Ltd. in which Mr. Ho has a 40% interest.*

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which would have 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 he was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules to be notified to the Company and the Stock Exchange.

Save as disclosed above, none of the Directors were interested in any relevant securities of the Company as at the Latest Practicable Date.

Interests of other persons in the share capital of the Company

As at the Latest Practicable Date, so far as is known to the Directors, the following person (other than a Director or chief executive of the Company) had an interest in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Number of Shares	Nature of interest	Percentage of shareholding
Yeung Chi Shing Estates Limited	574,170,774	<i>Note</i>	62.84%

Note: These consist of (i) 303,887,754 Shares beneficially owned by YCSEL; (ii) 9,240,030 Shares beneficially owned by Hilmanway Enterprises Limited, its wholly owned subsidiary; (iii) 125,251,112 Rights Shares undertaken to be taken up by YCSEL and its associates under the Underwriting Agreement; and (iv) 135,791,878 Rights Shares underwritten by YCSEL under the Underwriting Agreement.

Mr. Yeung Ping Leung, Howard (the Chairman of the Company and an executive Director) and other members of his family control the management of YCSEL.

Save as disclosed above, taking no account of Shares which may be taken up under the Rights Issue, the Directors are not aware of any person (other than a Director or chief executive of the Company) who will immediately following the Rights Issue have an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed in this paragraph, none of YCSEL or any of its directors was interested in any other relevant securities of the Company as at the Latest Practicable Date.

Interests in YCSEL

As at the Latest Practicable Date, the Group did not have any beneficial interest in the relevant securities of YCSEL or its associates.

As at the Latest Practicable Date, none of the Directors had any beneficial interest in the relevant securities of YCSEL or its associates save that Mr. Yeung Ping Leung, Howard was interested in 1,575 preference shares and 161,535 ordinary shares of YCSEL, representing 10.5% and 11.79% of YCSEL's issued preferential shares and ordinary shares respectively.

Dealings in securities of the Company

During the Relevant Period, none of the Directors, YCSEL, its directors or parties acting in concert with it had any dealings in the relevant securities of the Company.

Dealings in securities of YCSEL

During the Relevant Period, none of the Group or the Directors had any dealings in the relevant securities of YCSEL.

Interests in other members of the Group

As at the Latest Practicable Date, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) were, directly or indirectly, interested in 10% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of the following subsidiaries of the Company:

- (a) Mr. David Cheng Kam Hung was interested in (i) 20% of the issued share capital of each of Evermind Limited, Perfectrade Limited, Metal Innovation Limited, PTE Engineering Limited, Perfectrade Macau Limited and Grand Year Engineering Limited; and (ii) 15% of the issued share capital of Mempro Limited (under liquidation); and
- (b) Temple Belle Limited was interested in 25% of the issued share capital of Mempro Limited (under liquidation).

As at the Latest Practicable Date, no capital of any subsidiary of the Company is under option or agreed conditionally or unconditionally to be put under option.

Interests of experts in the Group

None of the experts named in the paragraph headed “Qualification of experts” in this appendix has any shareholding in any company in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in the Group.

Interests in assets, contracts or arrangements

- (a) The Company entered into a licence agreement dated 7 December 1998 (as supplemental on 10 September 2004) with YCSEL pursuant to which the Company was granted an exclusive right for the design, manufacture and distribution of gold and jewellery products under the trademark of “King Fook” on a worldwide basis for a total consideration of HK\$1. The agreement commenced from 7 December 1998 and does not fix the termination date.
- (b) The Company and King Fook Jewellery Group Limited (“KF Jewellery”), a wholly owned subsidiary of the Company (as tenants) and Stanwick Properties Limited (“Stanwick”), a wholly owned subsidiary of YCSEL (as landlord) entered into 9 tenancy agreements all dated 13 August 2013 in respect of Basement, Ground Floor, Mezzanine Floor, and 3rd, 5th, 6th, 7th, 8th, 9th and 10th Floors of King Fook Building, 30-32 Des Voeux Road Central, Hong Kong for a term of two years from 16 August 2013 at the total monthly rent of HK\$1,025,365, exclusive of management fees and air-conditioning charges totalling HK\$100,800 per month, and rates. With the consent of the landlord, the tenancy agreement for 6th Floor of King Fook Building was terminated effective from 15 June 2015.
- (c) KF Jewellery (as tenant) entered into a tenancy agreement dated 13 January 2015 with Fabrico (Mfg) Limited (a wholly owned subsidiary of YCSEL) relating to Apartment F, 3rd Floor, Comfort Building, 88 Nathan Road, Kowloon at the monthly rent of HK\$15,000 exclusive of rates on a monthly basis, terminable by either party by serving one month’s advance notice to the other party.

- (d) The Company entered into an agreement dated 13 August 2013 with Stanwick pursuant to which the Company was granted the right to use the furniture and fixture at 3rd Floor of King Fook Building (which is used by the Group as conference rooms) at the monthly fee of HK\$25,480 for a term of two years from 16 August 2013.
- (e) KF Jewellery entered into a vehicle licence agreement with YCSEL pursuant to which KF Jewellery leases a vehicle from YCSEL at the annual rent of HK\$1 commencing from 1 April 2011 and renewable automatically every 12 months after its commencement until one party serving one month's advance notice of termination on the other party.

Save as disclosed above, none of the Directors or experts named in the paragraph headed "Qualification of experts" in this appendix has any direct or indirect interest in any assets acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2015, being the date to which the latest published audited accounts of the Company were made up, and none of the Directors has any interests in contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group taken as a whole.

Service contracts

The Company and Verbal Co. Ltd. ("Verbal") (a company in which both Mr. Yeung Ping Leung, Howard and Mr. Tang Yat Sun, Richard are directors and Mr. Yeung Ping Leung, Howard has beneficial interest) entered into a service agreement dated 18 March 2015. Pursuant to such agreement, Verbal agreed to provide the service of Mr. Yeung Ping Leung, Howard to the Group for a term of one year from 1 April 2015. Verbal is entitled to (a) remuneration at the rate of HK\$150,000 per month; (b) for the financial year ending 31 March 2016, a bonus equal to the aggregate of (i) 4% of the consolidated net profit before taxation (exclusive of realised investment income) of the Company for such year (the "Profit") if it is below HK\$30 million, or (ii) 4.5% of the Profit if it is equal to or exceeds HK\$30 million, and 2% of the realised investment income of the Company for such year.

Save as disclosed above, there is no service contract with the Company or any of its subsidiaries or associated companies in force for the Directors (i) which (including both continuous and fixed term contracts) has been entered into or amended within 6 months before the date of the Announcement; (ii) which is a continuous contract with a notice period of 12 months or more; or (iii) which is a fixed term contract with more than 12 months to run irrespective of the notice period. There was no earlier service contract with the Company or any of its subsidiaries or associated companies for the Directors which had been replaced or amended within six months before the date of the Announcement.

There is no existing or proposed service contract between any member of the Group and any Director (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensations)).

Miscellaneous

As at the Latest Practicable Date:

- (a) no relevant securities in the Company was owned or controlled by any person who had, prior to the posting of this circular, irrevocably committed themselves to vote for or against the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver or to accept or reject the Rights Issue except the undertaking of YCSEL mentioned in the paragraph headed "Irrevocable

- undertaking from YCSEL” in the letter from the Board set out in this circular and that Mr. Tang Yat Sun, Richard, Mr. Cheng Ka On, Dominic and Mr. Ho Hau Hay, Hamilton had informed the Company that they intended to vote for the Rights Issue, the Underwriting Agreement and the Whitewash Waiver;
- (b) no relevant securities in the Company was owned or controlled by a person with whom YCSEL or any person acting in concert with it had any arrangement of the kind referred to in Note 8 to Rule 22 of the Code;
 - (c) no relevant securities in the Company had been borrowed or lent (save for any borrowed relevant securities which have been either on-lent or sold) by YCSEL or any persons acting in concert with YCSEL;
 - (d) no benefit (other than statutory compensation) would be given to any Director as compensation for loss of office or otherwise in connection with the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver;
 - (e) save for the Underwriting Agreement, no agreement, arrangement or understanding (including any compensation arrangement) existed between YCSEL or any person acting in concert with it and any Director, recent Director, shareholder or recent shareholder of the Company which had any connection with or dependence upon the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver;
 - (f) save for the Underwriting Agreement, there was no agreement or arrangement to which YCSEL was a party which related to the circumstances in which it may or may not invoke or seek to invoke a condition to the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver;
 - (g) no relevant securities in the Company was owned or controlled by a subsidiary of the Company or by a pension fund of any member of the Group or by Somerley Capital Limited, Amasse Capital or by any adviser to the Company as specified in class (2) of the definition of associates (excluding exempt principal traders) under the Code;
 - (h) no relevant securities in the Company was owned or controlled by any person who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Code;
 - (i) no relevant securities in the Company was managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company;
 - (j) no relevant securities in the Company had been borrowed or lent (save for any borrowed relevant securities which have been either on-lent or sold) by the Company or any Directors;
 - (k) Save for the Underwriting Agreement, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver or otherwise connected with the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver; and

- (1) save for the Underwriting Agreement and the agreements mentioned in the paragraph headed “Interests in assets, contracts or arrangements” above, no material contracts had been entered into by YCSEL in which any Director had any a material personal interest.

MATERIAL CONTRACTS

Save for the Underwriting Agreement, no contracts (not being contracts in the ordinary course of business) had been entered into by any member of the Group within the two years preceding the date of the Announcement and up to the Latest Practicable Date which were or might be material.

LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

QUALIFICATION OF EXPERTS

The qualifications of the experts who have given opinions in this circular are as follows:

Name	Qualification
BDO Limited	Certified Public Accountants, Hong Kong
Amasse Capital Limited	a licensed corporation under the SFO licensed to conduct type 6 (advising on corporate finance) regulated activity under the SFO

CONSENTS

The experts named in the paragraph headed “Qualification of experts” in this appendix have given and have not withdrawn their respective written consents to the issue of this circular with copies of their reports, valuation or letters (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

GENERAL

- (a) The secretary of the Company is Ms. Cheung Kit Man, Melina. She holds a bachelor degree in business administration from the Chinese University of Hong Kong and has over 30 years’ experience in company secretarial work.
- (b) The registered office of YCSEL is situated at 1st Floor, King Fook Building, 30-32 Des Voeux Road Central, Hong Kong. The directors of YCSEL are Mr. Yeung Ping Leung, Howard, Global H.K. Investments Limited, Kennet Nominee Limited and YCS International Development Limited. Madam Yeung Ho Wai Ping, Mr. Yeung Ping Leung, Howard, Mr. Yeung Bing Kin, Mr. Yeung Ka Shing and Ms. Yeung Sze Man, all of 1st Floor, King Fook Building, 30-32 Des Voeux Road Central, Hong Kong, are principal members of parties acting in concert with YCSEL.

- (c) As at the Latest Practicable Date, there was no agreement, arrangement or understanding between YCSEL (and parties acting in concert with it) and any other person whereby the Shares to be acquired under the Rights Issue will be transferred, charged or pledged to any other persons.
- (d) The English text of this circular shall prevail over the Chinese text.

EXPENSES

The expenses in connection with the Rights Issue, including underwriting commission, financial advisory fees, printing, registration, legal and accounting fees, are estimated to be approximately HK\$5 million and will be payable by the Company.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) at the offices of Jennifer Cheung & Co. at Unit A, 19th Floor, Two Chinachem Plaza, 68 Connaught Road Central, Hong Kong during normal business hours from 9:30 a.m. to 5:30 p.m. up to and including 11 August 2015, being the date of the EGM; (ii) on the website of the SFC (<http://www.sfc.hk>); and (iii) on the Company's website (<http://www.irasia.com/listco/hk/kingfook/index.htm>):

- (a) the articles of association of the Company;
- (b) the articles of association of YCSEL;
- (c) the annual reports of the Company for the two years ended 31 March 2015;
- (d) the letter from Amasse Capital;
- (e) the letter from the Independent Board Committee;
- (f) the accountants' report on the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group issued by BDO Limited, the text of which is set out in Appendix II to this circular;
- (g) the service agreement referred to in the paragraph headed "Disclosure of interests" in this appendix;
- (h) the Underwriting Agreement; and
- (i) the written consents referred to in the paragraph headed "Consents" in this appendix.

NOTICE OF EXTRAORDINARY GENERAL MEETING



king fook holdings limited 景福集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 280)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the above mentioned company (the “Company”) will be held at Tsui Hang Village, 2nd Floor, New World Tower, 16–18 Queen’s Road Central, Hong Kong on 11 August 2015 at 4:00 p.m. for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“THAT:

- (a) the issue by way of rights of 261,042,990 new shares of the Company (“Right Shares”) to shareholders on the register of members of the Company on 17 August 2015 (or such other date as may be determined by the directors of the Company) substantially on the terms and conditions set out in the circular of the Company dated 24 July 2015 (a copy of which marked “A” is produced to the meeting and signed by the Chairman for the purpose of identification) and such other terms and conditions as may be determined by the directors of the Company, be and is hereby approved and the directors of the Company be and are hereby authorised to issue and allot such Rights Shares by way of rights and otherwise on the terms set out in such document;
- (b) the underwriting agreement dated 3 July 2015 between inter alia, the Company and Yeung Chi Shing Estates Limited (“YCSEL”), a copy of which marked “B” is produced to the meeting and signed by the Chairman for the purpose of identification, whereby YCSEL agrees to take up its and its associates’ entitlement in full under the Rights Issue and to underwrite up to 135,791,878 Rights Shares under the Rights Issue (the “Underwriting Agreement”) be and is hereby approved and confirmed and the directors of the Company be and are hereby authorised to implement the transactions contemplated by the Underwriting Agreement; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (c) the granting of a waiver to YCSEL and parties acting in concert with it (the “Concert Group”) of any obligation to make a general offer under the Code on Takeovers and Mergers for all the issued shares of the Company (other than those owned or agreed to be acquired by the Concert Group) as a result of the subscription of Rights Shares pursuant to the Underwriting Agreement and/or pursuant to any application of the Concert Group for any excess Rights Shares accepted by the Company be and is hereby approved.”

By Order of the Board
Cheung Kit Man, Melina
Company Secretary

Hong Kong, 24 July 2015

Registered office:

9th Floor
King Fook Building
30-32 Des Voeux Road Central
Hong Kong

Notes:

1. *A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint not more than two proxies (except a member who is a clearing house or its nominee may appoint more than two proxies) to attend and vote in his stead. A proxy need not be a member of the Company.*
2. *In order to be valid, a form of proxy must be deposited at the Company’s registered office together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, not less than 48 hours (excluding any part of a day that is a public holiday) before the time for holding the meeting or adjourned meeting.*

As at the date of this notice, the executive directors of the Company are Mr. Yeung Ping Leung, Howard, Mr. Tang Yat Sun, Richard, Mr. Cheng Ka On, Dominic and Ms. Fung Chung Yee, Caroline; the non-executive director is Mr. Wong Wei Ping, Martin; and the independent non-executive directors are Mr. Lau To Yee, Mr. Cheng Kar Shing, Peter, Mr. Ho Hau Hay, Hamilton, Mr. Sin Nga Yan, Benedict and Mr. Cheng Kwok Shing, Anthony.