

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

If you have sold or transferred all your Shares in **Tack Fiori International Group Limited**, you should at once forward this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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**TACK FIORI INTERNATIONAL GROUP LIMITED**

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

**(Stock Code: 928)**

**(1) PROPOSAL FOR THE GRANT OF  
GENERAL MANDATE TO ISSUE SHARES;  
(2) RE-ELECTION OF DIRECTORS;  
AND**

**(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



A letter from the Board is set out on pages 3 to 8 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 9 to 10 of this circular. A letter from Akron containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 11 to 21 of this circular.

A notice convening the EGM to be held at 11:00 a.m. on 21 March 2014 at Lower Lobby, Plaza 3, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong is set out on pages 22 to 24 of this circular. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar in Hong Kong, **Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong** as soon as possible but in any event not less than 48 hours before the time scheduled for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the EGM or any adjourned meeting thereof should you so wish.

28 February 2014

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## DEFINITIONS

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

“Akron”	Akron Corporate Finance Limited, a licensed corporation to carry on business in Type 6 regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the grant of Issue Mandate
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	board of Directors of the Company
“Company”	Tack Fiori International Group Limited (Stock Code: 928), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held at 11:00 a.m. on 21 March 2014 at Lower Lobby, Plaza 3, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong, or any adjournment thereof, notice of which is set out on pages 22 to 24 of this circular
“General Mandate”	the issue mandate granted by Independent Shareholders at the extraordinary general meeting of the Company held on 5 December 2013 to allot, issue and deal with up to a maximum of 35,740,362 new Shares
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors of the Company to advise the Independent Shareholders in respect of the grant of Issue Mandate

## DEFINITIONS

“Independent Shareholder(s)”	any Shareholders other than controlling Shareholders of the Company and their associates or, if there are no controlling Shareholders, any Shareholders other than Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates
“Issue Mandate”	the proposed mandate to be sought at the EGM to authorize the Directors to allot, issue and deal with new Shares not exceeding 20% of the aggregate nominal amount of share capital of the Company in issue as at the date of the EGM
“Latest Practicable Date”	26 February 2014 being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“SFO”	Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)
“Shares”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.



**TACK FIORI INTERNATIONAL GROUP LIMITED**

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

**(Stock Code: 928)**

*Executive Directors:*

Mr. Chung Yuk Lun

*(Managing Director and Chief Executive Officer)*

Mr. Chan Chak Kai, Kenneth

Mr. Wan Wai Hei, Wesley

Mr. Wang Liang

Mr. Zhang Bao Yuan

*Independent Non-executive Directors:*

Dr. Leung Shiu Ki, Albert

Mr. Robert James Iaia II

Ms. Lam Yan Fong, Flora

Mr. Yau Yan Ming, Raymond

Mr. Miu H., Frank

*Registered office:*

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Principal place of business  
in Hong Kong:*

8/F., China United Centre

28 Mable Road

North Point

Hong Kong

28 February 2014

*To the Shareholders*

Dear Sir or Madam,

**(1) PROPOSAL FOR THE GRANT OF  
GENERAL MANDATE TO ISSUE SHARES;**

**(2) RE-ELECTION OF DIRECTORS;**

**AND**

**(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

The purpose of this circular is to provide you with information in relation to (i) the grant of Issue Mandate; (ii) the re-election of Directors; (iii) the recommendation from the Independent Board Committee to the Independent Shareholders with regard to the grant of Issue Mandate; (iv) the recommendation from Akron to the Independent Board Committee and the Independent Shareholders with regard to the grant of Issue Mandate; and (v) a notice of the EGM.

## LETTER FROM THE BOARD

### GRANT OF ISSUE MANDATE

At the extraordinary general meeting of the Company held on 5 December 2013, the Independent Shareholders approved, among other things, an ordinary resolution to grant to the Directors the General Mandate to issue, allot and deal with up to 35,740,362 new Shares, which is equivalent to 20% of the then issued share capital of the Company as at the date of the said extraordinary general meeting.

The Company entered into a placing agreement on 9 December 2013 in relation to the placing of 35,740,362 new Shares which was completed on 20 December 2013. Accordingly, 35,740,362 new Shares had been successfully placed and the net proceeds from the placing amounted to approximately HK\$75.16 million was received by the Company. The entire net proceeds will be used as general working capital of the Group. As at the Latest Practicable Date, the Company has used approximately HK\$11.7 million as general working capital including salaries and rental expenses. The remaining balance of approximately HK\$63.46 million has not yet been utilised and is maintained at bank. As a result, the General Mandate was fully utilised and the number of issued Shares of the Company was 214,442,176 by then.

PRC economy is experiencing a slowdown in GDP growth as a result of the continuous credit tightening policy. Recently PRC government advocated massive structural reforms which cast uncertainty over its economic development as the outcome of those reforms are unknown. These factors have caused the retail market environment in PRC to be challenging in the foreseeable future. In particular, the Group's retail business in PRC has been facing the pressure of continuous rising labor cost and operating cost apart from keen competition from other retailers. In order to overcome the competitive market in the PRC, the Company is closely monitoring and reviewing its retail business operation in PRC with the aim to consolidate and re-position its sales channel and network and streamline its operation manner so as to achieve cost savings. The Company believes that the grant of Issue Mandate would provide the Group with more financial flexibility to (i) explore business diversification which would increase the sales of the Group; (ii) provide capital for the Group's future business expansion; and (iii) provide cash buffer against adverse business environment. The Directors consider the grant of Issue Mandate is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board proposes the grant of Issue Mandate to allow Directors to issue and allot new Shares not exceeding 20% of the issued share capital of the Company as at the date of the EGM.

Further, though the existing cash resource and working capital of the Group are sufficient to conduct daily operations and to meet its present working capital requirements, the Company considered that by having additional working capital is a merit in conducting its business. The Board is of the view that the Issue Mandate would enhance the financial flexibility of the Group to raise funds for future investments and business development if and when necessary and hence to strengthen the capital base and financial position of the Company. Accordingly it is necessary to request Independent Shareholders to approve the Issue Mandate at the EGM.

## LETTER FROM THE BOARD

The Company believes that appropriate investment opportunities may arise at any time and investment decisions may have to be made within a short period of time. Therefore, the Board considers that it is important for the Company to raise funds on a timely basis in order to seize the investment opportunities that may arise. To this end, the Directors believe that the grant of Issue Mandate will enhance the Company's financial flexibility to expand and develop the business of the Company. Therefore, the grant of Issue Mandate to the Directors is in the interests of the Company and the Shareholders as a whole. The Board would consider other means of fund-raising such as rights issue or open offer, or to seek for a specific mandate to issue new shares when a specific usage can be identified. As at the Latest Practicable Date, the Company has no specific plan for any fund raising exercise.

Based on the 214,442,176 Shares in issue as at the Latest Practicable Date and assuming that there are no changes in the issued share capital of the Company from the Latest Practicable Date up to the date of the EGM, subject to the passing of the relevant ordinary resolution to approve the grant of Issue Mandate at the EGM, the Directors will be authorized to allot and issue up to 42,888,435 new Shares under the Issue Mandate. Though the grant of Issue Mandate may result in a maximum possible future dilution effect of approximately 16.67% in the shareholding of the Shareholders as enlarged by the issue of new Shares under the Issue Mandate when approved, the Company considers such potential future dilution of shareholding to be fair and reasonable and in the interests of the Company and the Shareholders as a whole after taking into consideration of the benefits of the grant of Issue Mandate mentioned above.

The Independent Board Committee, comprising Dr. Leung Shiu Ki, Albert, Mr. Robert James Iaia II, Ms. Lam Yan Fong, Flora, Mr. Yau Yan Ming, Raymond and Mr. Miu H., Frank, being the independent non-executive Directors, has been formed to advise the Independent Shareholders in relation to the grant of Issue Mandate. The independent financial adviser, Akron, has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

### RE-ELECTION OF DIRECTORS

Mr. Wang Liang (“**Mr. Wang**”) and Mr. Zhang Bao Yuan (“**Mr. Zhang**”) were appointed as the executive Directors of the Company on 1 January, 2014 and 26 February 2014 respectively.

Pursuant to Article 83(3) of the Articles of Association of the Company (“the Articles”), any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Accordingly, Mr. Wang and Mr. Zhang who were appointed as the executive Directors on 1 January 2014 and 26 February 2014 respectively will retire at the EGM pursuant to Article 83(3) of the Articles and, being eligible, offer themselves for re-election at the EGM.

## LETTER FROM THE BOARD

Brief biographical and other details of Mr. Wang and Mr. Zhang, which are required to be disclosed under the Listing Rules, are set out below:

### **Biographical details of Mr. Wang**

Mr. Wang, aged 28, holds a Bachelor degree in Physics from Imperial College London. Mr. Wang has extensive experience in the international finance and project management. He had been working in international investment banks and responsible for clients' project management, projects merger and acquisition and various initial public offerings. Mr. Wang is currently an executive director of PME Group Limited, a company listed on the Stock Exchange of Hong Kong Limited.

Mr. Wang has not previously held any position with the Company or any of its subsidiaries. Save as disclosed above, Mr. Wang has not been a director in any other listed companies in the last three years. Mr. Wang is a substantial shareholder of the Company holding 60,461,086 Shares representing approximately 28.19% of the entire issued share capital of the Company as at the date of this circular. Save as disclosed above, Mr. Wang is not connected with any directors, senior management, substantial shareholders or controlling shareholders of the Company and does not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Wang has no fixed term of service with the Company. Mr. Wang is entitled to a remuneration of HK\$100,000 per month and a discretionary bonus as determined at the sole discretion of the Board with reference to his duties and level of responsibilities, the remuneration policy of the Company and the prevailing market conditions. The directorship of Mr. Wang with the Company will be subject to rotation requirements and re-election pursuant to the Articles.

Save as disclosed above, there is no other matters relating to Mr. Wang that need to be brought to the attention of the Shareholders nor is there any information which is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

### **Biographical details of Mr. Zhang**

Mr. Zhang, aged 48, holds a Bachelor degree in Electronic Science and Engineering and Master degree in Communication and Information System from National University of Defense Technology. Mr. Zhang has extensive experience in the fields of electronic science and engineering and communication engineering. He had been working in various PRC entities and responsible for supervising and developing communication and information system projects.

Mr. Zhang has not previously held any position with the Company or any of its subsidiaries. Mr. Zhang has not been a director in any other listed companies in the last three years. Mr. Zhang is not connected with any directors, senior management, substantial shareholders or controlling shareholders of the Company and does not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.



## LETTER FROM THE BOARD

Mr. Zhang has no fixed term of service with the Company. He shall hold office until the next general meeting of the Company and be eligible for re-election at that meeting in accordance with the articles of association of the Company. Thereafter, he will be subject to retirement by rotation and re-election pursuant to the articles of association of the Company. Mr. Zhang is entitled to a remuneration of HK\$160,000 per month with reference to his duties and level of responsibilities, the remuneration policy of the Company and the prevailing market conditions.

Save as disclosed above, there is no further information to be disclosed pursuant to the requirements of Rules 13.51(2) of the Listing Rules and there are no other matters that need to be brought to the attention of the shareholders relating to Mr. Zhang.

### NOTICE OF EGM

The EGM will be convened and held for the purpose of considering, and, if thought fit, passing, inter alia, (i) the grant of Issue Mandate and (ii) the re-election of the Directors.

The notice of the EGM is set out on pages 22 to 24 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company's share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in an event not less than 48 hours before the time scheduled for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the EGM or any adjourned meeting should you so wish.

Pursuant to Rule 13.36(4) of the Listing Rules, the grant of Issue Mandate will be subject to the Independent Shareholders' approval by way of poll at the EGM. As at the Latest Practicable Date, the Company has no controlling Shareholder, Mr. Wang and Mr. Chan Chak Kai, Kenneth, ("**Mr. Chan**") are executive Directors of the Company, are beneficially interested in 60,461,086 and 6,000 Shares, respectively. Mr. Wang, Mr. Chan and their respective associates are entitled to exercise control over the same extent the voting rights in respect of their Shares. Accordingly, Mr. Wang, Mr. Chan and their respective associates will abstain from voting in favour of the ordinary resolution to approve the grant of Issue mandate at the EGM. As at the Latest Practicable Date, Mr. Wang, Mr. Chan and their respective associates have indicated that they have no intention to vote against the ordinary resolution to approve the grant of Issue mandate at the EGM.

Save as disclosed, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company and their respective associates hold any Shares and to the extent that any of the Directors and their respective associates controlled or were entitled to exercise control over the voting rights in respect of his/her/their Shares at the date of EGM, they are required to abstain from voting in favour of the ordinary resolution to approve the grant of Issue Mandate at the EGM.

No Shareholder is required to abstain from voting at the EGM in respect of the ordinary resolution relating to the re-election of Mr. Wang as an executive Director.

## LETTER FROM THE BOARD

Pursuant to Rule 13.39(4) of the Listing Rules, all ordinary resolutions at the EGM will be voted by way of poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

### RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders set out on pages 9 to 10 of this circular and the letter from Akron containing its recommendation to the Independent Shareholders and the principal factors which it has considered in arriving at its recommendation with regard to the grant of Issue Mandate, as set out on pages 11 to 21 of this circular.

The Board is of the opinion that the grant of Issue Mandate and the re-election of Mr. Wang and Mr. Zhang as executive Directors are in the best interests of the Company and the Shareholders as a whole and recommends the Shareholders or the Independent Shareholders (as the case may be) to vote in favour of the ordinary resolutions to be proposed at the EGM.

### GENERAL

The Company is an investment holding company. The Group principally engages in apparel retail business in the PRC, securities trading and investments business and money lending business.

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

### 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.

Yours faithfully,

By order of the Board

**TACK FIORI INTERNATIONAL GROUP LIMITED**

**Chung Yuk Lun**

*Managing Director and Chief Executive Officer*



**TACK FIORI INTERNATIONAL GROUP LIMITED**

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

**(Stock Code: 928)**

28 February 2014

*To the Independent Shareholders*

Dear Sir or Madam,

**PROPOSAL FOR THE GRANT OF  
GENERAL MANDATE TO ISSUE SHARES**

We refer to the circular of the Company to the Shareholders dated 28 February 2014 (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 by the Board as members to constitute the Independent Board Committee and to advise the Independent Shareholders in respect of the grant of Issue Mandate which will enable the Board to exercise the power of the Company to allot, issue and deal with the new Shares not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the EGM.

Akron has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the grant of Issue Mandate is fair and reasonable as far as the Independent Shareholders are concerned and whether it is in the interests of the Company and the Independent Shareholders as a whole. Details of its recommendation, together with the principal factors and reasons taken into consideration in arriving at such recommendation, are set out on pages 11 to 21 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 3 to 8 of the Circular.

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

Having considered the grant of Issue Mandate and the recommendation of Akron, we consider that the grant of Issue Mandate is fair and reasonable so far as the Independent Shareholders are concerned and that the grant of Issue Mandate is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the grant of Issue Mandate.

Yours faithfully,  
For and on behalf of the  
Independent Board Committee

**Dr. Leung Shiu Ki, Albert**  
*Independent*  
*Non-Executive Director*

**Mr. Robert James Iaia II**  
*Independent*  
*Non-Executive Director*

**Mr. Frank H. Miu**  
*Independent*  
*Non-Executive Director*

**Mr. Yau Yan Ming, Raymond**  
*Independent Non-Executive Director*

**Ms. Lam Yan Fong, Flora**  
*Independent Non-Executive Director*

## LETTER FROM AKRON

*The following is the text of a letter received from Akron Corporate Finance Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding the grant of Issue Mandate for the purpose of inclusion in this circular.*



AKRON  
Corporate Finance Limited  
亞貝隆資本有限公司  
3808 China Resources Building  
26 Harbour Road  
Wanchai, Hong Kong

28 February 2014

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

Dear Sirs,

### **PROPOSAL FOR THE GRANT OF GENERAL MANDATE TO ISSUE SHARES**

#### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the grant of Issue Mandate, details of which are contained in the letter from the board (the “**Letter from the Board**”) contained in the circular (the “**Circular**”) of the Company to the Shareholders dated 28 February 2014, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the content otherwise requires.

Pursuant to Rule 13.36(4) of the Listing Rules, the grant of Issue Mandate shall be subject to the Independent Shareholders’ approval by way of poll at the EGM. Any controlling Shareholders and their associates or where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolution regarding the grant of Issue Mandate to be proposed at the EGM as required under Rule 13.36(4)(a) of the Listing Rules. As at the Latest Practicable Date, the Company has no controlling Shareholder. As at the Latest Practicable Date, Mr. Wang Liang and Mr. Chan Chak Kai, Kenneth, both being executive Directors, are beneficially interested in 60,461,086 and 6,000 Shares respectively, representing approximately 28.19% and 0.003% of the issued share capital of the Company respectively. Save as disclosed, none of the Directors and the chief executive of the Company and their respective associates hold any Shares. Accordingly, assuming the Company has no controlling Shareholder as at the date of the EGM, the executive Directors and the chief executive of the Company and their respective associates (to the extent they hold any Shares at the time of the EGM) are required to abstain from voting at the EGM in respect of the ordinary resolution relating to the grant of Issue Mandate.

## LETTER FROM AKRON

The Independent Board Committee comprising Dr. Leung Shiu Ki, Albert, Mr. Robert James Iaia II, Ms. Lam Yan Fong, Flora, Mr. Yau Yan Ming, Raymond and Mr. Miu H., Frank, all being the independent non-executive Directors, has been formed to advise the Independent Shareholders on whether the grant of Issue Mandate is fair and reasonable, and in the interest of the Company and the Shareholders as a whole.

### **BASIS OF OUR OPINION**

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

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

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

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

**PRINCIPAL FACTORS CONSIDERED**

In arriving at our opinion in respect of the grant of Issue Mandate, we have considered the following principal factors and reasons:

**Background of the grant of Issue Mandate**

At the extraordinary general meeting of the Company held on 5 December 2013, the Shareholders approved, among other things, an ordinary resolution to grant to the Directors the General Mandate to issue, allot and deal with up to 35,740,362 Shares, being 20% of the then issued share capital of the Company of 178,701,814 Shares as at the date of passing of that resolution.

During the period from the grant of the General Mandate to the Latest Practicable Date, the General Mandate had been fully utilised by the Company for the placing of 35,740,362 new Shares with net proceeds of approximately HK\$75.2 million for use as general working capital of the Group (the “**Placing**”), details of which are set out in the announcement of the Company dated 9 December 2013. The Placing was completed on 20 December 2013.

As a result, the General Mandate had been fully utilized after the Placing. If the Issue Mandate is not granted, no Shares can be further issued and allotted by the Directors under the General Mandate. In addition, we are advised that the next annual general meeting will be held around September 2014, which is about seven months away from the Latest Practicable Date. Therefore, in order to enable the Group to have additional options for future fund raising activities and to maintain the financial flexibility for the Group to manage its business and to raise additional equity capital for any future business development and investment opportunities, the Directors therefore propose to seek approval of the Independent Shareholders for the grant of Issue Mandate such that the Directors could be granted an authority to issue, allot and deal with new Shares not exceeding 20% of the issued share capital of the Company as at the date of passing of the relevant resolution(s) at the EGM.

As at the Latest Practicable Date, the Company had 214,442,176 Shares in issue. Subject to the passing of the proposed resolution for the grant of Issue Mandate and on the basis that there are no changes in the issued share capital of the Company from the Latest Practicable Date up to the date of the EGM, the grant of Issue Mandate would allow the Directors to issue, allot and deal with up to 42,888,435 new Shares. Up to the Latest Practicable Date, the Company has not identified any investment and/or business opportunities and does not have any concrete plan regarding the utilisation of the Issue Mandate to be granted.

### **Reasons for the grant of Issue Mandate**

The Group principally engages in apparel retail business in the PRC (the “**Apparel Retail Business**”), securities trading and investments business and money lending business.

We note that according to the annual report of the Company for the year ended 31 March 2013 (the “**Annual Report**”), the Group recorded a turnover of approximately HK\$33.3 million for the year ended 31 March 2013 (“**FY 2013**”) as compared with approximately HK\$56.5 million for the year ended 31 March 2012 (“**FY 2012**”), representing a decrease of approximately 41.1%. The Group recorded a net loss for the year of approximately HK\$126.0 million in FY 2013. In FY 2012, without taking into account of the extraordinary items of (i) the gain on debt restructuring of approximately HK\$1,321.8 million; (ii) the gain on bargain purchase of approximately HK\$21.6 million; and (iii) gain on deconsolidation of subsidiaries of approximately HK\$56.4 million, the Group recorded a loss for the year of approximately HK\$106.2 million in FY 2012. The net loss for the year in FY 2013 increased by approximately 18.6% as compared with the net loss of approximately HK\$106.2 million (excluding one-off extraordinary items) in FY 2012. The Group also recorded net cash outflow from its operating activities which amounted to approximately HK\$131.4 million in FY 2013, representing an increase of approximately 96.1% when compared to approximately HK\$67.0 million in FY 2012.

According to the interim report of the Company for the six months ended 30 September 2013 (the “**Interim Report**”), the Group continued to record net loss of approximately HK\$94.0 million and recorded net cash outflow from its operating activities of approximately HK\$50.7 million for the six months ended 30 September 2013.

Further, according to the Annual Report and the Interim Report, the Apparel Retail Business is the major business segment of the Group whose turnover accounted for approximately 91.0%, 75.4% and 57.9% of the Group’s turnover in FY 2012, FY 2013 and nine months ended 30 September 2013 respectively. Turnover of the Apparel Retail Business amounted to approximately HK\$51.4 million, HK\$25.1 million and HK\$9.9 million in each of FY 2012, FY 2013 and nine months ended 30 September 2013 respectively. Turnover of the Apparel Retail Business in FY 2013 and nine months ended 30 September 2013, recorded a decrease of approximately 51.2% and 13.2% respectively as compared with corresponding period in last year. Segment loss recorded by the Apparel Retail Business was approximately HK\$39.0 million, HK\$58.3 million and HK\$34.5 million in each of FY 2012, FY 2013 and nine months ended 30 September 2013 respectively. Segment loss of the Apparel Retail Business in FY 2013 and nine months ended 30 September 2013, recorded an increase of approximately 49.5% and 10.6% respectively as compared with corresponding period in last year. The increase in segment loss of the Apparel Retail Business in recent years was mainly due to reduction in turnover resulted from a downturn in the PRC retail market, keen competition from other retailers and rising labor and production costs in the PRC.



## LETTER FROM AKRON

As stated in the Interim Report, the cash and bank balance of the Group decreased by approximately 64.4% from approximately HK\$52.3 million as at 31 March 2013 to approximately HK\$18.6 million as at 30 September 2013. We note that included in the cash and bank balance, approximately HK\$10.4 million (the “**Reserved Amount**”), being unutilized proceeds as a result of placing of Shares as announced by the Company on 20 December 2012, is specifically designated for financing investment opportunities in the retail industry (the “**Retail Investment Opportunities**”) should suitable opportunities arise in future. The Reserved Amount will not be available for financing other possible funding needs of the Group which may arise in the course of its business operations and development. Possible funding needs of the Group which may arise in connection with its business operations and development will include but not limited to (i) general working capital required for the Group’s business operation and related operational expenditure; and (ii) with the view of diversifying the Group’s business portfolio for its business development, financial resources may be required by the Group for capturing other suitable business development and/or investment opportunities apart from the Retail Investment Opportunities (the “**Other Investment Opportunities**”) which have promising prospect when such opportunities arise.

Following completion of the Placing in December 2013, as at 31 January 2014, the Group had cash and bank balance (after excluding the Reserved Amount) of approximately HK\$130.7 million which is intended to be applied for general working capital of the Group. According to the Interim Report, total operational expenditure of the Group (including the selling and distribution costs and administrative and other operating expenses) for the six months ended 30 September 2013, aggregated to approximately HK\$63.2 million and the arithmetical monthly average of operational expenditure was approximately HK\$10.5 million. The cash and bank balance as at 31 January 2014 (after excluding the Reserved Amount) which was intended for use as general working capital of the Group represents around 12 months of the monthly average operational expenditure of the Group.

As stated in the Letter from the Board, in view of (i) continuous credit tightening policy in the PRC which has slowdown the economic growth in the PRC; and (ii) structural reforms advocated by the PRC government has casted uncertainty over the PRC economy, the Directors consider that the PRC retail market environment will remain challenging in the foreseeable future.

Although the existing cash resources and working capital of the Group are sufficient to conduct daily operations and to meet its present working capital requirements, the Company considered that by having additional working capital is a merit in conducting its business to cope with any unexpected changes in economic or business environment or other factors beyond the Group’s control under the competitive environment in the PRC.

In order to overcome the competitive environment in the PRC, the Group will closely monitor and review the Apparel Retail Business and to explore suitable business opportunities, such as Other Investment Opportunities, should they arise. In doing so, the Apparel Retail Business will be closely monitored and reviewed by the Group with the aim to consolidate and re-position its sales channel and network and streamline its

## LETTER FROM AKRON

operation manner so as to achieve cost saving. On the other hand, with the view to diversify the overall risk of the Group, the Group will pursue business diversification strategy through identification of Other Investment Opportunities. Moreover, given the tight credit environment in the PRC, it will be beneficial to enhance the financial flexibility of the Group to raise funds for its business operation, expansion, development and/or investment and to ensure that it will be provided with cash buffer against adverse business environment.

Taking into account (i) the challenging retail market environment in the PRC, it will be a merit for the Group's Apparel Retail Business to be provided with additional working capital in conducting business as mentioned above; (ii) possible funding requirements for capturing Other Investment Opportunities for diversifying business portfolio of the Group; and (iii) the Group's recent financial performance under the competitive retail climate which resulted in net loss of the Group and net cash outflow from operating activities, it would be prudent and reasonable for the Company to maintain a strong capital base and financial flexibility in order to finance the possible funding requirement for its existing business operation and development and pursuing further business development opportunities, where funding requirements may arise at anytime and require considerable amount of capital in a timely manner.

Having considered that the cash and bank balance (after excluding the Reserved Amount) as at 31 January 2014 of approximately HK\$130.7 million which is intended to be applied for general working capital and will not be available for financing suitable Other Investment Opportunities that may arise in the future, the Directors consider that the Issue Mandate will provide the Group with financial flexibility to (i) explore business diversification which would increase the sales of the Group; (ii) provide capital for the Group's future business expansion; and (iii) have an option to consider issue of consideration shares as one of the settlement means in an acquisition as and when the Directors consider to be appropriate should suitable Other Investment Opportunities arise in the future.

As advised by the Company, we understand that the Directors consider equity financing to be an important avenue of financial resources to the Group since it (i) does not incur any interest paying obligations on the Group as in bank financing; (ii) is less costly and time-consuming than raising funds by way of rights issue or open offer; and (iii) provides the Company with the capability to capture any capital raising or prospective investment opportunity as and when it arises. The Directors consider that such ability is crucial in a competitive and rapidly changing investment environment and in times of volatile market conditions. Notwithstanding that (i) there is currently no concrete proposal presented by potential investors for investment in Shares; and (ii) the Company has not identified any investment and/or business opportunities as at the Latest Practicable Date, additional funding may still be required for financing future investment and/or business development as and when opportunities arise. In the event that the Group identified a suitable investment opportunity but does not have sufficient financial resources on hand, or fails to find other alternatives to finance such investment opportunity in a timely manner, the Group may lose its chance to capture an otherwise favorable investment and/or a favorable opportunity to expand its business portfolio.

## LETTER FROM AKRON

Should the Group seek approval from the Independent Shareholders for granting the specific mandate for those investment and/or business opportunities arise that require issue of new Shares, there is no certainty that such requisite Shareholders' approval could be obtained in a timely manner. Therefore, it may cause undue delay if the Group wishes to carry out timely acquisitions. Based on the foregoing, the grant of Issue Mandate is necessary for maintaining the Group's financial flexibility so that should future funding needs arise or attractive terms for investment in Shares are offered by potential investors, the Board will be able to respond to the market and such investment opportunities promptly. The Board considers that the grant of Issue Mandate is in the interests of the Company and the Shareholders as a whole.

The Issue Mandate, if granted and not revoked or varied prior to the next annual general meeting of the Company, will be valid until the date of the forthcoming annual general meeting which is expected to be held around September 2014, which is about seven months away from the Latest Practicable Date. As at the Latest Practicable Date, the Board has not identified any equity fund raising method and has not conducted any negotiation concerning any equity fund raising activity. We consider that the Issue Mandate will not only provide the Company with the flexibility to take advantage of the market condition to raise additional funds in a timely manner, but will also broaden the shareholders base and strengthen the capital base of the Group should suitable equity fund raising opportunities are identified.

Based on the foregoing, we are of the opinion that the grant of Issue Mandate would provide the Company with greater flexibility which is essential for fulfilling any possible funding needs for the Group's business operational funding requirement, future business development and/or investment decisions in connection with both the Retail Investment Opportunities and Other Investment Opportunities should they arise in a timely and cost effective manner. Consequently, we are of the view that the grant of Issue Mandate is in the interests of the Company and the Shareholders as a whole.

## LETTER FROM AKRON

### History of equity fund raising activities of the Group during the last twelve months

According to the information provided by the Directors, we summarise the equity fund raising activities of the Company during the past twelve months immediately preceding the Latest Practicable Date in the following table:

Date of announcement	Description	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds
18 April 2013	Placing of new Shares under general mandate	HK\$11.7 million	For general working capital of the Group and the Group will direct the net proceeds for conducting the Group's short term treasury activities to generate short term revenue (including short term securities investments and money lending activities), pending the actual application to the Group's general working capital as required	Used as intended
26 September 2013	Placing of new Shares under general mandate	HK\$16.5 million	General working capital	Used as intended
9 December 2013	The Placing under the General Mandate	HK\$75.2 million	General working capital	Approximately HK\$11.7 million is used as intended and the remaining balance of approximately HK\$63.5 million is maintained at bank.

Save as disclosed herein, the Company has not conducted any other equity fund raising activities in the past twelve months immediately preceding the Latest Practicable Date.

As shown in the table above, the Company has raised an aggregate amount of net proceeds of approximately HK\$103.4 million from three fund-raising exercises during the period from 18 April 2013 to the Latest Practicable Date. Among those net proceeds

## LETTER FROM AKRON

raised, (i) approximately HK\$39.9 million has been applied as general working capital of the Group, representing approximately 38.6% of the net proceeds raised; and (ii) approximately HK\$63.5 million is maintained at bank.

Taking into account (i) in pursuing business diversification by the Group, it will be crucial for the Group to have sufficient financial resources on hand or readily available alternative financing options in order to capture suitable Other Investment Opportunities which may arise in the future in a timely manner; (ii) in view of the continuous credit tightening policy in the PRC, sufficient financial flexibility is of crucial importance to the Group; (iii) cash and bank balance (after excluding the Reserved Amount) as at 31 January 2014 of approximately HK\$130.7 million is intended to be applied for general working capital and will not be available for financing suitable Other Investment Opportunities; and (iv) the Group's financial performance in recent years which recorded net loss from its operations and net cash outflow from its operating activities, we consider that it is commercially sensible for the Group to maintain flexibility in equity financing in its financial management strategy.

Taking into consideration of the above and the fund-raising activities of the Company in the past twelve months as a whole, we consider that the grant of Issue Mandate is in the interest of the Company and the Shareholders as a whole.

### **Other financing alternatives**

The Directors consider equity financing to be an important avenue of financial resources for the Group since it does not create any interest paying obligations on the Group. In appropriate circumstances, the Group will also consider other financing methods such as debt financing or internal cash resources to fund its future investment and/or business development. Furthermore, the Directors will consider equity fund-raising on pro-rata basis such as rights issue or open offer as an alternative to obtain financial resources so that existing shareholders will have a choice to participate in the Group's future development to a greater extent. The Directors are aware that negotiations with potential brokerage firms to act as underwriter(s) can be lengthy and it highly depends on the prevailing market conditions to arrive at good terms that are beneficial to the Shareholders as a whole. The Directors are inclined to choose the method to raise fund which incurs the least cost but with higher possibility to succeed. In respect of debt financing, it will incur interest burden on the Group and it may be subject to lengthy due diligence and negotiations with lenders with reference to the Group's profitability, financial position, capital structure and the prevailing financial market conditions. Having considered that the Group has been loss-making, it is not the best option for the Group to incur additional bank borrowings and debt financing. There is no certainty that the Group's cash resources will be adequate or other financing alternatives will be available for appropriate investment that may be identified by the Company in the future. The Directors consider that equity financing such as issuance of new Shares could be an appropriate means to fund such investments and/or acquisitions and provide additional working capital for future business development and expansion of the Group.

## LETTER FROM AKRON

We consider that the grant of Issue Mandate will provide the Company with an additional alternative for fund raising and it is reasonable for the Company to have the flexibility in deciding the financing methods for its future development, including equity financing. As such, we are of the view that the grant of Issue Mandate will be in the interest of the Company and the Shareholders as a whole.

### Potential dilution to shareholding of the public Shareholders

We set out below the table depicting (i) the shareholding structure of the Company as at the Latest Practicable Date; and for illustrative purpose, (ii) shareholding structure of the Company after full utilisation of the Issue Mandate, assuming no Shares are issued or repurchased during the period between the Latest Practicable Date and the date of EGM:

Shareholders	As at the Latest Practicable Date		After full utilization of the Issue Mandate	
	(No. of Shares)	%	(No. of Shares)	%
Mr. Wang Liang ( <i>Note</i> )	60,461,086	28.19	60,461,086	23.50
Mr. Chan Chak Kai, Kenneth ( <i>Note</i> )	6,000	0.00	6,000	0.00
Public Shareholders	153,975,090	71.81	153,975,090	59.83
New Shares available to be issued under the Issue Mandate	—	—	42,888,435	16.67
Total	214,442,176	100.00	257,330,611	100.00

*Note:* Mr. Wang Liang and Mr. Chan Chak Kai, Kenneth are executive Directors.

As illustrated in the table above, assuming that (i) the Issue Mandate is approved at the EGM; and (ii) no further Shares will be issued or repurchased by the Company from the Latest Practicable Date to the date of the EGM (both dates inclusive), 42,888,435 new Shares can be issued upon full utilisation of the Issue Mandate, representing 20% of the issued share capital as at the date of the EGM, and the aggregate shareholding of the existing public Shareholders will decrease from approximately 71.81% as at the Latest Practicable Date to approximately 59.83% upon full utilisation of the Issue Mandate, representing a potential maximum dilution in public shareholding of approximately 16.67%.

Taking into account that (i) grant of Issue Mandate will provide an alternative means for the Company to raise capital by allotment and issue of new Shares; (ii) grant of Issue Mandate will provide more flexibility and options of financing to the Group for its operation and for further business development as well as for other potential future investments and/or acquisitions as and when such opportunities arise; and (iii) the shareholding interests of all the Shareholders will be diluted in proportion to their respective shareholdings upon any utilisation of the Issue Mandate, we consider such potential dilution to shareholdings of the public Shareholders to be acceptable.

**LETTER FROM AKRON**

**RECOMMENDATION**

Having taken into account of the principal factors and reasons referred to the above, we are of the opinion that the grant of Issue Mandate is fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Shareholders and recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution approving the grant of Issue Mandate at the EGM. Independent Shareholders are however advised to take note of the possible dilution effect on their shareholding interests in the Company if and when the Issue Mandate is utilised.

Yours faithfully,  
For and on behalf of  
**Akron Corporate Finance Limited**  
**Ross Cheung**  
*Managing Director*



# NOTICE OF EXTRAORDINARY GENERAL MEETING



## TACK FIORI INTERNATIONAL GROUP LIMITED

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

**(Stock Code: 928)**

**NOTICE IS HEREBY GIVEN** that the Extraordinary General Meeting of Tack Fiori International Group Limited (the “**Company**”) will be held at 11:00 a.m. on 21 March 2014 at Lower Lobby, Plaza 3, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions:

### ORDINARY RESOLUTIONS

1. “**THAT:**

- A. subject to paragraph (C) below, the exercise by the directors of the Company (the “**Directors**”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the share capital of the Company and to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- B. the Directors be and are authorized during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which might require the exercise of such powers during or after the end of the Relevant Period;
- C. the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraphs (A) and (B), otherwise than (i) a Rights Issue (as hereafter defined) or (ii) the exercise of rights of subscription or conversion under the terms of any existing warrants, bonds, debentures, notes or other securities issued by the Company which carry rights to subscribe for or are convertible into shares of the Company or (iii) an issue of shares under any option scheme or similar arrangement for the time being adopted for the grant or issue to the employees of the Company and/or any of its subsidiaries or any other eligible person(s) of shares or right to acquire shares of the Company or (iv) an issue of shares as scrip dividend pursuant to the articles of association of the Company, as amended from time to time, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this resolution and the said approval shall be limited accordingly; and



## NOTICE OF EXTRAORDINARY GENERAL MEETING

D. for the purposes of this resolution:

“Relevant Period” means the period from the time of the passing of this resolution until whichever is the earliest of:

- i. the conclusion of the next annual general meeting of the Company;
- ii. the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the articles of association of the Company to be held; and
- iii. the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the Directors to holders of shares on the register of members on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any recognised regulatory body or any stock exchange).”

2. “**THAT** Mr. Wang Liang be and is hereby re-elected as an executive Director of the Company and the Board of Directors of the Company be authorised to fix the remuneration of Mr. Wang Liang.”
3. “**THAT** Mr. Zhang Bao Yuan be and is hereby re-elected as an executive Director of the Company and the Board of Directors of the Company be authorised to fix the remuneration of Mr. Zhang Bao Yuan.”

By order of the Board  
**TACK FIORI INTERNATIONAL GROUP LIMITED**  
**Chung Yuk Lun**  
*Managing Director and Chief Executive Officer*

Hong Kong, 28 February 2014

As at the date of this notice, the Board comprises the following Directors:

*Executive Directors:*

Mr. Chung Yuk Lun  
*(Managing Director and Chief Executive Officer)*  
Mr. Chan Chak Kai, Kenneth  
Mr. Wan Wai Hei, Wesley  
Mr. Wang Liang  
Mr. Zhang Bao Yuan

*Independent Non-executive Directors:*

Dr. Leung Shiu Ki, Albert  
Mr. Robert James Iaia II  
Mr. Yau Yan Ming, Raymond  
Ms. Lam Yan Fong, Flora  
Mr. Miu H., Frank

## NOTICE OF EXTRAORDINARY GENERAL MEETING

*Notes:*

1. A form of proxy to be used for the meeting is enclosed.
2. Any member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more Shares of the Company may appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a member of the Company.
3. The form of proxy must be signed by you or your attorney duly authorised in writing, or in the case of a corporation, must be under its seal or the hand of an officer, attorney or other person duly authorised.
4. To be valid, the instrument appointing a proxy, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power or authority must be deposited at the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting. Delivery of any instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting, or poll concerned and, in such case, the instrument appointing a proxy shall deem to be revoked.
5. In the case of joint holders of a Share, the vote of the person, whether attending in person or by proxy, whose name stands first on the register of members of the Company in respect of such Share shall be accepted to the exclusion of the vote(s) of the other joint holder(s).