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If you have sold or transferred all your shares in Merry Garden Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchasers or transferees or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchasers or transferees.

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MERRY GARDEN HOLDINGS LIMITED

美麗家園控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1237)

PROPOSED REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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



Oriental Patron Asia Limited

A letter from the Independent Board Committee is set out on page 10 of this circular and a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 11 to 17 of this circular.

A notice convening the EGM to be held at Unit 3810, 38/F., China Resources Building, 26 Harbour Road, Hong Kong on Tuesday, 29 July 2014 at 2:30 p.m. is set out on pages EGM-1 to EGM-3 of this circular.

If you are unable 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 branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

14 July 2014

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DEFINITIONS

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

“AGM”	the annual general meeting of the Company held on 15 May 2014
“Articles”	the articles of association of the Company currently in force
“associate(s)”	has the meaning as ascribed to it in the Listing Rules
“Board”	the board of Directors
“Company”	Merry Garden Holdings Limited (美麗家園控股有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability under the laws of the Cayman Islands
“Current Issue Mandate”	the general mandate approved and granted to the Directors at the AGM to allot, issue and deal with Shares up to a maximum of 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the AGM
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held at Unit 3810, 38/F., China Resources Building, 26 Harbour Road, Hong Kong on Tuesday, 29 July 2014 at 2:30 p.m. for the purpose of considering, and if thought fit, approving the proposed grant of the Refreshed General Mandate, the notice of which is set out on pages EGM-1 to EGM-3 of this circular
“Green Seas”	Green Seas Capital Limited, a company incorporated in the British Virgin Islands which is wholly-owned by Mr. Wu, a controlling Shareholder (as defined under the Listing Rules)
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Board comprising all independent non-executive Directors, established for the purpose of advising the Independent Shareholders in relation to the Refreshed General Mandate

DEFINITIONS

“Independent Financial Adviser”	Oriental Patron Asia Limited, a licensed corporation under the SFO licensed to conduct type 1 (dealing in securities), type 6 (advising on corporate finance) and type 9 (assets management) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Refreshed General Mandate
“Independent Shareholders”	Shareholders other than any controlling Shareholders and their associates or, where there are no controlling Shareholders, any Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates who shall hold Shares as at the date of the EGM
“Latest Practicable Date”	10 July 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wu”	Mr. Wu Zheyuan, the chairman of the Board, an executive Director and controlling Shareholder (as defined under the Listing Rules)
“Placing and Top-up Subscription”	the placing of 200,000,000 Shares by Green Seas followed by the top-up subscription of 200,000,000 new Shares by Green Seas, which Shares were allotted and issued under the Current Issue Mandate, details of which are set out in the announcements of the Company dated 18 June 2014, 19 June 2014 and 26 June 2014
“PRC”	The People’s Republic of China, for the purpose of this circular, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Refreshed General Mandate”	a general and unconditional mandate proposed to be granted to the Directors at the EGM to exercise the power of the Company to allot, issue or otherwise deal with Shares up to a maximum of 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing the relevant resolution
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“Share(s)”	ordinary share(s) of nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



MERRY GARDEN HOLDINGS LIMITED

美麗家園控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1237)

Executive Directors:

Mr. Wu Zheyang (*Chairman and Chief Executive Officer*)

Mr. Wu Qingshan

Ms. Xie Qingmei

Non-executive Director:

Mr. Wu Dongping

Independent Non-executive Directors:

Mr. Lam Hin Chi

Prof. Jin Zhongwei

Prof. Su Wenqiang

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman, KYI-1111

Cayman Islands

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

Room 2702

China Resources Building

26 Harbour Road

Hong Kong

14 July 2014

To the Independent Shareholders

Dear Sir/Madam

PROPOSED REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES

INTRODUCTION

The purpose of this circular is to provide you with (i) information in respect of the resolution to be proposed at the EGM regarding the proposed grant of the Refreshed General Mandate; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Refreshed General Mandate; and (iv) notice of the EGM.

LETTER FROM THE BOARD

PROPOSED REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES

Pursuant to an ordinary resolution passed by the Shareholders at the AGM, the Directors were granted the Current Issue Mandate to allot and issue up to 200,000,000 Shares, representing 20% of the issued share capital of the Company as at the date of the AGM. There had not been any refreshment of the Current Issue Mandate since the AGM up to the Latest Practicable Date.

Fund raising activities under the Current Issue Mandate

Save for the fund raising activity mentioned below, the Company has not carried out other fund raising activities under the Current Issue Mandate since the AGM up to the Latest Practicable Date.

Date of announcements	Event	Estimated net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
18 June 2014, 19 June 2014 and 26 June 2014	Placing and Top-up Subscription of 200,000,000 new Shares	HK\$155 million	For capital expenditure to increase production capacity and as general working capital as disclosed in the Company's announcements dated 18 June 2014, 19 June 2014 and 26 June 2014	No actual use of proceeds yet and such amount were held in short-term deposits with banks in the PRC

Extent of Current Issue Mandate utilised

Subsequent to the completion of the Placing and Top-up Subscription as set out above, there remains no Shares issuable under the Current Issue Mandate as at the Latest Practicable Date.

Reasons for the proposed grant of the Refreshed General Mandate

The Company is an investment holding company. Its subsidiaries are principally engaged in research and development, design, production and sale of leisure household products and timber villas and their related parts and structures.

The Board would like to provide flexibility for the Company to raise funds for its future business development and/or opportunities to be identified by the Company through equity financing. As at the Latest Practicable Date, the Group's major funding needs are for capital expenditure to increase production capacity and as general working capital in its ordinary and usual course of business. Given that equity financing (i) does not incur any interest expenses on the Group as compared with 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 and/or prospective investment opportunity as and when it arises, the Board proposes the Refreshed General Mandate shall be granted to the Directors.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company has not identified any such business development and/or opportunities, and has no intention or plan to raise funds through equity financing.

Based on the total number of issued Shares as at the Latest Practicable Date (i.e. 1,200,000,000 Shares) and assuming that there is no change in the issued share capital of the Company prior to the date of the EGM, the Refreshed General Mandate, if granted, will allow the Directors to allot and issue up to 240,000,000 new Shares.

The Refreshed General Mandate, if granted, will expire at the earliest of: (a) the conclusion of the next annual general meeting of the Company; (b) the end of the period within which the Company is required by the Articles or any applicable laws to hold its next annual general meeting; and (c) when revoked or varied by an ordinary resolution of the Shareholders in a general meeting prior to the next annual general meeting of the Company.

Potential dilution effect

Set out below is the shareholding structure of the Company as at the Latest Practicable Date and, for illustrative purpose only, the potential dilution effect on the shareholdings upon full utilization of the Refreshed General Mandate assuming that the number of issued Shares remains unchanged between the Latest Practicable Date and the date of the EGM:

	As at the Latest Practicable Date		Upon full utilization of the Refreshed General Mandate (for illustrative purpose only)	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
<i>Directors and substantial Shareholders</i>				
Green Seas (Note 1)	407,815,200	33.98%	407,815,200	28.32%
Mr. Cheung Chi Mang and his controlled corporations (Note 2)	134,700,000	11.23%	134,700,000	9.35%
Mr. Wu Qingshan (Note 3)	27,502,800	2.29%	27,502,800	1.91%
Ms. Xie Qingmei (Note 3)	<u>9,538,000</u>	<u>0.79%</u>	<u>9,538,000</u>	<u>0.66%</u>
Sub-total	579,556,000	48.29%	579,556,000	40.24%
<i>Public Shareholders</i>				
Existing public Shareholders	620,444,000	51.71%	620,444,000	43.09%
Shares to be issued under the Refreshed General Mandate	<u>—</u>	<u>—</u>	<u>240,000,000</u>	<u>16.67%</u>
Total	<u><u>1,200,000,000</u></u>	<u><u>100.00%</u></u>	<u><u>1,440,000,000</u></u>	<u><u>100.00%</u></u>

LETTER FROM THE BOARD

Notes:

1. Green Seas is wholly-owned by Mr. Wu, the chairman of the Board, an executive Director and a controlling Shareholder.
2. Mr. Cheung Chi Mang is deemed to be interested in all the Shares in which Hong Kong Investments Group Limited, the entire issued share capital of which is wholly-owned by him, are interested by virtue of the SFO.
3. Mr. Wu Qingshan and Ms. Xie Qingmei are both executive Directors.

EGM

The EGM will be held at Unit 3810, 38/F., China Resources Building, 26 Harbour Road, Hong Kong on Tuesday, 29 July 2014 at 2:30 p.m. for the Independent Shareholders to consider and approve, if thought fit, the proposed grant of the Refreshed General Mandate. The notice of the EGM is set out on pages EGM-1 to EGM-3 of this circular.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, the resolution set out in the notice of the EGM will be voted on by way of poll.

As the proposed grant of the Refreshed General Mandate is to be proposed to the Shareholders before the Company's next annual general meeting, pursuant to the Listing Rules, this proposal is subject to the Independent Shareholders' approval by way of poll at the EGM. According to Rule 13.36(4) of the Listing Rules, any controlling Shareholders and their associates or, where there are no controlling Shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution to approve the proposed grant of the Refreshed General Mandate.

As at the Latest Practicable Date, to the best knowledge, belief and information of the Directors, Green Seas, a company wholly owned by Mr. Wu, an executive Director, the chairman of the Board and chief executive officer of the Company, together with Mr. Wu, were holding 407,815,200 Shares, representing approximately 33.98% of the issued Shares and were the controlling Shareholders. As such, Green Seas and Mr. Wu, together with their associates who as at the date of EGM shall hold any Shares, are required to abstain from voting in favour of the resolution at the EGM.

The Independent Board Committee, comprising Mr. Lam Hin Chi, Prof. Jin Zhongwei and Prof. Su Wenqiang, all being independent non-executive Directors, has been established to advise the Independent Shareholders on the proposed grant of the Refreshed General Mandate. Oriental Patron Asia Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed grant of the Refreshed General Mandate.

LETTER FROM THE BOARD

You will find enclosed a form of proxy for use at the EGM. If you are unable to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time of the EGM to the office of the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM in person should you so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

Save as disclosed in this circular, at the Latest Practicable Date, there were no other controlling Shareholders and their respective associates controlled or are entitled to exercise control over the voting rights in respect of the Shares and are required to abstain from voting in favour of the resolution for approving the proposed grant of the Refreshed General Mandate at the EGM.

RECOMMENDATION

Your attention is drawn to the letter of recommendation from the Independent Board Committee set out on page 10 of this circular and the letter of advice from the Independent Financial Adviser set out on pages 11 to 17 of this circular, which contains, among other matters, its advice to the Independent Board Committee and the Independent Shareholders in relation to the proposed grant of the Refreshed General Mandate and the principal factors considered by it in arriving at its recommendation.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, is of the opinion that the proposed grant of the Refreshed General Mandate is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and its Shareholders and accordingly recommends the Independent Shareholders to vote in favour of the resolution relating to the proposed grant of the Refreshed General Mandate to be proposed at the EGM.

Accordingly, the Directors (including the independent non-executive Directors) consider that the proposed grant of the Refreshed General Mandate is fair and reasonable and is in the interests of the Company and the Shareholders as a whole. Therefore, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

LETTER FROM THE BOARD

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.

On behalf of the Board
Merry Garden Holdings Limited
Wu Zheyang
Chairman



MERRY GARDEN HOLDINGS LIMITED

美麗家園控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1237)

14 July 2014

To the Independent Shareholders

Dear Sir/Madam

PROPOSED REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES

We have been appointed as the Independent Board Committee to advise the Independent Shareholders in connection with the proposed grant of the Refreshed General Mandate, details of which are set out in the circular of the Company to the Independent Shareholders dated 14 July 2014 (“**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the advice of Independent Financial Adviser in relation thereto as set out in the Circular, we are of the view that the proposed grant of the Refreshed General Mandate is fair and reasonable so far as the Independent Shareholders are concerned and that the proposed grant of the Refreshed General Mandate is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the proposed grant of the Refreshed General Mandate.

Yours faithfully

Independent Board Committee

Mr. Lam Hin Chi

*Independent non-executive
Director*

Prof. Jin Zhongwei

*Independent non-executive
Director*

Prof. Su Wenqiang

*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this Circular.



14 July 2014

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

Dear Sirs,

PROPOSED REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders with respect to the proposed grant of Refreshed General Mandate, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 14 July 2014 issued by the Company to the Shareholders (the “**Circular**”) of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings in this letter.

The Board proposes to grant the Refreshed General Mandate for the Directors to allot and issue with the Shares of not exceeding 20% of the nominal amount of the issued share capital of the Company as at the date of the EGM. On the basis that no Share will be issued or repurchased by Company prior to the EGM, the Directors will be granted to allot and issue up to a maximum of 240,000,000 new Shares.

Pursuant to Rule 13.36(4) of the Listing Rules, any refreshment of the existing general mandate before the next annual general meeting will be subject to Independent Shareholders’ approval by way of poll at a general meeting of the Company. Any controlling Shareholders and their respective associates, or where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolution to approve the proposed grant of the Refreshed General Mandate as required under Rule 13.36(4)(a) of the Listing Rules. As at the Latest Practicable Date, Green Seas, a company wholly owned by Mr. Wu, an executive Director, the chairman of the Board and chief executive officer of the Company, together with Mr. Wu, were interested in 407,815,200 Shares, representing approximately 33.98% of the issued share capital of the Company, and were the controlling Shareholder. Accordingly, Green Seas and Mr. Wu, together with their associates, will be required to abstain from voting in favour of the resolution in connection with the proposed grant of Refreshed General Mandate at the EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising Mr. Lam Hin Chi, Prof. Jin Zhongwei and Prof. Su Wenqiang, all being independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the proposed grant of Refreshed General Mandate is in the interests of the Company and the Independent Shareholders as a whole.

BASIS AND ASSUMPTIONS OF OUR ADVICE

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, Directors and management of the Company and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true as at the Latest Practicable Date.

The Directors have collectively and individually accepted full responsibility for the Circular which includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirmed that to the best of their knowledge and belief the information contained in the 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 in the Circular or 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 opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Group. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinions and recommendations to the Independent Board Committee and the Independent Shareholders, we have taken into consideration the following principal factors and reasons:

1. Background to the Refreshment of General Mandate

The Company is an investment holding company. Its subsidiaries are principally engaged in research and development, design, production and sale of leisure household products and timber villas and their related parts and structures.

At the AGM, the Shareholders approved, among other things, an ordinary resolution to grant to the Directors the Current Issue Mandate to allot, issue and deal with not exceeding 200,000,000 Shares, being 20% of the issued share capital of the Company as at the date of AGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Reference is made to the announcements dated 18 June 2014, 19 June 2014 and 26 June 2014 in connection with the Placing and Top-up Subscription. A total of 200,000,000 new Shares at a price of HK\$0.8 per Share were issued under the Current Issue Mandate. The net proceeds received by the Company from the Placing and Top-up Subscription, after deducting all related expenses which are borne by the Company, are approximately HK\$155 million (the “**Net Proceeds**”). The Company intended to retain the Net Proceeds for capital expenditure to increase production capacity of the Group’s products and as general working capital of the Group. Upon completion of the Placing and Top-up Subscription, the total number of issued Shares was increased from 1,000,000,000 Shares to 1,200,000,000 Shares as at the Latest Practicable Date. In other words, the Current Issue Mandate had been utilized. The Company has not refreshed the Current Issue Mandate since the AGM.

The Board proposes the granting of the Refreshed General Mandate to allow the Directors to allot and issue new Shares not exceeding 20% of the issued share capital of the Company as at the date of the EGM. Based on 1,200,000,000 Shares in issue as at the Latest Practicable Date and assuming that no further Shares changes in the issued share capital until the date of the EGM, subject to the passing of the relevant ordinary resolution to approve the proposed granting of the Refreshed General Mandate at the EGM, the Directors will be authorized to allot and issue up to 240,000,000 Shares under the Refreshed General Mandate, being 20% of the total number of Shares in issue as at the Latest Practicable Date.

The Refreshed General Mandate, if granted, will expire at the earliest of: (a) the conclusion of the next annual general meeting of the Company following the EGM; (b) the date by which the next annual general meeting is required by the applicable laws of the Cayman Islands or the Articles of Association to be held; or (c) when the authority given to the Directors thereunder is revoked or varied by ordinary resolution(s) of the Shareholders in a general meeting prior to the next annual general meeting of the Company.

2. Reasons for the Proposed Refreshment of General Mandate

Providing financial flexibility to capture investment opportunities

As disclosed in the annual report of the Company for the year ended 31 December 2013, the Company is actively seeking for partnerships with timber product manufacturers who owned its timber processing factories, warehouse facilities or established sales networks both in the PRC and overseas through mergers and acquisitions to achieve advancement in technology and production capacity as well as expand sales channels of the Company, in order to boost the future development of its business. Accordingly, there is no certainty that the existing cash and credit resources will be adequate for business development and acquisition of appropriate investments that may be identified by the Company in the future.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In the event that the Group identifies suitable business or investment opportunities when it does not have sufficient cash and credit resources on hand and/or fails to obtain loans on terms which the Directors consider acceptable to the Group or raise funds from the equity market, or it cannot find other alternatives to finance the business development or acquisition of such investment opportunities in a timely manner and at reasonable terms, the Group may lose its opportunity in an otherwise favorable development/investment. As at the Latest Practicable Date, we are advised by the Company that it has not identified any such business development and/or opportunities.

Given that the Current Issue Mandate has been utilized, it is impossible for the Company to proceed with any equity fund raising exercise and/or to issue new Shares as payment consideration in any possible acquisition transaction in an expedient manner without first seeking separate approval from the Shareholders. In view of the time and cost involved for convening shareholders' meeting, the inability of the Company to issue new Shares under general mandate will impair the flexibility of the Company to structure any potential transaction. Particularly, the Company may have to settle the acquisition consideration by cash or other means and lose the chance to broaden its shareholder base if the potential sellers or counterparties are interested to become holders of the Shares. Taking into consideration the recent volatility of the market, the Company may not be able to seize a good timing for capital raising and/or investment opportunities should it need to wait for approximately ten months until the new general mandate to be approved at the next annual general meeting. For each equity issuance, it may be required to seek specific mandate from Shareholders. Accordingly, it may not be the most time- and cost-efficient way to proceed with the transaction without a general mandate standing readily available.

As disclosed in the Letter from the Board, the Directors are of the view since the equity financing (i) does not incur any interest expenses on the Group as compared with 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 and/or prospective investment opportunity as and when it arises, the Refreshed General Mandate would provide flexibility for the Company to raise funds for its future business development and/or opportunities to be identified through equity financing and therefore shall be granted to the Directors.

Having considered that (a) the Current Issue Mandate has been utilized and (b) the Refreshed General Mandate would provide the Group with financial flexibility to raise equity capital to capture investment opportunities as and when it arises, we therefore concur with the Directors' view that the grant of the Refreshed General Mandate is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Equity fund raising activities in the past twelve months

Set out below are the fund raising activities conducted by the Company in the past twelve months immediately before the Latest Practicable Date as disclosed in the Letter from the Board.

Date of announcements	Event	Estimated net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
18 June 2014, 19 June 2014 and 26 June 2014	Placing and Top-up Subscription of 200,000,000 new Shares	HK\$155 million	For capital expenditure to increase production capacity and as general working capital as disclosed in the Company's announcements dated 18 June 2014, 19 June 2014 and 26 June 2014	No actual use of proceeds yet and such amount were held in short-term deposits with banks in PRC

Save for 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 advised by the Directors, the Net Proceeds raised under the Placing and Top-up Subscription will be fully utilized for the capital expenditure to increase production capacity and as general working capital. As at the Latest Practicable Date, the Net Proceeds has not yet been deployed to its intended use of proceeds and were held in short-term deposits with banks in PRC. As advised by the Directors, the Net Proceeds will be utilized as intended in due course.

4. Other financing alternatives

The Directors confirmed to us that apart from equity financing, the Directors will also consider other financing alternatives such as debt financing to meet financial requirements of the Group, depending on the Group's financial position, capital structure and cost of funding as well as the prevailing market condition. In usual practice, debt financing would incur interest expenses on the Group and adversely affect the financial position of the Group as compared to equity financing. Other forms of equity fund raising such as rights issue and open offer would require relatively longer time to complete. We are advised that the Directors would exercise due and careful consideration in the selection of financing method which is in the best interests of the Group.

In light of the above, we consider that the proposed grant of Refreshed General Mandate will provide the Company with an additional financing alternative and it is reasonable for the Company to maintain its flexibility in the selection of the best financing method for its future business development. Therefore, we are of the view that the proposed grant of Refreshed General Mandate is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5. Potential dilution to shareholdings of the Independent Shareholders

Set out below the shareholding structure of the Company as at the Latest Practicable Date and, for illustrative purpose only, the potential dilution effect on the shareholdings upon full utilization of the Refreshed General Mandate assuming that no Share would be issued and/or repurchased by the Company between the Latest Practicable Date and the date of the EGM.

	As at the		Upon full utilization of	
	Latest Practicable Date		the Refreshed General Mandate (for illustrative purpose only)	
	No. of Shares	%	No. of Shares	%
<i>Directors and Substantial Shareholders</i>				
Green Seas (Note 1)	407,815,200	33.98%	407,815,200	28.32%
Mr. Cheung Chi Mang and his controlled corporations (Note 2)	134,700,000	11.23%	134,700,000	9.35%
Mr. Wu Qingshan (Note 3)	27,502,800	2.29%	27,502,800	1.91%
Ms. Xie Qingmei (Note 3)	<u>9,538,000</u>	<u>0.79%</u>	<u>9,538,000</u>	<u>0.66%</u>
Sub-total	579,556,000	48.29%	579,556,000	40.24%
<i>Public Shareholders</i>				
Existing public Shareholders	620,444,000	51.71%	620,444,000	43.09%
Shares to be issued under the Refreshed General Mandate	<u>—</u>	<u>—</u>	<u>240,000,000</u>	<u>16.67%</u>
Total	<u>1,200,000,000</u>	<u>100.00%</u>	<u>1,440,000,000</u>	<u>100.00%</u>

Note 1: Green Seas is wholly-owned by Mr. Wu, the chairman of the Board, an executive Director and a controlling shareholder.

Note 2: Mr. Cheung Chi Mang is deemed to be interested in all the Shares in which Hong Kong Investments Group Limited, the entire issued share capital of which is wholly-owned by him, are interested by virtue of the SFO.

Note 3: Mr. Wu Qingshan and Ms. Xie Qingmei are both executive Directors.

As mentioned above, assuming that the proposed grant of Refreshed General Mandate is approved by the Independent Shareholders at the EGM and no Share will be issued and/or repurchased by the Company during the period between the Latest Practicable Date and the date of EGM, the Directors will be authorized to allot and issue up to a maximum of 240,000,000 new Shares under the Refreshed General Mandate and the aggregate shareholding of the existing public Shareholders in the Company will decrease from approximately 51.71% as at the Latest Practicable Date to approximately 43.09% upon full utilization of the Refreshed General Mandate.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Taking into account that (i) the grant of the Refreshed General Mandate would provide the Company with additional financing alternative for further development of its business as well as in other potential future investment as and when such opportunities arise; (ii) the above flexibility outweigh the potential dilution effect to shareholdings of the existing Shareholders as the Company can respond in a timely manner to take advantages of any business opportunities for the benefit of the Company and its Shareholders as a whole; and (iii) the shareholdings of all Shareholders will be diluted proportionately, we consider such potential dilution of shareholdings of the existing Shareholders to be, on balance, justifiable so far as the Independent Shareholders are concerned.

RECOMMENDATION

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

Yours faithfully,
For and on behalf of
Oriental Patron Asia Limited
Karlson Chan
Director

NOTICE OF EGM



MERRY GARDEN HOLDINGS LIMITED

美麗家園控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1237)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of Merry Garden Holdings Limited (“**Company**”) will be held at Unit 3810, 38/F., China Resources Building, 26 Harbour Road, Hong Kong on Tuesday, 29 July 2014 at 2:30 p.m. to consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the general mandate granted to the directors of the Company (“**Directors**”) to allot, issue and deal with the unissued shares of the Company pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 15 May 2014 be and is hereby revoked (without prejudice to any valid exercise of such general mandate prior to the passing of this resolution);
- (b) subject to the following provisions of this resolution, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with additional shares of HK\$0.01 each in the share capital of the Company (“**Shares**”), and to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into Shares) which would or might require the exercise of such powers, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;
- (c) the approval in paragraph (b) of this resolution shall authorise the Directors during the Relevant Period (as defined below) to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into Shares) which would or might require the exercise of such powers after the end of the Relevant Period (as defined below);
- (d) the aggregate nominal amount of share capital of the Company allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in paragraph (b) of this resolution, otherwise than pursuant to (i) a Rights Issue (as defined below); or (ii) the exercise of the conversion rights attaching to any convertible securities issued by the Company; (iii) the exercise of warrants to subscribe for Shares; (iv) the

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exercise of options granted under any share option scheme or similar arrangement for the time being adopted by the Company; or (v) an issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company (“**Articles**”);

shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution, and the said approval shall be limited accordingly; and

(e) for the purposes of this resolution:

“**Relevant Period**” means the period from 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 the Articles or any applicable laws of the Cayman Islands to be held; or
- (iii) the date on which such mandate is revoked or varied 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 the holders of Shares or any class of Shares whose names appear on the registers of members of the Company on a fixed record date in proportion to their then holdings of such Shares as at that date (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, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company).”

By Order of the Board
Merry Garden Holdings Limited
Wu Zheyang
Chairman

Hong Kong, 14 July 2014

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KYI-1111
Cayman Islands

*Head office and principal place
of business in Hong Kong:*
Room 2702
China Resources Building
26 Harbour Road
Hong Kong

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Notes:

1. All resolutions at the meeting will be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates to purely a procedural or administrative matter to be voted on by a show of hands in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), and the results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
2. Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy (or more than one proxy if he is the holder of two or more shares) to attend and vote instead of him. A proxy need not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. As at the date of this notice, the executive directors of the Company are Mr. Wu Zheyang, Mr. Wu Qingshan and Ms. Xie Qingmei; the non-executive director of the Company is Mr. Wu Dongping; and the independent non-executive directors of the Company are Prof. Jin Zhongwei, Prof. Su Wenqiang and Mr. Lam Hin Chi.