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**UNITECH ENTERPRISES GROUP LIMITED**

**卓科企業集團有限公司**

*(Incorporated in the British Virgin Islands with limited liability)*



**FORD GLORY GROUP HOLDINGS LIMITED**

**福源集團控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1682)**



**VICTORY CITY INTERNATIONAL HOLDINGS LIMITED**

**冠華國際控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 539)**

**JOINT ANNOUNCEMENT**

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| <b>(1) ACQUISITION OF FGG SHARES BY<br/>UNITECH ENTERPRISES;</b>  | <b>(1) DISCLOSEABLE AND CONNECTED<br/>TRANSACTION IN RELATION TO THE<br/>DISPOSAL OF FGG SHARES;</b> |
| <b>(2) GROUP REORGANISATION;</b>  | <b>(2) DISCLOSEABLE AND CONNECTED<br/>TRANSACTION IN RELATION TO THE<br/>DISPOSAL;</b>               |
| <b>(3) SHARE PREMIUM CANCELLATION;</b>  | <b>(3) APPOINTMENT OF VC INDEPENDENT<br/>FINANCIAL ADVISER;</b>                                      |
| <b>(4) SPECIAL CASH DIVIDEND;</b>   | <b>(4) PROPOSED CONNECTED<br/>TRANSACTIONS IN RELATION TO<br/>PROVISION OF GUARANTEES; AND</b>       |
| <b>(5) VERY SUBSTANTIAL DISPOSAL,<br/>CONNECTED TRANSACTION AND<br/>SPECIAL DEAL IN RELATION TO THE<br/>DISPOSAL;</b>   | <b>(5) RESUMPTION OF TRADING</b>   |
| <b>(6) EXEMPT CONTINUING CONNECTED<br/>TRANSACTIONS AND SPECIAL DEAL<br/>IN RELATION TO THE HK LEASE<br/>AGREEMENT;</b> |  |
| <b>(7) SPECIAL DEAL IN RELATION<br/>TO THE RETAINED EMPLOYEES<br/>ARRANGEMENT;</b>                                      |  |

\* For identification purpose only

**(8) POSSIBLE MANDATORY  
UNCONDITIONAL CASH OFFERS BY**



**KINGSTON SECURITIES LTD.**

**ON BEHALF OF UNITECH  
ENTERPRISES TO ACQUIRE ALL  
THE ISSUED FGG SHARES (OTHER  
THAN THOSE ALREADY OWNED  
OR AGREED TO BE ACQUIRED  
BY UNITECH ENTERPRISES AND  
PARTIES ACTING IN CONCERT  
WITH IT) AND TO CANCEL ALL THE  
OUTSTANDING SHARE OPTIONS;**

**(9) APPOINTMENT OF FGG  
INDEPENDENT FINANCIAL ADVISER;**

**(10) PROPOSED CHANGE OF COMPANY  
NAME; AND**

**(11) RESUMPTION OF TRADING**

Financial adviser to  
Unitech Enterprises Group Limited



**KINGSTON CORPORATE FINANCE LTD.**

Financial adviser to  
Ford Glory Group Holdings Limited

**CROSBY**

**Crosby Securities Limited**

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



Shenyin Wanguo Capital (H.K.) Limited

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



**Halcyon Capital Limited**

## THE SHARE SALE AGREEMENT

Reference is made to the joint announcements of FGG and VC dated 24 July 2013, 23 August 2013, 23 September 2013, 23 October 2013, 19 November 2013, 17 January 2014, 14 February 2014 and 28 March 2014 in relation to, among other things, the possible disposal of interests in FGG by Sure Strategy. Reference is also made to the joint announcement of FGG and VC dated 19 December 2013 in relation to the entering into of the MOU between Sure Strategy and the Offeror. FGG was informed by the Vendors on 14 March 2014 (after trading hours), that Sure Strategy, Merlotte Enterprise, Victory City Investments and the Offeror had entered into the Share Sale Agreement, pursuant to which the Vendors had conditionally agreed to sell and the Offeror had conditionally agreed to purchase the Sale Shares, being the aggregate interest of 320,000,000 FGG Shares held by the Vendors, representing approximately 71.07% of the entire issued share capital of FGG (assuming no outstanding Share Options have been exercised) as at the date of this joint announcement and approximately 61.56% of the entire issued share capital of FGG on a fully-diluted basis (assuming all outstanding Share Options have been exercised) as at the date of this joint announcement, at an aggregate consideration of HK\$258,560,000, representing HK\$0.808 per Sale Share. The total consideration of the Sale Shares shall be satisfied by (i) a deposit of HK\$20,000,000 paid by the Offeror to Sure Strategy upon signing of the Share Sale Agreement (the earnest money of HK\$20,000,000 previously paid by the Offeror under the MOU was treated as deposit paid for this purpose); and (ii) a cashier order to be delivered by the Offeror to the respective Vendors upon Share Sale Completion to settle the remaining balance of HK\$238,560,000. Share Sale Completion is conditional upon, among other things, completion of the Group Reorganisation and the completion of the Disposal. Please refer to the sub-paragraph headed “Conditions precedent” under the paragraph headed “A. The Share Sale Agreement” in this joint announcement for further details of the conditions of the Share Sale Agreement.

As at the date of this joint announcement, (i) Sure Strategy and Victory City Investments, being subsidiaries of VC, are interested in approximately 70.00% and 0.54% of the entire issued capital of FGG respectively; and (ii) Merlotte Enterprise is interested in approximately 0.53% of the entire issued capital of FGG. Upon Share Sale Completion, the VC Group will cease to have any interest in the FGG Shares and FGG will cease to be a subsidiary of VC.

Upon Share Sale Completion, the Vendors shall procure the Retained Employees to be engaged and appointed, and the Offeror shall procure the Remaining Group to engage and appoint the Retained Employees, as employees of the Remaining Group, for a period of not less than one year from the Share Sale Completion Date.

## **GROUP REORGANISATION**

Pursuant to the Group Reorganisation, among other things:

- (i) Best Keen, a wholly-owned subsidiary of FGG, which acts as the intermediate holding company of the Remaining Group; and United Gainer, a wholly-owned subsidiary of Best Keen, were established;
- (ii) FG International will transfer the HK Garment Sourcing Business and its related assets and liabilities to United Gainer;
- (iii) FG Holdings will transfer the entire issued share capital of Top Value to Best Keen;
- (iv) the Remaining Group will consist of the Remaining Group Entities, and the Remaining Group will be principally engaged in the Garment Sourcing Business upon completion of the Group Reorganisation;
- (v) the Disposal Group will consist of the Disposal Group Entities, and the Disposal Group will be principally engaged in the Manufacturing Business upon completion of the Group Reorganisation;
- (vi) the outstanding intra-group balances between the Remaining Group and the Disposal Group will be settled upon Share Sale Completion (save for the trade receivables and payables for the provision of apparel goods to the Remaining Group by the Disposal Group in the ordinary course of business); and
- (vii) all guarantees, securities and indemnities given by, and all liabilities or obligations of, the Remaining Group (other than receivables and payables or obligations incurred by the Remaining Group in the ordinary course of business) (except for the obligations of the Remaining Group under the amended and restated factoring agreement between Top Value and CIT dated 13 June 2009, the corporate guarantee provided by FGG to CIT dated 13 July 2011 and the inventory security agreement dated 13 June 2009 entered into between Top Value and CIT) and all receivables and payables between the Remaining Group and the Disposal Group having been released or discharged by such party or parties whose favour such guarantees, securities and indemnities have been given and to whom such obligations are owed.

Upon completion of the Group Reorganisation, the Remaining Group will be principally engaged in the Garment Sourcing Business, and the Disposal Group will be principally engaged in the Manufacturing Business.

## **SHARE PREMIUM CANCELLATION**

The FGG Board proposes to effect the Share Premium Cancellation, pursuant to which the entire amount standing to the credit of the share premium account of FGG will be cancelled and the credit arising from the Share Premium Cancellation will be transferred to the contributed surplus account of FGG for the payment of part of the Special Cash Dividend. The Share Premium Cancellation is conditional upon, inter alia, the approval of the FGG Shareholders by way of a special resolution at the FGG SGM.

## **SPECIAL CASH DIVIDEND**

The FGG Board proposes that, subject to and upon completion of the Disposal and the Share Premium Cancellation becoming effective, the proposed Special Cash Dividend of not less than HK\$250,000,000 and not more than HK\$400,000,000 (subject to finalisation) will be paid to the Qualifying FGG Shareholders whose names appear on the register of members of FGG on the Record Date (being a date falling before the Share Sale Completion Date, which is to be fixed for determining entitlements to the payment of the Special Cash Dividend). Based on 519,777,000 FGG Shares in issue on a fully-diluted basis (assuming all outstanding Share Options have been exercised) as at the date of this joint announcement, the proposed Special Cash Dividend will be not less than approximately HK\$0.481 per FGG Share and not more than HK\$0.770 per FGG Share (subject to finalisation). The proposed Special Cash Dividend will be paid in cash out of the FGG's reserves as contributed by the net proceeds to be received from the Disposal as to approximately HK\$262,300,000 and the remaining balance from the then contributed surplus account of FGG which shall include the credit arising from the Share Premium Cancellation if it has become unconditional. An ordinary resolution will be put forward at the FGG SGM for declaration of the Special Cash Dividend.

The payment of the Special Cash Dividend is conditional upon, inter alia, completion of the Disposal and the Share Premium Cancellation becoming effective.

FGG will announce the Record Date in accordance with Rule 13.66 of the Listing Rules as and when appropriate.

## **VERY SUBSTANTIAL DISPOSAL, CONNECTED TRANSACTION AND SPECIAL DEAL IN RELATION TO THE DISPOSAL**

### **The Disposal Agreement**

On 14 March 2014 (after trading hours), FGG and Sure Strategy entered into the Disposal Agreement pursuant to which Sure Strategy conditionally agreed to acquire and FGG conditionally agreed to dispose of the Disposal Shares, which represent the entire issued share capital of FG Holdings. The consideration for the Disposal is HK\$270,000,000 and shall be satisfied in cash at completion of the Disposal.

As at the date of this joint announcement, FG Holdings is a wholly-owned subsidiary of FGG. Upon completion of the Disposal, FG Holdings will cease to be a subsidiary of FGG and FGG will cease to have any interest in the Disposal Group.

## **EXEMPT CONTINUING CONNECTED TRANSACTIONS AND SPECIAL DEAL IN RELATION TO THE HK LEASE AGREEMENT**

### **The HK Lease Agreement**

FG International (as the landlord), being a direct wholly-owned subsidiary of FG Holdings, and United Gainer (as the tenant), being an indirect wholly-owned subsidiary of FGG, will enter into the HK Lease Agreement in relation to the leasing of the Office Premises for a period of one year (with an option to renew for one year) at a monthly rental rate of HK\$70,000 upon completion of the Disposal.

## **SPECIAL DEAL IN RELATION TO THE RETAINED EMPLOYEES ARRANGEMENT**

Pursuant to the Share Sale Agreement, the Vendors shall procure the Retained Employees to be engaged and appointed, and the Offeror shall procure the Remaining Group to engage and appoint the Retained Employees, as employees of the Remaining Group, for a period of not less than one year from the Share Sale Completion Date. The aggregate annual remuneration of the Retained Employees shall not exceed HK\$2,400,000.

## **POSSIBLE MANDATORY UNCONDITIONAL CASH OFFERS**

As at the date of this joint announcement, the Offeror and parties acting in concert with it are not interested in the share capital or voting rights of FGG. Upon Share Sale Completion, the Offeror and parties acting in concert with it will hold in aggregate 320,000,000 FGG Shares, representing approximately 71.07% of the entire issued share capital of FGG (assuming no outstanding Share Options having been exercised) as at the date of this joint announcement. The Offeror will therefore, upon Share Sale Completion, be required under Rules 13.5 and 26.1 of the Takeovers Code to make mandatory unconditional cash offers for all the issued FGG Shares which are not already owned or agreed to be acquired by it and parties acting in concert with it and to cancel all the outstanding Share Options. The Offers comprising the Share Offer and the Option Offer, when made, will be unconditional in all respects.

Subject to Share Sale Completion, Kingston Securities will, on behalf of the Offeror and in compliance of the Takeovers Code, make the Offers on the following basis:

### **The Share Offer**

**For each Offer Share. . . . . HK\$0.808 in cash**

### **The Option Offer**

**(i) For cancellation of each Share Option with an exercise price of  
HK\$0.600 per Option Share. . . . . HK\$0.208 in cash**

**(ii) For cancellation of each Share Option with an exercise price of  
HK\$0.844 per Option Share. . . . . HK\$0.0001 in cash**

The Share Offer Price of HK\$0.808 per Offer Share is the same as the purchase price for each Sale Share payable by the Offeror under the Share Sale Agreement. Pursuant to Rule 13 and Practice Note 6 of the Takeovers Code, the Option Offer Price will normally represent the difference between the exercise price of the respective Share Options and the Share Offer Price. Under the Option Offer, the Option Offer Price for each in-the-money Share Option represents the difference between the Share Offer Price and the exercise price of these Share Options. However, as the exercise price of the out-of-the-money share options are above the Share Offer Price, their Option Offer Price is a nominal amount of HK\$0.0001 per Share Option.

Mr. Ng has provided an irrevocable undertaking to the Vendors in respect of his Share Options pursuant to the Option Undertaking to, prior to the closing date of the Offers as set out in the Offer Document, (i) exercise no less than 2,261,740 Share Options granted to him at an exercise price of HK\$0.600 per Option Share; and (ii) accept the Share Offer to be made by the Offeror in respect of such number of his FGG Shares. Upon Share Sale Completion and the exercise of 2,261,740 Share Options at the exercise price of HK\$0.600 per Option Share by Mr. Ng, the Offeror will hold approximately 62.00% interest in FGG on a fully-diluted basis (assuming all outstanding Share Options have been exercised) before any other acceptance by any FGG Shareholder under the Share Offer.

Principal terms of the Offers are set out in the paragraph headed “H. Possible Mandatory Unconditional Cash Offers” below. Kingston CF, the financial adviser to the Offeror in respect of the Offers, is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offers.

## **WARNING**

**The Offers are possible mandatory unconditional cash offers and will only be made if, among other things, the Share Sale Completion takes place, which is conditional upon satisfaction of the conditions set out in the sub-paragraph headed “Conditions precedent” in the paragraph headed “A. The Share Sale Agreement” below which include, but are not limited to, completion of the Group Reorganisation, completion of the Disposal and the Share Premium Cancellation having become effective pursuant to applicable laws. Accordingly, Share Sale Completion may or may not take place and the Offers may or may not proceed. FGG Shareholders, the Optionholders and potential investors of FGG are advised to exercise caution in dealing in the FGG Shares.**

## **PROPOSED CHANGE OF NAME**

The FGG Board proposes to change the English company name of FGG from “Ford Glory Group Holdings Limited” to “Highlight China IoT International Limited” and to adopt the Chinese name of “高銳中國物聯網國際有限公司” as the secondary name to replace “福源集團控股有限公司” which has been used for identification purposes only.

## **PROPOSED CONNECTED TRANSACTIONS IN RELATION TO PROVISION OF GUARANTEES**

VC proposes to provide the Guarantees in favour of the Lenders in respect of the Facilities granted by the Lenders to FG International and Value Plus in the manner set out in the paragraph headed “J. Proposed connected transactions in relation to provision of Guarantees” below.



## **IMPLICATIONS OF THE TAKEOVERS CODE AND THE LISTING RULES**

### **The Share Sale Agreement**

As each of the revenue ratio and the consideration ratio under Rule 14.07 of the Listing Rules for the Share Sale Agreement is more than 5% but less than 25% for VC, the Share Sale Agreement constitutes a discloseable transaction for VC. As Mr. Choi is a VC Director and a substantial shareholder of FGG, and the Share Sale Agreement is conditional on completion of the Disposal Agreement, the Share Sale Agreement also constitutes a connected transaction for VC and is therefore subject to the reporting, announcement and the VC Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **The Disposal Agreement**

As each of the assets ratio and the profits ratio under Rule 14.07 of the Listing Rules in respect of the Disposal Agreement is over 75% for FGG and each of the revenue ratio and the consideration ratio under Rule 14.07 of the Listing Rules in respect of the Disposal Agreement is more than 5% but less than 25% for VC, the Disposal constitutes a very substantial disposal for FGG and a discloseable transaction for VC under Chapter 14 of the Listing Rules.

As at the date of this joint announcement, Sure Strategy is interested in 315,200,000 FGG Shares, representing approximately 70.00% of the entire issued share capital of FGG, and is a substantial shareholder of FGG. Accordingly, Sure Strategy is a connected person of FGG.

The Disposal also constitutes a connected transaction for VC pursuant to Rule 14A.11(5) and Rule 14A.13(1)(b) of the Listing Rules given that (i) FGG is a connected person of VC under Rule 14A.11(5) of the Listing Rules by virtue of the fact that FGG is an associate of Mr. Choi as Mr. Choi, is entitled to control the exercise of 30% or more of the voting power at any general meeting of FGG through his wholly-owned company, Merlotte Enterprise, and his associate, Sure Strategy; and (ii) Mr. Choi is a VC Director and a substantial shareholder of FG Holdings (a subsidiary of VC).

The Disposal, being a very substantial disposal and connected transaction for FGG, and a discloseable and connected transaction for VC, is therefore subject to the reporting, announcement and the FGG Independent Shareholders' approval and the VC Independent Shareholders' approval requirements under the Listing Rules.

The Disposal Agreement also constitutes a special deal under the Takeovers Code and requires the consent of the Executive. Such consent, if granted, will be subject to the FGG Independent Financial Adviser's opinion that the terms of the Disposal Agreement are fair and reasonable and the approval of the FGG Independent Shareholders voting by way of poll at the FGG SGM.

### **The HK Lease Agreement**

The transactions contemplated under the HK Lease Agreement will, upon completion of the Disposal, constitute continuing connected transactions for FGG under Chapter 14A of the Listing Rules by virtue of FG International being an associate of Mr. Choi and thus a connected person of FGG under the Listing Rules. As each of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the continuing connected transactions contemplated under the HK Lease Agreement is less than 5% and the annual consideration is less than HK\$1,000,000, the HK Lease Agreement and the transactions contemplated thereunder are exempt from the reporting, announcement and the FGG Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.



Notwithstanding the requirements of the Listing Rules as stated above, the HK Lease Agreement constitutes a special deal under the Takeovers Code and requires the consent of the Executive. Such consent, if granted, will be subject to the FGG Independent Financial Adviser's opinion that the terms of the HK Lease Agreement are fair and reasonable and the approval of the FGG Independent Shareholders voting by way of poll at the FGG SGM.

### **The Retained Employees Arrangement**

The Retained Employees Arrangement constitutes a special deal under the Takeovers Code and requires the consent of the Executive. Such consent, if granted, will be subject to the FGG Independent Financial Adviser's opinion that the terms of the Retained Employees Arrangement are fair and reasonable and the approval of the FGG Independent Shareholders voting by way of poll at the FGG SGM.

### **The Special Deals**

Since the transactions contemplated under the Special Deals are not capable of being extended to all FGG Shareholders, each of the Special Deals constitutes a special deal under Rule 25 of the Takeovers Code, which requires the consent of the Executive and such consent, if granted, will normally be conditional upon the FGG Independent Financial Adviser publicly stating in its opinion that the terms of the Special Deals are fair and reasonable and the approval of the FGG Independent Shareholders voting by way of a poll at the FGG SGM. An application will be made to the Executive for consent to proceed with the Special Deals under Rule 25 of the Takeovers Code. FGG Shareholders should note that such consent may or may not be granted by the Executive and, if such consent is not granted, the Special Deals will not proceed. As the obtaining of such consent is a condition to Share Sale Completion and the making of the Offers by the Offeror, the Offers will not be made if such consent is not obtained on or before the Long Stop Date.

### **The Proposed Connected Transactions**

The transactions contemplated under the provision of Guarantees will upon completion of the Disposal, constitute connected transactions for VC under Chapter 14A of the Listing Rules. Each of FG International and Value Plus is wholly owned by FG Holdings which is in turn (upon completion of the Disposal) held as to 51% indirectly by VC and 49% indirectly by Merlotte Enterprise, a company wholly-owned by Mr. Choi who is one of the VC Directors.

Given that the financial assistance to be provided by VC by way of the Guarantees to each of FG International and Value Plus will exceed the proportional interest of VC in FG International and Value Plus (as the case may be) and that the aggregate limit of the amount to be secured by the Guarantees exceeds HK\$10,000,000, the provision of the Guarantees will constitute non-exempt connected transactions for VC under Rule 14A.63 of the Listing Rules. Accordingly, the provision of the Guarantees is subject to the reporting, announcement and VC Independent Shareholders' approval requirements under Rule 14A.63 of the Listing Rules. As at the date of this joint announcement, the Guarantees have not been given. It is intended that the Guarantees will be executed shortly after the approval of the VC Independent Shareholders at the VC SGM. The proposed provision of the Guarantees, when executed after the VC Independent Shareholders' approval has been obtained, will constitute connected transactions for VC under Chapter 14A of the Listing Rules.

The pro rata counter indemnities to be given by Merlotte Enterprise, a company wholly-owned by Mr. Choi who is one of the VC Directors, in respect of the Guarantees will constitute connected transactions for VC which, under Rule 14A.65(4) of the Listing Rules, are exempt from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.63 of the Listing Rules.

## **FGG SGM**

### **Ordinary resolutions**

The FGG SGM will be held for the purpose of considering and, if thought fit, approving, among other things, the ordinary resolutions in respect of the Special Cash Dividend and the Special Deals by way of poll at the FGG SGM. The Special Deals are required to be approved by the FGG Independent Shareholders at the FGG SGM and the Special Cash Dividend is required to be approved by the FGG Shareholders at the FGG SGM.

Shareholders including (i) VC, its associates and parties acting in concert with any of them, including Sure Strategy, Mr. Choi, Mr. Chen and Mr. Li; (ii) Mr. Ng who has provided the Option Undertaking; (iii) the Retained Employees; and (iv) any FGG Shareholders who are involved in or interested in the Special Deals or the transactions contemplated thereunder shall abstain from voting on all the resolutions approving the Special Deals at the FGG SGM.

### **Special resolutions**

The FGG SGM will be held for the purpose of considering and, if thought fit, approving, among other things, the special resolutions in respect of the Share Premium Cancellation and the Proposed Change of Name by way of poll at the FGG SGM. The Share Premium Cancellation and the Proposed Change of Name are required to be approved by the FGG Shareholders at the FGG SGM.

A circular containing, among other things, (i) details of the Share Sale Agreement, the Disposal Agreement, the Retained Employees Arrangement and the HK Lease Agreement; (ii) further information on the Group Reorganisation, the Share Premium Cancellation, the payment of the Special Cash Dividend, the Proposed Change of Name and the Special Deals; (iii) financial information of each of the FGG Group and the Disposal Group; (iv) pro forma financial information of the Remaining Group; (v) the letter of recommendation from the FGG Independent Board Committee and the letter of advice from FGG Independent Financial Adviser to the FGG Independent Board Committee and the FGG Independent Shareholders in respect of the Special Deals, the Offers and the transactions contemplated thereunder; and (vi) a notice convening the FGG SGM, is expected to be despatched to the FGG Shareholders on or before 28 May 2014.

### **FGG INDEPENDENT BOARD COMMITTEE**

Given the respective interests in FGG held by the non-executive FGG Directors, namely Mr. Chen and Mr. Li, each of them is deemed to have material interests in the Disposal Agreement and the HK Lease Agreement and hence will be excluded from the FGG Independent Board Committee. The FGG Independent Board Committee, comprising all independent non-executive FGG Directors, namely Mr. Lau Chi Kit, Mr. Mak Chi Yan, Mr. Wong Wai Kit, Louis and Mr. Yuen Kin Kei, has been formed to advise the FGG Independent Shareholders in respect of the Special Deals, the Offers and the respective transactions contemplated thereunder.

## **FGG INDEPENDENT FINANCIAL ADVISER**

Shenyin Wanguo has been appointed as the FGG Independent Financial Adviser to advise the FGG Independent Board Committee and the FGG Independent Shareholders in respect of the Special Deals, the Offers and the respective transactions contemplated thereunder. The appointment of Shenyin Wanguo as the FGG Independent Financial Adviser has been approved by the FGG Independent Board Committee.

## **VC SGM**

The VC SGM will be held for the purpose of considering and, if thought fit, approving the resolutions in respect of the Share Sale Agreement, the Disposal Agreement and the Proposed Connected Transactions. Mr. Choi and his associates shall abstain from voting on all the resolutions approving the Share Sale Agreement, the Disposal Agreement and the Proposed Connected Transactions at the VC SGM.

A circular containing, among other things, (i) details of the Share Sale Agreement and the Disposal Agreement; (ii) details of the provision of Guarantees; (iii) the letter of recommendation from the VC Independent Board Committee; (iv) the letter of advice from the VC Independent Financial Adviser to the VC Independent Board Committee and the VC Independent Shareholders in respect of the Share Sale Agreement, the Disposal Agreement, the Proposed Connected Transactions and the respective transactions contemplated thereunder; and (v) a notice convening the VC SGM, is expected to be despatched to the VC Shareholders on or before 28 May 2014.

## **VC INDEPENDENT BOARD COMMITTEE**

The VC Independent Board Committee, comprising all independent non-executive VC Directors, namely Mr. Kan Ka Hon, Mr. Phaisalakani Vichai and Mr. Kwok Sze Chi, has been formed to advise the VC Independent Shareholders in respect of the Share Sale Agreement, the Disposal Agreement, the Proposed Connected Transactions and the respective transactions contemplated thereunder.

## **VC INDEPENDENT FINANCIAL ADVISER**

Halcyon Capital has been appointed as the VC Independent Financial Adviser to advise the VC Independent Board Committee and the VC Independent Shareholders in respect of the Share Sale Agreement, the Disposal Agreement, the Proposed Connected Transactions and the respective transactions contemplated thereunder. The appointment of Halcyon Capital as the VC Independent Financial Adviser has been approved by the VC Independent Board Committee.

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of FGG, trading in the FGG Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 17 March 2014 pending the release of this joint announcement. Application has been made by FGG to the Stock Exchange for resumption of trading in the FGG Shares on the Stock Exchange with effect from 9:00 a.m. on 8 May 2014.

At the request of VC, trading in the VC Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 17 March 2014 pending the release of this joint announcement. Application has been made by VC to the Stock Exchange for resumption of trading in the VC Shares on the Stock Exchange with effect from 9:00 a.m. on 8 May 2014.

### **A. THE SHARE SALE AGREEMENT**

**Date:**

14 March 2014 (after trading hours)

**Parties:**

Vendors : (i) Sure Strategy, which is the beneficial owner of 315,200,000 FGG Shares, representing approximately 70.00% of the entire issued share capital of FGG as at the date of this joint announcement

(ii) Merlotte Enterprise, which is the beneficial owner of 2,352,000 FGG Shares, representing approximately 0.53% of the entire issued share capital of FGG as at the date of this joint announcement

(iii) Victory City Investments, which is the beneficial owner of 2,448,000 FGG Shares, representing approximately 0.54% of the entire issued share capital of FGG as at the date of this joint announcement

Purchaser : Unitech Enterprises

To the best of the VC Directors' knowledge, information and belief having made all reasonable enquiries, each of the Offeror, its ultimate beneficial owners and parties acting in concert with them is a third party independent of and not connected with VC and its connected persons (as defined in the Listing Rules).

To the best of the FGG Directors' knowledge, information and belief having made all reasonable enquiries, each of the Offeror, its ultimate beneficial owners and parties acting in concert with them is a third party independent of and not connected with FGG and its connected persons (as defined in the Listing Rules).

### **The Sale Shares**

The Sale Shares comprise a total of 320,000,000 FGG Shares, representing approximately 71.07% of the entire issued share capital of FGG (assuming no outstanding Share Options have been exercised) as at the date of this joint announcement and approximately 61.56% of the entire issued share capital of FGG on a fully-diluted basis (assuming all outstanding Share Options have been exercised) as at the date of this joint announcement. The Sale Shares will be acquired by the Offeror free from all encumbrances and together with all rights attached to the Sale Shares with effect from the Share Sale Completion Date, including but not limited to the right to receive all dividends and distributions paid or declared on and from such date (but excluding any entitlements to the Special Cash Dividend).

### **Consideration and payment terms**

The total consideration for the Sale Shares pursuant to the Share Sale Agreement is HK\$258,560,000 (equivalent to HK\$0.808 per Sale Share) and shall be satisfied by the Offeror in the following manner:

- (a) a deposit of HK\$20,000,000 (the “**Deposit**”) has been paid to Sure Strategy upon signing of the Share Sale Agreement. For this purpose, the earnest money previously paid by the Offeror under the MOU had been treated as the Deposit paid under the Share Sale Agreement (the Deposit (but not including interest accrued on the Deposit) had been deemed to be applied towards satisfaction of part of the consideration payable to Sure Strategy); and
- (b) the remaining balance of HK\$238,560,000 shall be paid by the Offeror to the respective Vendors upon Share Sale Completion, by delivering a cashier order issued by a licensed bank in Hong Kong to each of the Vendors (or as they may direct in writing) or such other payment method as the respective Vendors and the Offeror may agree in writing at least two Business Days prior to Share Sale Completion.

As at the date of this joint announcement, the Deposit has been paid by the Offeror to Sure Strategy.

The VC Board (other than the members of the VC Independent Board Committee who defer their views until after advice has been sought from the VC Independent Financial Adviser) considers that the terms of the Share Sale Agreement are on normal commercial terms, fair and reasonable and in the interests of VC and the VC Shareholders as a whole.

The net proceeds to be received by Sure Strategy from the sale of FGG Shares are estimated to be approximately HK\$254,400,000. The Special Cash Dividend to be received by Sure Strategy will be not less than approximately HK\$151,600,000 and not more than approximately HK\$242,700,000. Therefore, the total proceeds from the sale of FGG Shares and the Special Cash Dividend to Sure Strategy will be not less than approximately HK\$406,000,000 and not more than HK\$497,100,000. Out of such total proceeds, HK\$270,000,000 will be used towards Sure Strategy's acquisition of FG Holdings pursuant to the Disposal Agreement and the remaining balance of the total proceeds will be not less than HK\$136,000,000 and not more than HK\$227,100,000. As Sure Strategy is owned as to 51% by VC, 51% of such remaining balance, being not less than HK\$69,400,000 and not more than approximately HK\$115,800,000, is attributable to VC and will be applied as general working capital for the Manufacturing Business and the business of the VC Group.

Furthermore, Victory City Investments will receive net proceeds from the sale of FGG Shares of approximately HK\$2,000,000 and the Special Cash Dividend of not less than approximately HK\$1,200,000 and not more than approximately HK\$1,900,000, all of which will be applied as the general working capital for the business of the VC Group.

For the avoidance of doubt, there shall be no adjustment to the consideration for the Sale Shares.

The consideration for the Sale Shares was agreed between the Offeror and the Vendors after arm's length negotiations, taking into account (i) the consolidated net asset value of FGG Group as at the Share Sale Completion Date of no less than HK\$40,000,000 as warranted by the Vendors under the Share Sale Agreement; (ii) the financial performance and business outlook of the Remaining Group; (iii) the then prevailing market prices of the FGG Shares as at the time of negotiation of consideration of the Sale Shares between the Offeror and the Vendors around the end of November 2013; (iv) the Special Deals; and (v) the fact that the Offeror will be able to exercise statutory control over FGG upon Share Sale Completion.

All the above factors were taken into consideration collectively to determine the consideration for the Sale Shares. The VC Board (other than the members of the VC Independent Board Committee who defer their views until after advice has been sought from the VC Independent Financial Adviser) considers that the consideration for the Sale Shares, after taking into account the Special Cash Dividend, is fair and reasonable and in the interests of VC and the VC Shareholders as a whole, despite the discount between the aggregate consideration per Sale Share and the Special Cash Dividend per FGG Share and the FGG Share price as of the Last Trading Date. The VC Directors consider that the FGG Share prices are subject to fluctuation from time to time and there is no certainty that it will stay at the current level. The VC Directors particularly noted that during most of the time since the listing of FGG on 5 October 2010 to 25 July 2013, when FGG published an announcement regarding the possible acquisition of FGG Shares from Sure Strategy by an independent third party and the possible change in control, the FGG Share prices were below the combined consideration under the Share Offer and the Special Cash Dividend (based on the minimum amount of HK\$250,000,000 and on a fully-diluted basis) of approximately HK\$1.289 per FGG Share.



## **Specific warranties**

The Vendors have provided certain representations and warranties to the Offeror, including that the net asset value of the Remaining Group as at the Share Sale Completion Date will not be less than HK\$40,000,000 (including not less than HK\$20,000,000 in cash and a specified list of fixed assets with agreed adjustments made therein (representing an adjusted aggregate value of approximately HK\$977,000)) (the “**Warranted NAV**”).

Sure Strategy and Victory City Investments jointly and Merlotte Enterprise severally from Sure Strategy and Victory City Investments undertake to fully indemnify the Offeror and keep the Offeror indemnified from and against any and all losses, damages or liabilities or any interest, reasonable cost or expense (including legal expense) suffered or incurred by the Offeror or any member of the Remaining Group arising from any agreement or arrangement entered into or any act or omission other than in its ordinary course of business (i) by the Remaining Group prior to the Share Sale Completion Date; or (ii) any member of the Disposal Group whether before or after the Share Sale Completion Date, including but not limited to any liability for taxation resulting from or by reference to any income, profits or gains earned, accrued or received (or deemed to be so earned, accrued or received) on or before the Share Sale Completion Date or otherwise in relation to the Group Reorganisation and/or the Disposal, provided that in respect of liability for taxation claim, the Vendors shall only be liable if such taxation claim (as finally determined by the relevant tax authority after expiry of all rights of appeal) shall exceed HK\$1,200,000.

The Vendors jointly and severally undertake to take all reasonable steps to procure all necessary and appropriate management and other resources shall remain with the Remaining Group immediately after Share Sale Completion to facilitate continuity of the management of the business and operations of the Remaining Group in substantially the same manner as prior to Share Sale Completion. The Vendors shall procure the Retained Employees to be engaged and appointed, and the Offeror shall procure the Remaining Group to engage and appoint the Retained Employees, as employees of the Remaining Group, for a period of not less than one year from the Share Sale Completion Date. The aggregate annual remuneration of the Retained Employees shall not exceed HK\$2,400,000.

The Vendors jointly and severally undertake to procure that for a period of 12 months from the date of completion of the Disposal, the Disposal Group shall not be engaged in, directly or indirectly, any apparel products trading business, within the U.S. or Hong Kong, with a specified list of customers.

## **Other arrangement**

The Vendors shall procure Mr. Ng, an employee of FGG Group, to, prior to the closing date of the Offers as set out in the Offer Document, (i) exercise not less than 2,261,740 Share Options with an exercise price of HK\$0.600 per Option Share; and (ii) accept the Share Offer in respect of such numbers of his FGG Shares.

## Conditions precedent

Share Sale Completion is conditional upon the satisfaction of the following conditions:

- (i) the passing of the necessary resolutions by the VC Independent Shareholders at the VC SGM approving the Share Sale Agreement and the transactions contemplated thereby pursuant to the requirements of the Listing Rules;
- (ii) the passing of the necessary resolutions by the FGG Independent Shareholders and the VC Independent Shareholders at each of the FGG SGM and VC SGM, respectively, approving the Group Reorganisation, the Disposal Agreement and the transactions contemplated thereby and the arrangement relating to the Retained Employees pursuant to the requirements of the Companies Ordinance, the Takeovers Code and the Listing Rules;
- (iii) the Group Reorganisation having been completed in accordance with applicable laws, the Takeovers Code and the Listing Rules and the obtaining of the Executive's consent to the Special Deals pursuant to Rule 25 and/or Note 4 to Rule 25 of the Takeovers Code (with evidence provided by the Vendors to the Offeror to its satisfaction, acting reasonably);
- (iv) completion of the Disposal and other transactions contemplated in the Disposal Agreement in accordance with its terms with evidence provided by the Vendors to the Offeror to its satisfaction, acting reasonably;
- (v) the Share Premium Cancellation having been effective pursuant to applicable laws;
- (vi) all guarantees, securities and indemnities given by, and all liabilities or obligations of, the Remaining Group (other than receivables and payables or obligations incurred by the Remaining Group in the ordinary course of business) (except for the obligations of the Remaining Group under the amended and restated factoring agreement between Top Value and CIT dated 13 June 2009, the corporate guarantee provided by FGG to CIT dated 13 July 2011 and the inventory security agreement dated 13 June 2009 entered into between Top Value and CIT) and all receivables and payables between the Remaining Group and the Disposal Group having been released or discharged by such party or parties in whose favour such guarantees, securities and indemnities have been given and to whom such obligations are owned, and the evidence of such release and discharge having been provided to the Offeror to its satisfaction, acting reasonably;
- (vii) all guarantees, securities and indemnities given by the Remaining Group in respect of the liabilities or obligations of the Disposal Group or the Vendors or any of their associates (as defined in the Listing Rules) having been released or discharged by such party or parties in whose favour such guarantees, securities and indemnities have been given and the evidence of such release and discharge having been provided to the Offeror to its satisfaction, acting reasonably;

- (viii) the trading of the FGG Shares on the Stock Exchange not having been suspended for a period longer than 20 consecutive trading days, save for (a) any temporary suspension required by relevant regulatory authorities for approving the announcements and circulars in connection with the transactions contemplated under the Share Sale Agreement or the Disposal Agreement; or (b) suspension due to any act or omission on the part of the Offeror;
- (ix) the listing of the FGG Shares not having been cancelled or withdrawn prior to Share Sale Completion;
- (x) neither the Stock Exchange nor the SFC having indicated that the trading of the FGG Shares on the Stock Exchange will be suspended, cancelled or withdrawn after Share Sale Completion, whether or not for reasons related to or arising from the transactions contemplated under the Share Sale Agreement;
- (xi) the representation and warranties given by the Vendors under the Share Sale Agreement remaining true, accurate and not misleading throughout the period from the date of the Share Sale Agreement to the Share Sale Completion Date;
- (xii) no events having occurred which caused, causes or may cause a (a) material adverse effect on the financial position, business, assets or operations of the Remaining Group as a whole (other than the events disclosed in the Share Sale Agreement); or (b) material adverse effect on the ability of the Vendors to perform or comply with their respective obligations, undertakings or covenants under the Share Sale Agreement;
- (xiii) there being no applicable laws which shall, or which shall reasonably be expected to, forbid, restrict or impose conditions or restrictions on completion of the transactions contemplated under the Share Sale Agreement; and
- (xiv) there being no ongoing, pending or threatened legal proceedings which shall with reasonable grounds forbid, restrict or impose conditions or restrictions on or in any way challenge the transactions contemplated under the Share Sale Agreement.

The Offeror shall be entitled to waive any of the above conditions (except conditions (i), (ii), (iii), (iv) and (v) are incapable of being waived) by serving a written notice to the Vendors at or before 12:00 noon (Hong Kong time) on the Long Stop Date. In the event that any of the above conditions shall not have been fulfilled (or waived by the Offeror in whole or in part in accordance with the terms of the Share Sale Agreement at or before 12:00 noon (Hong Kong time) on the Long Stop Date (or such later date as the Vendors and the Offeror may agree in writing), the Share Sale Agreement shall lapse and be of no further effect.

If any of the conditions above is not waived (if waivable) or fulfilled at or before 12:00 noon (Hong Kong time) on the Long Stop Date or Share Sale Completion does not take place on the Share Sale Completion Date otherwise than as a result of the default or failure of the Offeror, the Deposit (excluding any interest thereon) shall be refunded to the Offeror, in which case the Vendors shall, within three (3) Business Days after the Long Stop Date or the Share Sale Completion Date (as the case may be), deliver a cashier order issued by a licensed bank in Hong Kong to the Offeror.

If any one or more of the Vendors shall, as a result of its or their (as the case may be) default, fail to complete the Share Sale on the Share Sale Completion Date or the Long Stop Date after all the conditions above shall have been fulfilled (or waived by the Offeror in accordance the terms and conditions of the Share Sale Agreement), upon termination or rescission of the Share Sale Agreement, in addition to the Deposit (excluding any interest thereon) to be refunded to the Offeror as stated above, the Vendors shall pay to the Offeror HK\$20,000,000 as and for liquidated damages.

If the Offeror shall, as a result of its default, fail to complete the Share Sale on the Share Sale Completion Date or the Long Stop Date after all the conditions above shall have been fulfilled (or waived by the Offeror in accordance the terms and conditions of the Share Sale Agreement), upon termination of the Share Sale Agreement, the Deposit (excluding any interest thereon) shall be forfeited to the Vendors absolutely as and for liquidated damages.

## **Completion**

Share Sale Completion shall take place at or before 4:00 p.m. (Hong Kong time) on the Share Sale Completion Date simultaneously with completion of the Disposal Agreement after all the conditions precedent to the Share Sale Agreement are fulfilled or effectively waived or such other later date as the Offeror and the Vendors may agree in writing.

An announcement will be made upon Share Sale Completion in relation to the Offers in accordance with Rule 3.6 of the Takeovers Code.

As at the date of this joint announcement, Sure Strategy and Victory City Investments, being subsidiaries of VC, are interested in approximately 70.00% and 0.54% of the FGG Shares respectively. Merlotte Enterprise is interested in approximately 0.53% of the entire issued capital of FGG. Upon Share Sale Completion, the VC Group will cease to have any interests in the FGG Shares and FGG will cease to be a subsidiary of VC.

## **B. GROUP REORGANISATION**

Pursuant to the Group Reorganisation, among other things:

- (i) Best Keen, a wholly-owned subsidiary of FGG, which acts as the intermediate holding company of the Remaining Group; and United Gainer, a wholly-owned subsidiary of Best Keen, were established;
- (ii) FG International will transfer the HK Garment Sourcing Business and its related assets and liabilities to United Gainer;
- (iii) FG Holdings will transfer the entire issued share capital of Top Value to Best Keen;
- (iv) the Remaining Group will consist of the Remaining Group Entities, and the Remaining Group will be principally engaged in the Garment Sourcing Business upon completion of the Group Reorganisation;

- (v) the Disposal Group will consist of the Disposal Group Entities, and the Disposal Group will be principally engaged in the Manufacturing Business upon completion of the Group Reorganisation;
- (vi) the outstanding intra-group balances between the Remaining Group and the Disposal Group will be settled upon Share Sale Completion (save for the trade receivables and payables for the provision of apparel goods to the Remaining Group by the Disposal Group in the ordinary course of business); and
- (vii) all guarantees, securities and indemnities given by, and all liabilities or obligations of, the Remaining Group (other than receivables and payables or obligations incurred by the Remaining Group in the ordinary course of business) (except for the obligations of the Remaining Group under the amended and restated factoring agreement between Top Value and CIT dated 13 June 2009, the corporate guarantee provided by FGG to CIT dated 13 July 2011 and the inventory security agreement dated 13 June 2009 entered into between Top Value and CIT) and all receivables and payables between the Remaining Group and the Disposal Group having been released or discharged by such party or parties whose favour such guarantees, securities and indemnities have been given and to whom such obligations are owned.

Upon completion of the Group Reorganisation, the Remaining Group will be principally engaged in the Garment Sourcing Business, and the Disposal Group will be principally engaged in the Manufacturing Business.

#### **C. SHARE PREMIUM CANCELLATION**

The FGG Board proposes to effect the Share Premium Cancellation, pursuant to which the entire amount standing to the credit of the share premium account of FGG will be cancelled and the credit arising from the Share Premium Cancellation will be transferred to the contributed surplus account of FGG for the payment of part of the Special Cash Dividend. The Share Premium Cancellation is conditional upon, inter alia, the approval of the FGG Shareholders by way of a special resolution at the FGG SGM.

The amount standing to the credit of the share premium account of FGG amounted to approximately HK\$65,200,000 as at 30 September 2013 as set out in FGG's published interim report for the six months ended 30 September 2013.

#### **D. SPECIAL CASH DIVIDEND**

The FGG Board proposes that, subject to and upon completion of the Disposal and the Share Premium Cancellation becoming effective, the proposed Special Cash Dividend of not less than HK\$250,000,000 and not more than HK\$400,000,000 (subject to finalisation) will be paid to the Qualifying FGG Shareholders whose names appear on the register of members of FGG on the Record Date (being a date falling before the Share Sale Completion Date, which is to be fixed for determining entitlements to the payment of the Special Cash Dividend). The low-end of the above range is determined with reference to the net proceeds received by FGG from the Disposal

of approximately HK\$262,300,000 and the high-end of the above range also takes into account the aggregate net proceeds of approximately HK\$50,850,460 and the release of share options reserve of approximately HK\$27,731,000 assuming the exercise of all outstanding Share Options by the Optionholders and in any case, the net asset value of the Remaining Group as at the Share Sale Completion Date will not be less than the Warranted NAV after the payment of the Special Cash Dividend. Based on 519,777,000 FGG Shares in issue on a fully-diluted basis (assuming all outstanding Share Options have been exercised) as at the date of this joint announcement, the proposed Special Cash Dividend will be not less than approximately HK\$0.481 per FGG Share and not more than HK\$0.770 per FGG Share (subject to finalisation). The proposed Special Cash Dividend will be paid in cash out of FGG's reserves as contributed by the net proceeds to be received from the Disposal as to approximately HK\$262,300,000 and the remaining balance from the then contributed surplus account of FGG which shall include the credit arising from the Share Premium Cancellation if it has become unconditional. An ordinary resolution will be put forward at the FGG SGM for declaration of the Special Cash Dividend.

FGG will announce the Record Date in accordance with Rule 13.66 of the Listing Rules as and when appropriate.

Further details, including the finalised amount of the proposed Special Cash Dividend to be declared and payable by FGG, will be set out in a circular to be despatched by FGG to the FGG Shareholders.

### **Conditions to the Special Cash Dividend**

The payment of the Special Cash Dividend is conditional upon:

- (i) completion of the Group Reorganisation;
- (ii) the Share Premium Cancellation becoming effective;
- (iii) Share Sale Completion;
- (iv) the consent of the Executive in relation to the Special Deals having been obtained and not revoked prior to completion of the Disposal; and
- (v) there being no reasonable grounds for believing that (a) FGG is, or would after the payment of the Special Cash Dividend be, unable to pay its liabilities as they become due; or (b) the realisable value of FGG's assets would thereby be less than its liabilities.

None of the above conditions can be waived. Completion of the payment of the Special Cash Dividend will not take place unless all the above conditions precedent to the payment of the Special Cash Dividend have been fulfilled.



## **E. VERY SUBSTANTIAL DISPOSAL, CONNECTED TRANSACTION AND SPECIAL DEAL IN RELATION TO THE DISPOSAL**

### **THE DISPOSAL AGREEMENT**

#### **Date:**

14 March 2014 (after trading hours)

#### **Parties:**

Vendor : FGG  
Purchaser : Sure Strategy

As at the date of this joint announcement, Sure Strategy is interested in 315,200,000 FGG Shares, representing approximately 70.00% of the entire issued share capital of FGG as at the date of this joint announcement, and is a substantial shareholder of FGG. Accordingly, Sure Strategy is a connected person of FGG.

VC is an investment holding company. The VC Group, which includes Sure Strategy, is principally engaged in the production and sale of knitted fabric and dyed yarn and garment products.

Given the respective interest of each of Mr. Choi, Mr. Chen and Mr. Li in FGG and VC, each of them is deemed to have material interests in the Disposal Agreement. Accordingly, Mr. Choi, Mr. Chen, Mr. Li and Mr. Ng Tze On (a brother of Mr. Ng, who provided the Option Undertaking, and hence his associate) abstained from voting at the FGG board meeting approving the Disposal Agreement and Mr. Choi, Mr. Chen and Mr. Li abstained from voting at the VC board meeting approving the Disposal Agreement. Apart from Mr. Choi, Mr. Chen, Mr. Li and Mr. Ng Tze On, no other FGG Directors and VC Directors are required to be abstained from voting at the FGG and VC board meetings approving the Disposal Agreement.

#### **Assets to be disposed of**

Pursuant to the Disposal Agreement, Sure Strategy conditionally agreed to acquire and FGG conditionally agreed to dispose of the Disposal Shares, which represent the entire issued share capital of FG Holdings. FG Holdings is an investment holding company. Following completions of the Group Reorganisation and the Disposal, FG Holdings will hold the Disposal Group Entities which will be engaged in the Manufacturing Business.

As at the date of this joint announcement, FG Holdings is a wholly-owned subsidiary of FGG. Upon completion of the Disposal, FG Holdings will cease to be a subsidiary of FGG and FGG will cease to have any interest in the Disposal Group.

## **Consideration**

The consideration for the Disposal is HK\$270,000,000 and shall be satisfied in cash at completion of the Disposal. As Sure Strategy is owned as to 51% by VC, the consideration for the Disposal attributable to VC is approximately HK\$137,700,000. The consideration of HK\$270,000,000 will be funded by a combination of net proceeds from the Share Sale and the Special Cash Dividend as set out in the sub-paragraph headed “Consideration and payment terms” under the paragraph headed “A. The Share Sale Agreement”. The consideration for the Disposal is determined after arm’s length negotiations between FGG and Sure Strategy taking into account the unaudited net asset value of the Disposal Group as at 30 September 2013 and the fact that FGG is already a subsidiary of Sure Strategy.

The net proceeds from the Disposal (after deducting expenses directly attributable thereto) are estimated to be approximately HK\$262,300,000 and will be used towards the payment of the Special Cash Dividend.

The FGG Board (other than the members of the FGG Independent Board Committee who defer their views until after advice has been sought from the FGG Independent Financial Adviser) considers that the terms of the Disposal Agreement are on normal commercial terms, fair and reasonable and in the interests of FGG and the FGG Shareholders as a whole.

The VC Board (other than the members of the VC Independent Board Committee who defer their views until after advice has been sought from the VC Independent Financial Adviser) considers that the terms of the Disposal Agreement are on normal commercial terms, fair and reasonable and in the interests of VC and the VC Shareholders as a whole.

## **Conditions precedent**

Completion of the Disposal is conditional upon the satisfaction of the following conditions, among others:

- (i) the Share Sale Agreement having become unconditional (other than the fulfillment of any condition(s) in the Share Sale Agreement requiring completion of the Disposal Agreement and other transactions contemplated in the Disposal Agreement (including but not limited to the arrangements with respect to the HK Lease Agreement subject to the provisions and as referred therein)) and not being terminated in accordance with its terms and conditions;
- (ii) the passing by the FGG Independent Shareholders of an ordinary resolution approving the Disposal Agreement and the transactions contemplated thereunder in accordance with the requirements of the Listing Rules and the Takeovers Code;
- (iii) the passing by the VC Independent Shareholders of an ordinary resolution approving the Disposal Agreement and the transactions contemplated thereunder in accordance with the requirements of the Listing Rules and the Takeovers Code;

- (iv) the consent of the Executive in relation to the Disposal Agreement and the transactions contemplated thereunder as a special deal under Rule 25 of the Takeovers Code having been obtained and not revoked prior to completion of the Disposal;
- (v) the Share Premium Cancellation becoming effective;
- (vi) the passing by the FGG Independent Shareholders of an ordinary resolution approving the declaration of the Special Cash Dividend in accordance with the requirements of the Listing Rules and the Takeovers Code;
- (vii) completion of the Group Reorganisation; and
- (viii) the execution of the HK Lease Agreement.

None of the above conditions can be waived. In the event that any of the above conditions shall not have been fulfilled on or before 30 June 2014 (or such later date as FGG and Sure Strategy may agree in writing), the Disposal Agreement shall lapse and be of no further effect.

## **Completion**

Completion of the Disposal shall take place on the Share Sale Completion Date simultaneously with or immediately before Share Sale Completion.

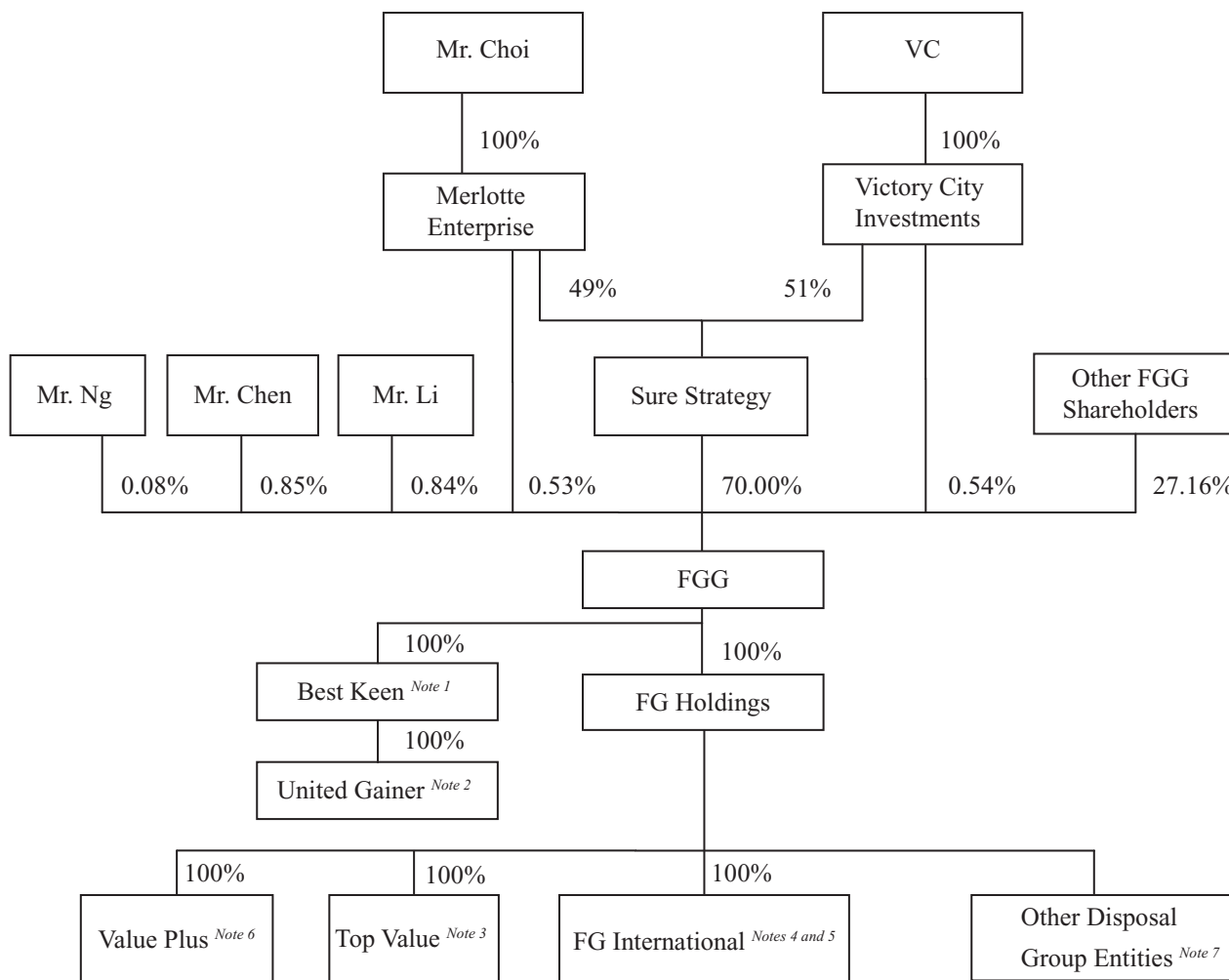
## **Financial information in relation to the Share Sale and the Disposal**

Rules 14.58(6), 14.58(7) and 14.60(3)(a) of the Listing Rules respectively requires the disclosure by FGG and VC of (i) the gain or loss expected to accrue to the VC Group and the basis for calculating such gain or loss as a result of the Share Sale; (ii) the net asset value of and the net profits or loss of the Disposal Group; and (iii) the gain or loss expected to accrue to the FGG Group and the basis for calculating such gain or loss as a result of the Disposal (the “**Required Financial Information**”) in this joint announcement. In connection with these requirements, application has been made by each of FGG and VC for waivers from inclusion of such information in this joint announcement. Such application has been made on the grounds that (i) the Required Financial Information are unaudited and unpublished figures (which is the only available form as at the date of this joint announcement) and, if disclosed in this joint announcement, will constitute profit forecasts within the meaning of Rule 10 of the Takeovers Code which would need to be reported on by an auditor and a financial adviser of each of FGG and VC. It would be burdensome for each of FGG and VC to withhold this joint announcement until such reports are available; (ii) the grant of the waiver would not result in undue risks to each of the FGG Shareholders and VC Shareholders and be repugnant to the general principles under Rule 2.03 of the Listing Rules as each of the Share Sale and the Disposal are still subject to the approvals of each of the FGG Independent Shareholders and the VC Independent Shareholders who will be properly informed of the Required Financial Information in the respective circulars and will have the benefit of perusing the advice from each of the FGG Independent Board Committee and the FGG Independent Financial Adviser, and the VC Independent Board Committee and the VC Independent Financial Adviser, before making their decision on how to cast their votes

in the FGG SGM and the VC SGM respectively; and (iii) the basis upon which the considerations for each of the Share Sale and the Disposal were determined has been disclosed in this joint announcement pursuant to Rule 14.58(5) of the Listing Rules.

### Group structure before the Group Reorganisation, the Disposal and the Share Sale

The chart below shows the simplified group structure of FGG Group as at the date of this joint announcement and immediately before completion of the Group Reorganisation, completion of the Disposal and Share Sale Completion (assuming that there are no other changes in the shareholding structure of FGG since the date of this joint announcement):

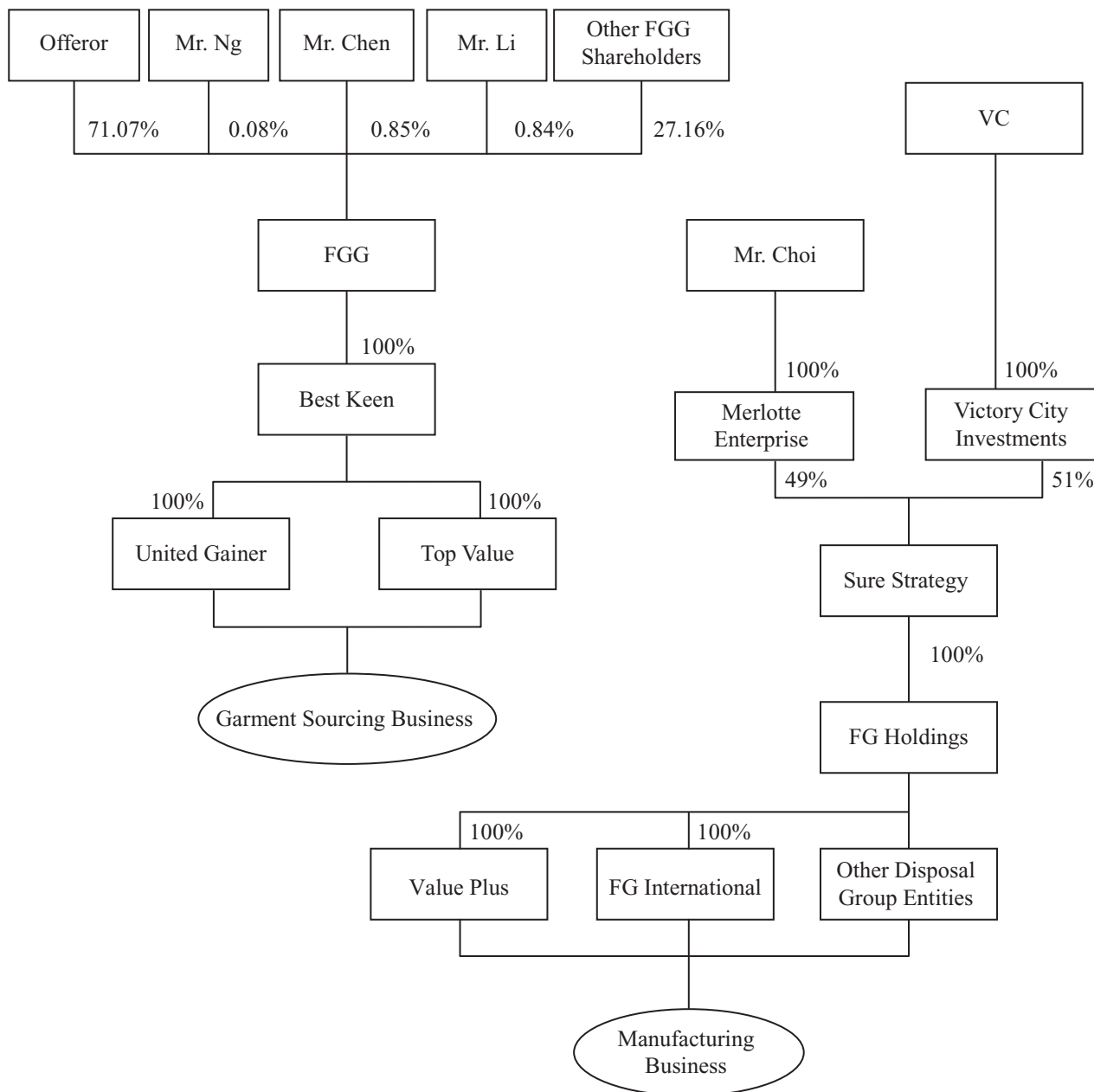


#### Notes

1. Best Keen is an investment holding company as at the date of this joint announcement.
2. United Gainer is an investment holding company as at the date of this joint announcement.
3. Top Value is principally engaged in the trading of garment products as at the date of this joint announcement.
4. FG International is principally engaged in the trading and sale of garment products and accessories as at the date of this joint announcement.
5. Pursuant to the Group Reorganisation, the HK Garment Sourcing Business of FG International will be transferred to the Remaining Group.
6. Value Plus is principally engaged in the provision of quality inspection services and procurement of fabric as at the date of this joint announcement.
7. The Other Disposal Group Entities are principally engaged in the manufacturing and sale of garment products as at the date of this joint announcement.

## Group structure after the Group Reorganisation, the Disposal and the Share Sale

The charts below show the respective simplified group structure of the Remaining Group and the Disposal Group immediately after completion of the Group Reorganisation, the Disposal and Share Sale Completion, but before the commencement of the Offers (assuming that there are no other changes in the shareholding structure of FGG during this period):



## **Reasons for the Group Reorganisation, the Disposal, the Special Cash Dividend and the Share Sale and benefits which are expected to accrue to FGG and VC**

During the negotiations between the parties to the Share Sale Agreement, the Offeror has expressed that it is not interested in the Manufacturing Business as the Offeror prefers to operate a less asset-intensive business. The Group Reorganisation is crucial for the FGG Group in achieving the structure desired by the Offeror as the Group Reorganisation allows the Garment Sourcing Business and the Manufacturing Business to be divided into the Remaining Group and the Disposal Group, respectively, which then facilitates the Disposal (i.e. the disposal of the Manufacturing Business to Sure Strategy). FG Holdings, a company incorporated in BVI with limited liability and directly wholly owned by FGG, will be the holding company of the Disposal Group. Upon completion of the Group Reorganisation, the Disposal Group will comprise the Disposal Group Entities. The Disposal Group will be principally engaged in the Manufacturing Business. As VC is principally engaged in the production and sale of knitted fabric and dyed yarn and garment products, the Manufacturing Business complements well with the existing operations of its subsidiaries. As such, the VC Board (other than the members of the VC Independent Board Committee who defer their views until after advice has been sought from the VC Independent Financial Adviser) consider that the Disposal allows VC to retain the Manufacturing Business, which is considered to complement its fabric manufacturing business, while the Share Sale represents an opportunity for the VC Group to realise its investment in FGG's Garment Sourcing Business.

Upon Share Sale Completion, the Offeror will become a controlling shareholder of FGG and is obliged to make the Offers, which are unconditional mandatory cash offers, to acquire all the issued FGG Shares (other than those already owned or agreed to be acquired by the Offeror and the parties acting in concert with it) at HK\$0.808 per Offer Share, and to cancel all the outstanding Share Options with an exercise price of HK\$0.600 per Option Share at HK\$0.208 per Share Option in cash and all outstanding Share Options with an exercise price of HK\$0.844 per Option Share at a nominal value of HK\$0.0001 per Share Option in cash. As mentioned above, as (i) the Group Reorganisation is a crucial step in reorganising the Garment Sourcing Business into the Remaining Group and the Manufacturing Business into the Disposal Group; (ii) the Disposal allows FGG to operate only the Garment Sourcing Business; and (iii) completion of the Group Reorganisation and completion of the Disposal are conditions precedent to Share Sale Completion, which in turn will ultimately lead to the Offers, the FGG Board (other than the members of the FGG Independent Board Committee who defer their views until after advice has been sought from the FGG Independent Financial Adviser) therefore considers that the Group Reorganisation and the Disposal are in the interests of the FGG Shareholders as a whole.

Therefore, each of the Group Reorganisation, the Disposal, the Special Cash Dividend and the Offers forms part of a parcel of transactions which will allow FGG to unlock and realise the value of the assets of the FGG Group, including but not limited to, the Manufacturing Business and the Garment Sourcing Business. This in turn will provide an opportunity for FGG Shareholders to receive the Special Cash Dividend from FGG and a cash exit opportunity to any FGG Shareholder who wishes to realise all or part of his/her/its interests in FGG through the Share Offer.



Despite the fact that the combined consideration under the Share Offer and the Special Cash Dividend is at a discount to the closing price of FGG Shares as at the Last Trading Date, since FGG share prices fluctuate from time to time and there is no certainty that FGG share prices will stay at the current level, the FGG Board (other than the members of the FGG Independent Board Committee who defer their views until after advice has been sought from the FGG Independent Financial Adviser) considers that the Special Cash Dividend and the Offers are in the interest of FGG Shareholders as a whole and therefore, it is in the interests of the FGG Shareholders to be given an opportunity to consider and, if thought fit, approve the resolutions for the Share Premium Cancellation and the payment of the Special Cash Dividend at the FGG SGM.

### **Information on the Remaining Group**

FGG, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on Main Board of the Stock Exchange, is principally engaged in investment holding and is the holding company of the Remaining Group. Upon completion of the Group Reorganisation, the Remaining Group will comprise FGG's 100% interest in the Remaining Group Entities, which will be principally engaged in the Garment Sourcing Business.

The Garment Sourcing Business covers a comprehensive range of sourcing management services and expertise, including product design and product development, sampling, product offering, sourcing, outsourcing, logistics and delivery and overseas sales capabilities. The strength in design and development allows FGG Group's in-house sample development capabilities to continuously innovate and provide new and up-to-date designs to customers in order to cater for their changing needs and requirements. The FGG Group also has established quality assurance and control teams to oversee the performance of its sub-contract manufacturers to ensure quality of all outsourced garment products. As a result of the FGG Group's sourcing capabilities and proven track record in successfully meeting the sourcing requirements of its customers, the FGG Group has established long and solid relationships with the top customers of the Garment Sourcing Business. Customers of the Garment Sourcing Business mainly comprise direct customers, which are mostly overseas brand owners, megastores, department stores, supermarket chains and importers. Going forward, subject to the review to be conducted by the Offeror on the Remaining Group, the Remaining Group will continue to undertake strategies to enhance its competitiveness in the market, which include, but are not limited to, expanding its product range, keeping abreast with global trends and identifying new consumer preferences, and improving quality assurance and control in order to enhance relationship with existing customers, as well as soliciting potential new customers.

The Vendors have undertaken with the Offeror to take all commercially reasonable steps to procure sufficient manpower to remain with the Remaining Group to facilitate continuity of the operations and the management of the members of the Remaining Group. The Vendors shall procure the Retained Employees to be engaged and appointed, and the Offeror shall procure the Remaining Group to engage and appoint the Retained Employees, as employees of the Remaining Group, for a period of not less than one year from the Share Sale Completion Date. Subject to the review on the Remaining Group to be conducted by the Offeror, it is expected that upon Share Sale Completion, the Remaining Group will have a total headcount of 21 staff, and will mainly comprise five departments with distinct functions, namely general merchandising, personnel and administration, shipping, accounting and finance, and system administration.

## **F. EXEMPT CONTINUING CONNECTED TRANSACTIONS AND SPECIAL DEAL IN RELATION TO THE HK LEASE AGREEMENT**

### **The HK Lease Agreement**

FG International (as the landlord), being a direct wholly-owned subsidiary of FG Holdings, and United Gainer (as the tenant), being an indirect wholly-owned subsidiary of FGG, will enter into the HK Lease Agreement in relation to the leasing of the Office Premises for a period of one year (with an option to renew for one year) at a monthly rental rate of HK\$70,000 upon completion of the Disposal.

The HK Lease Agreement constitutes a special deal for FGG under Rule 25 of the Takeovers Code by virtue of the fact that such agreement will be entered into by United Gainer (as the tenant), being one of the Remaining Group Entities, and FG International (as the landlord), being one of the Disposal Group Entities, and would be interested by Merlotte Enterprise as to 49% and Victory City Investments as to 51% after completion of the Disposal, which are not extended to all FGG Shareholders. The HK Lease Agreement, which constitutes a special deal for FGG under Rule 25 of the Takeovers Code, requires consent from the Executive.

The FGG Board (other than the members of the FGG Independent Board Committee who defer their views until after advice has been sought from the FGG Independent Financial Adviser) considers that the terms of the HK Lease Agreement are on normal commercial terms, fair and reasonable and in the interests of FGG and the FGG Shareholders as a whole.

Each of Mr. Choi (being the 49% shareholder of Sure Strategy), Mr. Chen and Mr. Li (being substantial shareholders of VC) is deemed to have material interests in the HK Lease Agreement. Accordingly, Mr. Choi, Mr. Chen, Mr. Li and Mr. Ng Tze On (a brother of Mr. Ng, who provided the Option Undertaking, and hence his associate) abstained from voting at the FGG board meeting approving the HK Lease Agreement. Apart from Mr. Choi, Mr. Chen, Mr. Li and Mr. Ng Tze On, no other FGG Directors are required to be abstained from voting at the FGG board meeting approving the HK Lease Agreement.

### **Reasons for and benefits of the HK Lease Agreement**

The Office Premises have been FGG's administrative and operational headquarters since 2009. To ensure the least disruption in terms of business operations and costs brought about by any office relocations, the Offeror intends to keep the Office Premises for the business operations of the Remaining Group. The FGG Board (other than the members of the FGG Independent Board Committee who defer their views until after advice has been sought from the FGG Independent Financial Adviser) therefore considers that the entering into of the HK Lease Agreement is in the interests of the FGG Shareholders as a whole.

## **G. SPECIAL DEAL IN RELATION TO THE RETAINED EMPLOYEES ARRANGEMENT**

Pursuant to the Share Sale Agreement, the Vendors shall procure the Retained Employees to be engaged and appointed, and the Offeror shall procure the Remaining Group to engage and appoint the Retained Employees, as employees of the Remaining Group, for a period of not less than one year from the Share Sale Completion Date. The aggregate annual remuneration of the Retained Employees shall not exceed HK\$2,400,000.

The Retained Employees comprise Ms. Cheng Sylvia, Ms. Ching Chor Bik and Mr. Yick Chong San, all of whom are employees of the FGG Group as at the date of this joint announcement. Each of Ms. Cheng Sylvia, Ms. Ching Chor Bik and Mr. Yick Chong San holds senior position in merchandising, shipping and accounting functions, respectively. It is expected that the Retained Employees will continue to perform the same job functions in the Remaining Group after Share Sale Completion.

After Share Sale Completion, each of the Retained Employees will enter into a new employment contract with the Remaining Group, pursuant to which the identity of the employer will be changed from FG International to United Gainer and there will be an additional clause of an employment period of not less than one year from Share Sale Completion Date. Apart from the aforesaid, no change is expected be made to the current employment terms and remuneration of the Retained Employees.

As at the date of this joint announcement, Ms. Cheng Sylvia, being a Retained Employee, held 720,000 FGG Shares and 200,000 Shares Options, and Mr. Yick Chong San, being a Retained Employee, held 128,000 FGG Shares. The Retained Employees Arrangement constitutes a special deal for FGG under Rule 25 of the Takeovers Code by virtue of the fact that such arrangement will be made to the Retained Employees by the Remaining Group which are not extended to all FGG Shareholders. The Retained Employees Arrangement, which constitutes a special deal for FGG under Rule 25 of the Takeovers Code, requires consent from the Executive.

The FGG Board (other than the members of the FGG Independent Board Committee who defer their views until after advice has been sought from the FGG Independent Financial Adviser) considers that the terms of the Retained Employees Arrangement are on normal commercial terms, fair and reasonable and in the interests of FGG and the FGG Shareholders as a whole.

Each of Mr. Choi (being the 49% shareholder of Sure Strategy), Mr. Chen and Mr. Li (being substantial shareholders of VC) is deemed to have material interests in the Retained Employees Arrangement. Accordingly, Mr. Choi, Mr. Chen, Mr. Li and Mr. Ng Tze On (a brother of Mr. Ng, who provided the Option Undertaking, and hence his associate) abstained from voting at the FGG board meeting approving the Retained Employees Arrangement. Apart from Mr. Choi, Mr. Chen, Mr. Li and Mr. Ng Tze On, no other FGG Directors are required to be abstained from voting at the FGG board meeting approving the Retained Employees Arrangement.

## **Reasons for and benefits of the Retained Employee Arrangement**

Pursuant to the Share Sale Agreement, in order to facilitate continuity of the management of the business and operations of the Remaining Group in substantially the same manner as prior to Share Sale Completion, the Vendors undertake to take all reasonable steps to procure all necessary and appropriate management to remain with the Remaining Group. The Retained Employees are identified by the Vendors as key management staff of the Garment Sourcing Business and hence have agreed to be retained as employees of the Remaining Group for a period of not less than one year from the Share Sale Completion Date to ensure smooth transition of the business operations of the Remaining Group.

## **H. POSSIBLE MANDATORY UNCONDITIONAL CASH OFFERS**

As at the date of this joint announcement, the Offeror and parties acting in concert with it are not interested in the share capital or voting rights of FGG. Upon Share Sale Completion, the Offeror and parties acting in concert with it will hold in aggregate 320,000,000 FGG Shares, representing approximately 71.07% of the entire issued share capital of FGG (assuming no outstanding Share Options having been exercised) as at the date of this joint announcement. The Offeror will therefore, upon Share Sale Completion, be required under Rules 13.5 and 26.1 of the Takeovers Code to make mandatory unconditional cash offers for all the issued FGG Shares which are not already owned or agreed to be acquired by it and parties acting in concert with it and to cancel all the outstanding Share Options. The Offers comprising the Share Offer and the Option Offer, when made, will be unconditional in all respects.

As at the date of this joint announcement, there are 450,262,000 FGG Shares in issue and outstanding Share Options conferring the rights to the Optionholders to subscribe for an aggregate of 32,050,000 Option Shares at HK\$0.600 per Option Share and 37,465,000 Option Shares at HK\$0.844 per Option Share. All the Share Options are currently exercisable. If all the outstanding Share Options are exercised in full, FGG will have to issue 69,515,000 new FGG Shares, representing approximately 13.37% of the existing issued share capital of FGG as enlarged by the allotment and issue of the aforesaid new FGG Shares.

As at the date of this joint announcement, save for the outstanding Share Options to subscribe for 69,515,000 Option Shares under the share option scheme of FGG adopted on 2 June 2010, FGG has no other outstanding securities, options, warrants or derivatives which are convertible into or which confer rights to require the issue of FGG Shares and FGG has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the date of this joint announcement.

## Principal terms of the Offers

Subject to Share Sale Completion, Kingston Securities will, on behalf of the Offeror, and in compliance of the Takeovers Code, make the Offers on the following basis:

### The Share Offer

**For each Offer Share .....HK\$0.808 in cash**

The Share Offer Price is the same as the purchase price per Sale Share under the Share Sale Agreement, which was arrived after arm's length negotiations between the Offeror and the Vendors.

The Share Offer will extend to all FGG Shares in issue on the date on which the Share Offer is made, being the date of despatch of the Offer Document, and to any further FGG Shares which are unconditionally allotted or issued on the exercise of the Share Options, other than those FGG Shares held by the Offeror and persons acting in concert with it.

### *Comparison of the Share Offer Price and the Special Cash Dividend with market prices of the FGG Shares and net asset values per FGG Share*

As mentioned in the paragraph headed "D. Special Cash Dividend" above, the proposed Special Cash Dividend will be not less than HK\$0.481 per FGG Share (subject to finalisation). Assuming the Special Cash Dividend is HK\$0.481 per FGG Share, the combined consideration under the Share Offer and the Special Cash Dividend is equivalent to HK\$1.289 per FGG Share, which represents:

- (i) a discount of approximately 53.466% over the closing price of HK\$2.770 per FGG Share as quoted on the Stock Exchange on 14 March 2014, being the Last Trading Date;
- (ii) a discount of approximately 54.323% over the average closing price of approximately HK\$2.822 per FGG Share as quoted on the Stock Exchange for the 5 consecutive trading days immediately prior to and including the Last Trading Date;
- (iii) a discount of approximately 54.724% over the average closing price of approximately HK\$2.847 per FGG Share as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Date;
- (iv) a discount of approximately 55.118% over the average closing price of approximately HK\$2.872 per FGG Share as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Date;

- (v) a premium of approximately 63.371% over the audited net assets per FGG Share of approximately HK\$0.789 as at 31 March 2013 (being the date to which the latest audited consolidated financial results of FGG Group were made up), calculated based on FGG Group's audited consolidated net assets attributable to equity holders of FGG of approximately HK\$355,038,000 as at 31 March 2013 and 450,262,000 FGG Shares in issue as at the date of this joint announcement; and
- (vi) a premium of approximately 53.635% over the unaudited net assets per FGG Share of approximately HK\$0.839 as at 30 September 2013 (being the date to which the latest published unaudited consolidated financial results of FGG Group were made up), calculated based on FGG Group's unaudited consolidated net assets attributable to equity holders of FGG of approximately HK\$377,703,000 as at 30 September 2013 and 450,262,000 FGG Shares in issue as at the date of this joint announcement.

For illustration purpose only, the price of HK\$0.808 per Offer Share represents:

- (i) a discount of approximately 70.830% to the closing price of HK\$2.770 per FGG Share as quoted on the Stock Exchange on 14 March 2014, being the Last Trading Date;
- (ii) a discount of approximately 71.368% to the average closing price of approximately HK\$2.822 per FGG Share as quoted on the Stock Exchange for the 5 consecutive trading days immediately prior to and including the Last Trading Date;
- (iii) a discount of approximately 71.619% to the average closing price of approximately HK\$2.847 per FGG Share as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Date;
- (iv) a discount of approximately 71.866% to the average closing price of approximately HK\$2.872 per FGG Share as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Date;
- (v) a premium of approximately 2.408% over the audited net assets per FGG Share of approximately HK\$0.789 as at 31 March 2013 (being the date to which the latest audited consolidated financial results of FGG Group were made up), calculated based on FGG Group's audited consolidated net assets attributable to equity holders of FGG of approximately HK\$355,038,000 as at 31 March 2013 and 450,262,000 FGG Shares in issue as at the date of this joint announcement; and
- (vi) a discount of approximately 3.695% over the unaudited net assets per FGG Share of approximately HK\$0.839 as at 30 September 2013 (being the date to which the latest published unaudited consolidated financial results of FGG Group were made up), calculated based on FGG Group's unaudited consolidated net assets attributable to equity holders of FGG of approximately HK\$377,703,000 as at 30 September 2013 and 450,262,000 FGG Shares in issue as at the date of this joint announcement.



### ***Highest and lowest FGG Share price***

During the six-month period preceding the date of the Preliminary Announcement and the period up to and including the Last Trading Date:

- (i) the highest closing price of the FGG Shares as quoted on the Stock Exchange was HK\$3.32 on 10 February 2014; and
- (ii) the lowest closing price of the FGG Shares as quoted on the Stock Exchange was HK\$0.74 on 7 March 2013.

### **The Option Offer**

- (i) **For cancellation of each Share Option with an exercise price of  
HK\$0.600 per Option Share ..... HK\$0.208 in cash**
- (ii) **For cancellation of each Share Option with an exercise price of  
HK\$0.844 per Option Share ..... HK\$0.0001 in cash**

A comparison of the Share Offer Price to the closing prices of FGG Shares is set out above under the heading “Comparison of the Share Offer Price and the Special Cash Dividend with market prices of the FGG Shares and net asset values per FGG Share”. Pursuant to Rule 13 and Practice Note 6 of the Takeovers Code, the Option Offer Price will normally represent the difference between the exercise price of the respective Share Options and the Share Offer Price. Under the Option Offer, the Option Offer Price for each in-the-money Share Option represents the difference between the Share Offer Price and the exercise price of these Share Options. However, as the exercise price of the out-of-money share options are above the Share Offer Price, their Option Offer Price is a nominal amount of HK\$0.0001 per Share Option.

The Option Offer will extend to all Share Options in issue on the date on which the Option Offer is made, being the date of despatch of the Offer Document, and to any further Share Options issued, other than those Share Options held by the Offeror and persons acting in concert with it. As at the date of this joint announcement, the Offeror and parties acting in concert with it do not hold any Share Options.

## **Option Undertaking**

Mr. Ng has provided an irrevocable undertaking to the Vendors in respect of the Share Options pursuant to his Option Undertaking to, prior to the closing of the Offers as set out in the Offer Document, (i) exercise no less than 2,261,740 Share Options granted to him at an exercise price of HK\$0.600 per Option Share; and (ii) accept the Share Offer to be made by the Offeror in respect of such number of his FGG Shares. Upon Share Sale Completion and the exercise of 2,261,740 Share Options at the exercise price of HK\$0.600 per Option Share by Mr. Ng, the Offeror will hold approximately 62.00% interest in FGG on a fully-diluted basis (assuming all outstanding Share Options have been exercised) before any other acceptance by any FGG Shareholder under the Share Offer.

Save for the aforesaid, the Offeror has not received any indication or irrevocable commitment from any FGG Shareholder or Optionholder that he/she/it will accept or reject the Offers as at the date of this joint announcement.

**The making of the Offers is subject to Share Sale Completion which in turn is subject to a number of conditions precedent as referred to in the sub-paragraph headed “Conditions precedent” in the paragraph headed “A. The Share Sale Agreement” above and therefore is a possibility only and it may or may not proceed. FGG Shareholders, the Optionholders and potential investors of FGG are advised to exercise caution in dealing in the FGG Shares.**

### **Total consideration for the Offers**

On the basis of the Share Offer price of HK\$0.808 per Offer Share and 450,262,000 FGG Shares in issue as at the date of this joint announcement, the entire issued share capital of FGG is valued at HK\$363,811,696.

In the event that (i) the Excluded Share Options have been exercised before the close of the Offers; and (ii) no Included Share Options have been exercised, and assuming full acceptance of the Share Offer, the value of the Share Offer and the Option Offer will amount to approximately HK\$107,079,182 and HK\$6,199,705 respectively.

In the event that all outstanding Share Options have been exercised in full, 199,777,000 FGG Shares will be subject to the Share Offer and the Share Offer is valued at HK\$161,419,816.

### **Confirmation of financial resources**

Assuming all outstanding Share Options have been exercised, the financial resources of the Offeror to satisfy the consideration for the Share Sale and the full acceptance of the Offers shall amount to an aggregate of HK\$419,979,816, which shall be financed by (i) standby facilities of up to HK\$270,000,000 granted by Kingston Securities and (ii) the Offeror’s internal resources.

Kingston CF, the financial adviser to the Offeror in respect of the Offers, is satisfied that sufficient financial resources are available to the Offeror to satisfy the full acceptance of the Offers.

## **Effect of accepting the Offers**

The Share Offer, subject to Share Sale Completion taking place, will be unconditional. By accepting the Share Offer, the FGG Shareholders will sell their FGG Shares free from any liens, charges and encumbrances and together with all rights attaching to them including all dividends and distributions (but excluding any entitlements to the Special Cash Dividend) which may be declared, made or paid at any time on or after the date on which the Share Offer is made, being the date of despatch of the Offer Document.

Acceptance of the Share Offer by any FGG Shareholder will be deemed to constitute a warranty by such person that all FGG Shares sold by such person under the Share Offer are free from all liens, charges, options, claims, equities, adverse interests, third-party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and distributions (but excluding any entitlements to the Special Cash Dividend) recommended, declared, made or paid, if any, on or after the date on which the Share Offer is made. Acceptances of the Share Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

The Option Offer, subject to Share Sale Completion taking place, will be unconditional. By accepting the Option Offer, the Optionholders will sell their Share Options free from any liens, charges and encumbrances and together with all rights attaching to them on or after the date on which the Option Offer is made, being the date of despatch of the Offer Document.

Acceptance of the Option Offer by any Optionholder will be deemed to constitute a warranty by such person that all Share Options sold by such person under the Option Offer are free from all liens, charges, options, claims, equities, adverse interests, third-party rights or encumbrances whatsoever and will be cancelled and renounced together with all rights attaching thereto on or after the date on which the Option Offer is made, being the date of despatch of the Offer Document. Acceptances of the Option Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

In accordance with the terms of the share option scheme of FGG adopted on 2 June 2010, the Optionholders shall, by giving notice in writing to FGG, and notwithstanding any other terms on which the Share Options were granted, be entitled to exercise the Share Options (to the extent not already exercised) to its full extent or to the extent specified in the notice to FGG at any time. The Offers on or after the date on which the Offers are made and up to the close of such Offers. Within 7 days after receipt of the notice, FGG shall accordingly allot and issue the relevant number of FGG Shares to the Optionholders fully paid and issue to the Optionholders a share certificate for the FGG Shares so allotted and issued. The Share Options shall lapse automatically (to the extent not exercised) on the date which the Offers are closed according to the terms of the share option scheme of FGG.

## **Hong Kong stamp duty**

Seller's ad valorem stamp duty arising in connection with acceptance of the Share Offer amounting to 0.1% of the amount payable in respect of relevant acceptances by the FGG Shareholders, or (if higher) the value of the FGG Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong), will be deducted from the amount payable to the FGG Shareholders who accept the Share Offer. The Offeror will then pay the stamp duty so deducted on their behalf. The Offeror will bear buyer's ad valorem stamp duty.

No stamp duty is payable in connection with the acceptance of the Option Offer.

## **Payment**

Payment in cash in respect of acceptances of the Offers (after deducting the accepting FGG Shareholders' share of stamp duty) will be made as soon as possible but within 7 business days (as defined under the Takeovers Code) of the date of receipt of a duly completed acceptance. Relevant documents evidencing title must be received by or on behalf of the Offeror to render such acceptance of the Offers complete and valid.

## **Overseas FGG Shareholders and overseas Optionholders**

As the Offers to persons not resident in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are resident, the Overseas FGG Shareholders and the overseas Optionholders who are citizens or residents or nationals of a jurisdiction outside Hong Kong should inform themselves about and observe any applicable legal or regulatory requirements and where necessary seek legal advice. It is the responsibility of the Overseas FGG Shareholders and/or overseas Optionholders who wish to accept the Share Offer and/or the Option Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdiction).

**Any acceptance by any FGG Shareholder or Optionholder will be deemed to constitute a representation and warranty from such FGG Shareholder or Optionholder to the Offeror that the local laws and requirements have been complied with. The FGG Shareholders and Optionholders should consult their professional advisers if in doubt.**

## **Dealing and interests in the FGG's securities**

The Offeror, its ultimate beneficial owners and parties acting in concert with any of them have not dealt in the shares, convertible securities, warrants, options or derivatives of FGG during the six-month period preceding the date of the Preliminary Announcement and the period up to and including the date of this joint announcement save for the MOU and the Share Sale Agreement to which the Offeror is a party.

## **Other arrangements**

The Offeror, save as disclosed in this joint announcement, confirms that as at the date of this joint announcement:

- (i) neither the Offeror, its ultimate beneficial owner nor any person acting in concert with any of them owned or had control or direction over any voting rights or rights over the FGG Shares or convertible securities, warrants, options of FGG or any derivatives in respect of such securities;
- (ii) there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the FGG Shares and which might be material to the Offers;
- (iii) there is no agreement or arrangement to which the Offeror or its ultimate beneficial owner is a party which relates to circumstances in which it may or may not seek to invoke a pre-condition or a condition to the Offers;
- (iv) neither the Offeror, its ultimate beneficial owner nor any person acting in concert with any of them has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of FGG;
- (v) neither the Offeror, its ultimate beneficial owner nor any person acting in concert with any of them has received any irrevocable commitment to accept the Offers; and
- (vi) there is no outstanding derivative in respect of the securities in FGG entered into by the Offeror, its ultimate beneficial owner nor any person acting in concert with any of them.

**FGG Shareholders and the Optionholders are reminded to read the recommendations of the FGG Independent Board Committee and the advice of the FGG Independent Financial Adviser in respect of the Offers that will be included in the Offer Document before deciding whether or not to accept the Offers.**

## Effect of Share Sale Completion on shareholding structure of FGG

For illustration purposes, set out below is the shareholding structure of FGG (i) as at the date of this joint announcement; (ii) immediately upon Share Sale Completion (assuming no other changes in the issued share capital and shareholding in FGG from the date of this joint announcement up to Share Sale Completion) but before the commencement of the Offers; and (iii) immediately upon Share Sale Completion on a fully-diluted basis (assuming all outstanding Share Options have been exercised but no other changes in the issued share capital and shareholding in FGG from the date of this joint announcement up to Share Sale Completion) but before the commencement of the Offers:

	As at the date of this joint announcement		Immediately upon Share Sale Completion but before the commencement of the Offers (assuming no outstanding Share Options have been exercised)		Immediately upon Share Sale Completion but before the commencement of the Offers (assuming all outstanding Share Options have been exercised)	
	<i>Number of FGG Shares</i>	<i>Approximate %</i>	<i>Number of FGG Shares</i>	<i>Approximate %</i>	<i>Number of FGG Shares</i>	<i>Approximate %</i>
The Offeror	–	–	320,000,000	71.07	320,000,000	61.56
Sure Strategy	315,200,000	70.00	–	–	–	–
Merlotte Enterprise	2,352,000	0.53	–	–	–	–
Victory City Investments	2,448,000	0.54	–	–	–	–
Mr. Ng	341,000	0.08	341,000	0.08	58,341,000	11.22
Mr. Chen	3,821,080	0.85	3,821,080	0.85	3,821,080	0.74
Mr. Li	3,789,440	0.84	3,789,440	0.84	3,789,440	0.73
Other FGG Shareholders	122,310,480	27.16	122,310,480	27.16	133,825,480	25.75
<b>Total</b>	<b>450,262,000</b>	<b>100.00</b>	<b>450,262,000</b>	<b>100.00</b>	<b>519,777,000</b>	<b>100.00</b>



## **Information on the Offeror**

The Offeror is an investment holding company with limited liability incorporated in BVI on 5 January 2010, which is directly and beneficially owned as to 60% by Mr. Gao Zhiyin and 40% by Mr. Gao Zhiping. Mr. Gao Zhiyin and Mr. Gao Zhiping are the directors of the Offeror. Mr. Gao Zhiyin is the elder brother of Mr. Gao Zhiping.

The Offeror is the ultimate holding company of Highlight Vision PRC, a limited liability company (invested solely by foreign legal entity) enterprise established in the PRC on 9 March 2009. Highlight Vision PRC is an integrated service provider for the IoT, Tri-Network Integration, smart city and internet new media industries in the PRC.

Mr. Gao Zhiyin, aged 44, is the main founder of Highlight Vision PRC and serves as the chairman of the board of directors and the chief executive officer of Highlight Vision PRC since its incorporation. Mr. Gao Zhiyin has years of experience in the industry of broadcasting and television communication and has thorough understanding of the internet and IoT industries as well as the related upstream and downstream industries.

Mr. Gao Zhiping, aged 42, is the co-founder of Highlight Vision PRC and currently serves as the managing director and general manager of Highlight Vision PRC since its incorporation. Mr. Gao Zhiping has years of experience in the industry of broadcasting and television communication and has in-depth understanding of the internet and IoT industries.

## **Intentions of the Offeror regarding the Remaining Group**

Following the close of the Offers, the Offeror intends to continue the businesses of the Remaining Group. Save as contemplated under the Disposal Agreement and other than in the ordinary course of business of the Remaining Group, the Offeror has no intention to (i) dispose, terminate or downsize the existing businesses; (ii) redeploy the fixed assets; and (iii) terminate any employees of the FGG Group or make significant changes to any employment (except for the proposed changes to the members of the FGG Board as detailed in the sub-paragraph headed “Proposed change of the FGG Board” below).

However, the Offeror will, following completion of the Offers, conduct a detailed review of the operations of the Remaining Group and formulate feasible business strategies with a view to developing a sustainable corporate strategy to broaden its income stream, which may include rebalancing the resources of the Remaining Group should appropriate opportunities arise.

For the future development of the Remaining Group with the aim of protecting the FGG Shareholders in a responsible manner, subject to a detailed review to be performed by the Offeror on the availability of sufficient resources to finance new business opportunities by the Remaining Group, the Offeror intends to explore new business opportunities relating to the internet, IoT, Tri-Network Integration and new media industries by utilising its experience and resources, including but not limited to acquisition or investment through joint ventures to be established by the Offeror with third parties in the PRC and/or overseas in compliance with applicable laws and regulations. As at the date of this joint announcement, there is no concrete timetable for executing the aforesaid business opportunities. Any such acquisition or investment, once materialised, will be announced by FGG as and when necessary pursuant to the requirements of the Listing Rules.

## **Proposed change of the FGG Board**

The FGG Board is currently made up of nine FGG Directors, comprising three executive FGG Directors, being Mr. Choi, Mr. Lau Kwok Wa, Stanley and Mr. Ng Tze On, two non-executive FGG Directors, being Mr. Chen and Mr. Li and four independent non-executive FGG Directors, being Mr. Lau Chi Kit, Mr. Mak Chi Yan, Mr. Wong Wai Kit, Louis and Mr. Yuen Kin Kei. The Offeror intends to nominate new executive FGG Directors and independent non-executive FGG Directors to the FGG Board and such appointments will not take effect earlier than the date of posting of the Offer Document in relation to the Offers or such other date as permitted under the Takeovers Code. The Offeror intends to nominate Mr. Gao Zhiyin and Mr. Gao Zhiping as the executive FGG Directors. As at the date of this joint announcement, Mr. Choi and Mr. Li were either the sole director or one of the directors (as the case may be) of the Remaining Group Entities, and it is also intended that Mr. Choi and Mr. Li will resign from their offices of these entities and will neither hold directorships nor senior positions in the Remaining Group Entities, with effect from the earliest date as permitted under the Listing Rules, the Takeovers Code or other applicable laws (whichever is later). Immediately after the first closing of the Offers (or such other time as permitted by the Takeovers Code), all current FGG Directors will resign from their office. Any change to the FGG Board will be made in compliance with the Takeovers Code and the Listing Rules and will be announced accordingly.

The detailed information of Mr. Gao Zhiyin and Mr. Gao Zhiping are set out in the sub-paragraph headed “Information on the Offeror” under the paragraph headed “H. Possible Mandatory Unconditional Cash Offers” above.

## **Public float and maintaining the listing status of FGG**

The Offeror intends to maintain the listing of the FGG Shares on the Stock Exchange after the close of the Offers and will undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offers to ensure that a sufficient public float exists for the FGG Shares. The Offeror does not intend to exercise or apply any right which may be available to it to acquire compulsorily any FGG Shares outstanding after the close of the Offers.

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to FGG, being 25% of the issued FGG Shares, are held by the public at all time, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the FGG Shares; or
- (ii) there are insufficient FGG Shares in public hands to maintain an orderly market,

then, it will consider exercising its discretion to suspend dealings in the FGG Shares. Each of the Offeror and FGG will undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the FGG Shares.

## **I. PROPOSED CHANGE OF NAME**

The FGG Board proposes to change the English company name of FGG from “Ford Glory Group Holdings Limited” to “Highlight China IoT International Limited” and to adopt the Chinese name of “高銳中國物聯網國際有限公司” as the secondary name to replace “福源集團控股有限公司” which has been used for identification purposes only.

The FGG Board believes that the new English name and new Chinese secondary name of FGG can provide FGG with fresh corporate identity which may reflect the change in controlling shareholder of FGG. The FGG Board is of the opinion that the Proposed Change of Name is in the best interests of FGG and the FGG Shareholders as a whole.

### **Conditions to the Proposed Change of Name**

The Proposed Change of Name is conditional upon:

- (i) Share Sale Completion;
- (ii) the passing of a special resolution by the FGG Shareholders at the FGG SGM to approve the Proposed Change of Name; and
- (iii) the Registrar of Companies in Bermuda granting approval for the use of the proposed new English name and the adoption of the proposed new Chinese name as the secondary name by FGG.

### **Effect of the Proposed Change of Name**

Subject to the satisfaction of the conditions set out above, the Proposed Change of Name will take effect from the date of entry of the new names on the register maintained by the Registrar of Companies in Bermuda. FGG will then carry out all necessary filing procedures with the Companies Registry in Hong Kong.

The Proposed Change of Name will not affect any rights of the FGG Shareholders or the FGG’s daily business operation and its financial position. All existing share certificates of FGG in issue bearing the present name of “Ford Glory Group Holdings Limited” shall, after the Proposed Change of Name becoming effective, continue to be evidence of title to the FGG Shares and will continue to be valid for trading, settlement, registration and delivery for the same number of FGG Shares in the new name of FGG. As such, no arrangement will be made for the exchange of the existing share certificates of FGG for the new share certificates bearing FGG’s new name as a result of the Proposed Change of Name.

Once the Proposed Change of Name has become effective, any new share certificates of FGG will be issued only in the new name of FGG and the securities of FGG will be traded on the Stock Exchange.

## **J. PROPOSED CONNECTED TRANSACTIONS IN RELATION TO PROVISION OF GUARANTEES**

VC proposes to provide the Guarantees in favour of the Lenders in respect of the Facilities in the aggregate maximum amount of approximately HK\$603,000,000 granted by the Lenders to FG International and/or Value Plus in the manner set out below.

### **DBS Guarantees**

On 21 February 2012 and 7 March 2012, DBS indicated they were prepared to consider making available or continuing to make available each of the (i) DBS-FGI Facilities of up to HK\$75,000,000 to FG International, whereby the types of facility include letter of credit, trust receipt, account payable financing and account receivable financing; and (ii) DBS-VP Facilities of up to HK\$50,000,000 to Value Plus, whereby the types of facility include letters of credit, trust receipt and account payable financing, respectively. The facility amounts under DBS-VP Facilities shall be limited by DBS-FGI Facilities and shall be jointly utilised by Value Plus and FG International.

Under the terms of the DBS-FGI Facilities, FGG is required to provide the DBS-FGG-FGI Guarantee for all monies obligations and liabilities (actual or contingent) owed by FG International in favour of DBS to secure the DBS-FGI Facilities. Upon completion of the Disposal, it is proposed that VC will provide the DBS-VC-FGI Guarantee in favour of DBS to secure the DBS-FGI Facilities in place of the DBS-FGG-FGI Guarantee.

Under the terms of the DBS-VP Facilities, each of FGG and FG International is required to provide the DBS-FGG-VP Guarantees for HK\$55,000,000 in favour of DBS to secure the DBS-VP Facilities. The DBS-VP Facilities are also secured by a legally notarised promissory note for HK\$55,000,000 already executed by Value Plus. Upon completion of the Disposal, it is proposed that VC will provide the DBS-VC-VP Guarantee in favour of DBS to secure the DBS-VP Facilities in place of the DBS-FGG-VP Guarantees.

Each of FG International and Value Plus will not provide to VC any guarantee fee or security in respect of the DBS Guarantees. Other than the DBS Guarantees and the legally notarised promissory note for HK\$55,000,000 already executed by Value Plus, no guarantee nor security will be given in favour of DBS in respect of the DBS Facilities.

Merlotte Enterprise will provide a pro rata counter indemnity to VC in respect of the DBS Guarantees.

### **Hang Seng Guarantees**

On 8 January 2014 and 28 February 2014, Hang Seng offered (i) the HS-FGI Facilities of up to HK\$198,000,000 to FG International, whereby the types of facility include trust receipt, import trade loans, export trade loans, documentary credits, treasury products, documents against acceptance and overdraft; and (ii) the HS-VP Facilities of up to HK\$40,000,000 to Value Plus, whereby the types of facility include letters of credit, trust receipt and import trade loans, respectively.

Under the terms of the HS-FGI Facilities, FGG is required to provide the HS-FGG-FGI Guarantee for HK\$127,000,000 in favour of Hang Seng to secure the HS-FGI Facilities. Upon completion of the Disposal, it is proposed that VC will provide the HS-VC-FGI Guarantee in favour of Hang Seng to secure the HS-FGI Facilities in place of the HS-FGG-FGI Guarantee.

Under the terms of the HS-VP Facilities, FGG is required to provide the HS-FGG-VP Guarantee for all monies obligations and liabilities (actual or contingent) owed by Value Plus in favour of Hang Seng to secure the HS-VP Facilities. The HS-VP Facilities are also secured by a legally notarised promissory note for HK\$55,000,000 already executed by Value Plus. Upon completion of the Disposal, it is proposed that VC will provide the HS-VC-VP Guarantee in favour of Hang Seng to secure the HS-VP Facilities in place of the HS-FGG-VP Guarantee.

Each of FG International and Value Plus will not provide to VC any guarantee fee or security in respect of the Hang Seng Guarantees. Other than the Hang Seng Guarantees and the legally notarised promissory note for HK\$55,000,000 already executed by Value Plus, no guarantee nor security will be given in favour of Hang Seng in respect of the Hang Seng Facilities.

Merlotte Enterprise will provide a pro rata counter indemnity to VC in respect of the Hang Seng Guarantees.

### **HSBC Guarantees**

On 7 April 2014 and 16 April 2014, HSBC confirmed their agreement to make available (i) the HSBC-FGI Facilities with a combine limit of up to approximately HK\$93,000,000 available to FG International, whereby the types of facility include Renminbi investment loan, trust receipt import trade loan and export trade loan; and (ii) the HSBC-VP Facilities of up to HK\$50,000,000 import facilities, whereby the types of facility include trust receipt and import trade loan; and HK\$2,000,000 clean cheque purchasing line to Value Plus, respectively.

FGG is required to provide the HSBC-FGG-FGI Guarantees for an aggregate of HK\$120,000,000 in favour of HSBC in respect of the HSBC-FGI Facilities. Upon completion of the Disposal, it is proposed that VC will provide the HSBC-VC-FGI Guarantees in favour of HSBC to secure HSBC-FGI Facilities in place of the HSBC-FGG-FGI Guarantees.

Further, FGG is required to provide the HSBC-FGG-VP Guarantee for HK\$65,000,000 in favour of HSBC to secure the HSBC-VP Facilities. The HSBC-VP Facilities are also secured by a legally notarised promissory note for HK\$65,000,000 already executed by Value Plus. Upon completion of the Disposal, it is proposed that VC will provide the HSBC-VC-VP Guarantee in favour of HSBC to secure the HSBC-VP Facilities in place of the HSBC-FGG-VP Guarantee.

Each of FG International and Value Plus will not provide to VC any guarantee fee or security in respect of the HSBC Guarantees. Other than the HSBC Guarantees and the legally notarised promissory note for HK\$65,000,000 already executed by Value Plus, no guarantee nor security will be given in favour of HSBC in respect of the HSBC Facilities.

Merlotte Enterprise will provide a pro rata counter indemnity to VC in respect of the HSBC Guarantees.

### **CITIC Guarantees**

On 10 December 2013 and 18 January 2012 (as supplemented on 11 January 2013 and 9 April 2014), CITIC indicated they would consider requests made by each of (i) FG International for the general banking facility of up to HK\$50,000,000 pursuant to CITIC-FGI Facilities, whereby the types of facility include trust receipt, import invoice financing, export invoice discounting, treasury products and documentary credit; and (ii) Value Plus for the general banking facility of up to HK\$20,000,000 pursuant to CITIC-VP Facilities, whereby the types of facility include trust receipt, import invoice financing and issuance of documentary credit, respectively.

Under the terms of the CITIC-FGI Facilities, FGG is required to provide the CITIC-FGG-FGI Guarantee for HK\$130,000,000 in favour of CITIC to secure the CITIC-FGI Facilities. Upon completion of the Disposal, it is proposed that VC will provide the CITIC-VC-FGI Guarantee in favour of CITIC to secure the CITIC-FGI Facilities in place of the CITIC-FGG-FGI Guarantee.

Under the terms of the CITIC-VP Facilities, FGG is required to provide the CITIC-FGG-VP Guarantee for HK\$20,000,000 in favour of CITIC to secure the CITIC-VP Facilities. Upon completion of the Disposal, it is proposed that VC will provide the CITIC-VC-VP Guarantee in favour of CITIC to secure the CITIC-VP Facilities in place of the CITIC-FGG-VP Guarantee.

Each of FG International and Value Plus will not provide to VC any guarantee fee or security in respect of the CITIC Guarantees. Other than the CITIC Guarantees, no guarantee nor security will be given in favour of CITIC in respect of the CITIC Facilities.

Merlotte Enterprise will provide a pro rata counter indemnity to VC in respect of the CITIC Guarantees.

### **WH-VC Guarantee**

On 25 March 2013, Wing Hang confirmed that it would renew and revise the Wing Hang Facilities to FG International up to HK\$25,000,000, whereby the types of facility include letters of credit, invoicing financing, invoice discounting and trust receipt. Under the terms of the Wing Hang Facilities, FGG is required to provide the WH-FGG Guarantee in favour of Wing Hang for all monies obligations and liabilities (actual or contingent) owed by FG International to secure the Wing Hang Facilities. Upon completion of the Disposal, it is proposed that VC will provide the WH-VC Guarantee in favour of the Wing Hang to secure Wing Hang Facilities in place of the WH-FGG Guarantee.

FG International will not provide to VC any guarantee fee or security in respect of the WH-VC Guarantee. Other than WH-VC Guarantee, no guarantee nor security will be given in favour of Wing Hang in respect of the Wing Hang Facilities.

Merlotte Enterprise will provide a pro rata counter indemnity to VC in respect of the WH-VC Guarantee.



## **ANZ-VC Guarantee**

On 21 September 2011, ANZ confirmed that it is prepared to make available the ANZ Facilities of up to HK\$50,000,000 to FG International, whereby the types of facility include trust receipt, import invoice financing, export invoice financing and documentary credit. Under the terms of the ANZ Facilities, FGG is required to provide the ANZ-FGG Guarantee in favour of ANZ for HK\$50,000,000 and an amount equal to the aggregate of all interest, costs and expenses accrued thereon. Upon completion of the Disposal, it is proposed that VC will provide the ANZ-VC Guarantee in favour of ANZ to secure the ANZ Facilities in place of the ANZ-FGG Guarantee.

FG International will not provide to VC any guarantee fee or security in respect of the ANZ-VC Guarantee. Other than the ANZ-VC Guarantee, no guarantee nor security will be given in favour of ANZ in respect of the ANZ Facilities.

Merlotte Enterprise will provide a pro rata counter indemnity to VC in respect of the ANZ-VC Guarantee.

## **Intended use of the facilities granted to FG International and Value Plus**

The principal business of each of FG International and Value Plus is the trading and sale of garment products and accessories; and the provision of quality inspection services and procurement of fabric, respectively. FG International and Value Plus have been and will continue to be responsible for the majority of the trading of garment products of the VC Group upon completion of the Disposal.

The Facilities include term loan and normal trade lines (such as letters of credit and trust receipt) for the existing business activities of FG International and Value Plus and they will be used to finance the general operation of FG International and Value Plus. The aggregate maximum amount of the Facilities has been arrived at having regard principally to the requirement of banking facilities by the VC Group to finance the general operation of FG International and Value Plus in the foreseeable future.

## **Reasons for the provision of the Guarantees**

As at the date of this joint announcement, each of FG International and Value Plus was an indirect wholly-owned subsidiary of FGG, which was in turn held by Sure Strategy through its approximately 70% interest in the FGG Shares. Sure Strategy is a company incorporated in BVI with limited liability and beneficially owned as to 51% by Victory City Investments (i.e. a wholly-owned subsidiary of VC) and 49% by Merlotte Enterprise as at the date of this joint announcement.

Upon completion of the Disposal, each of FG International and Value Plus will become an indirect wholly-owned subsidiary of Sure Strategy, which will remain to be beneficially owned as to 51% by Victory City Investments and 49% by Merlotte Enterprise. Each of FG International and Value Plus will continue to be an indirect non-wholly-owned subsidiary of VC upon completion of the Disposal.

Upon completion of the Disposal, VC will be required to provide the Guarantees in the manner set out in the paragraph above and the Guarantees are expected to be entered into by VC. The VC Directors consider that VC will benefit from the provision of the Guarantees in terms of the facilitation of the growth of the business of FG International and Value Plus to be afforded by the Facilities.

Given that FG International and Value Plus have been and will continue to be responsible for the majority of the trading of garment products of the VC Group upon completion of Disposal, the VC Board considers (except the VC Independent Board Committee whose view will be formed after obtaining the advice of the VC Independent Financial Adviser) that the exposure of the VC Group to the liabilities under the Guarantees is commercially justifiable and is therefore in the interest of VC to assist each of FG International and Value Plus to obtain the Facilities.

In view that Merlotte Enterprise will give a pro rata counter-indemnity in respect of the Guarantees, the VC Board (except the VC Independent Board Committee whose view will be formed after obtaining the advice of the VC Independent Financial Adviser) is of the view that the terms and conditions of the Guarantees are on normal commercial terms and are fair and reasonable, and in the interest of VC and the VC Shareholders as a whole.

Given Mr. Choi's interest in Merlotte Enterprise and are therefore deemed to have material interests in the Proposed Connected Transactions, Mr. Choi abstained from voting at the VC board meeting approving the Proposed Connected Transactions. Apart from Mr. Choi, no other VC Directors are required to be abstained from voting at the VC board meeting approving the Proposed Connected Transactions.

## **K. GENERAL**

### **Implications of the Takeovers Code and the Listing Rules**

#### **The Share Sale Agreement**

As each of the revenue ratio and the consideration ratio under Rule 14.07 of the Listing Rules for the Share Sale Agreement is more than 5% but less than 25% for VC, the Share Sale Agreement constitutes a discloseable transaction for VC. As Mr. Choi is a VC Director and a substantial shareholder of FGG and the Share Sale Agreement is conditional on the completion of the Disposal Agreement, the Share Sale Agreement also constitutes a connected transaction for VC and is therefore subject to the reporting, announcement and the VC Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

#### **The Disposal Agreement**

As each of the assets ratio and the profits ratio under Rule 14.07 of the Listing Rules in respect of the Disposal Agreement is over 75% for FGG and each of the revenue ratio and the consideration ratio under Rule 14.07 of the Listing Rules in respect of Disposal Agreement is more than 5% but less than 25% for VC, the Disposal constitutes a very substantial disposal for FGG and a discloseable transaction for VC under Chapter 14 of the Listing Rules.

As at the date of this joint announcement, Sure Strategy is interested in 315,200,000 FGG Shares, representing approximately 70.00% of the entire issued share capital of FGG, and is a substantial shareholder of FGG. Accordingly, Sure Strategy is a connected person of FGG.

The Disposal also constitutes a connected transaction for VC pursuant to Rule 14A.11(5) and Rule 14A.13(1)(b) of the Listing Rules given that (i) FGG is a connected person of VC by virtue of the fact that FGG is an associate of Mr. Choi as Mr. Choi is entitled to control the exercise of 30% or more of the voting power at any general meeting of FGG through his wholly-owned company, Merlotte Enterprise, and his associate, Sure Strategy; and (ii) Mr. Choi is a VC Director and a substantial shareholder of FG Holdings (a subsidiary of VC).

The Disposal, being a very substantial disposal and connected transaction for FGG, and a discloseable and connected transaction for VC, is therefore subject to the reporting, announcement and the FGG Independent Shareholders' approval and the VC Independent Shareholders' approval requirements under the Listing Rules.

The Disposal Agreement also constitutes a special deal under the Takeovers Code and requires the consent of the Executive. Such consent, if granted, will be subject to the FGG Independent Financial Adviser's opinion that the terms of the Disposal Agreement are fair and reasonable and the approval of the FGG Independent Shareholders voting by way of poll at the FGG SGM.

### **The HK Lease Agreement**

The transactions contemplated under the HK Lease Agreement will, upon completion of the Disposal, constitute continuing connected transactions for FGG under Chapter 14A of the Listing Rules by virtue of FG International being an associate of Mr. Choi and thus a connected person of FGG under the Listing Rules. As each of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the continuing connected transactions contemplated under the HK Lease Agreement is less than 5% and the annual consideration is less than HK\$1,000,000, the HK Lease Agreement and the transactions contemplated thereunder are exempt from the reporting, announcement and the FGG Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Notwithstanding the requirements of the Listing Rules as stated above, the HK Lease Agreement constitutes a special deal under the Takeovers Code and requires the consent of the Executive. Such consent, if granted, will be subject to the FGG Independent Financial Adviser's opinion that the terms of the HK Lease Agreement are fair and reasonable and the approval of the FGG Independent Shareholders voting by way of poll at the FGG SGM.

### **The Retained Employees Arrangement**

The Retained Employees Arrangement constitutes a special deal under the Takeovers Code and requires the consent of the Executive. Such consent, if granted, will be subject to the FGG Independent Financial Adviser's opinion that the terms of the Retained Employees Arrangement are fair and reasonable and the approval of the FGG Independent Shareholders voting by way of poll at the FGG SGM.

## **The Special Deals**

Since the transactions contemplated under the Special Deals are not capable of being extended to all FGG Shareholders, each of the Special Deals constitutes a special deal under Rule 25 of the Takeovers Code, which requires the consent of the Executive and such consent, if granted, will normally be conditional upon the FGG Independent Financial Adviser publicly stating in its opinion that the terms of the Special Deals are fair and reasonable and the approval of the FGG Independent Shareholders voting by way of a poll at the FGG SGM. An application will be made to the Executive for consent to proceed with the Special Deals under Rule 25 of the Takeovers Code. FGG Shareholders should note that such consent may or may not be granted by the Executive and, if such consent is not granted, the Special Deals will not proceed. As the obtaining of such consent is a condition to Share Sale Completion and the making of the Offers by the Offeror, the Offers will not be made if such consent is not obtained on or before the Long Stop Date.

## **The Proposed Connected Transactions**

The transactions contemplated under the provision of Guarantees will upon completion of the Disposal, constitute connected transactions for VC under Chapter 14A of the Listing Rules. Each of FG International and Value Plus is wholly owned by FG Holdings which is in turn (upon completion of the Disposal) held as to 51% indirectly by VC and 49% indirectly by Merlotte Enterprise, a company wholly-owned by Mr. Choi who is one of the VC Directors.

Given that the financial assistance to be provided by VC by way of the Guarantees to each of FG International and Value Plus will exceed the proportional interest of VC in FG International and Value Plus (as the case may be) and that the aggregate limit of the amount to be secured by the Guarantees exceeds HK\$10,000,000, the provision of the Guarantees will constitute non-exempt connected transactions for VC under Rule 14A.63 of the Listing Rules. Accordingly, the provision of the Guarantees is subject to the reporting, announcement and VC Independent Shareholders' approval requirements under Rule 14A.63 of the Listing Rules. As at the date of this joint announcement, the Guarantees have not been given. It is intended that the Guarantees will be executed shortly after the approval of the VC Independent Shareholders is obtained at the VC SGM. The proposed provision of the Guarantees, when executed after the VC Independent Shareholders' approval has been obtained, will constitute connected transactions for VC under Chapter 14A of the Listing Rules.

The pro rata counter indemnities to be given by Merlotte Enterprise, a company wholly owned by Mr. Choi who is one of the VC Directors, in respect of the Guarantees will constitute connected transactions for VC which, under Rule 14A.65(4) of the Listing Rules, are exempt from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.63 of the Listing Rules.

## **FGG SGM**

### **Ordinary resolutions**

The FGG SGM will be held for the purpose of considering and, if thought fit, approving, among other things, the ordinary resolutions in respect of the Special Cash Dividend and the Special Deals by way of poll at the FGG SGM. The Special Deals are required to be approved by the FGG Independent Shareholders at the FGG SGM and the Special Cash Dividend is required to be approved by the FGG Shareholders at the FGG SGM.

Shareholders including (i) VC, its associates and parties acting in concert with any of them, including Sure Strategy, Mr. Choi, Mr. Chen and Mr. Li; (ii) Mr. Ng who has provided the Option Undertaking; (iii) the Retained Employees; and (iv) any FGG Shareholders who are involved in or interested in the Special Deals or the transactions contemplated thereunder shall abstain from voting on all the resolutions approving the Special Deals at the FGG SGM.

### **Special resolutions**

The FGG SGM will be held for the purpose of considering and, if thought fit, approving, among other things, the special resolutions in respect of the Share Premium Cancellation and the Proposed Change of Name by way of poll at the FGG SGM. The Share Premium Cancellation and the Proposed Change of Name are required to be approved by the FGG Shareholders at the FGG SGM.

### **FGG Independent Board Committee**

As at the date of this joint announcement, Mr. Chen and Mr. Li are substantial shareholders of VC. Further, each of Sure Strategy (as purchaser of the Disposal Agreement) and FG International (as landlord of the HK Lease Agreement) is a subsidiary of VC. Given Mr. Chen and Mr. Li's interests in FGG, each of them is deemed to have material interests in the Disposal Agreement and the HK Lease Agreement and hence will be excluded from the FGG Independent Board Committee. The FGG Independent Board Committee, comprising all independent non-executive FGG Directors, namely Mr. Lau Chi Kit, Mr. Mak Chi Yan, Mr. Wong Wai Kit, Louis and Mr. Yuen Kin Kei, has been formed to advise the FGG Independent Shareholders in respect of the Special Deals, the Offers and the respective transactions contemplated thereunder.

## **Circular and appointment of the independent financial adviser pursuant to Rule 2.1 of the Takeovers Code**

### **FGG Circular**

A circular containing, among other things, (i) details of the Share Sale Agreement, the Disposal Agreement, the Retained Employees Arrangement and the HK Lease Agreement; (ii) further information on the Group Reorganisation, the Share Premium Cancellation, the payment of the Special Cash Dividend, the Proposed Change of Name and the Special Deals; (iii) financial information of each of the FGG Group and the Disposal Group; (iv) pro forma financial information of the Remaining Group; (v) the letter of recommendation from the FGG Independent Board Committee and the letter of advice from FGG Independent Financial Adviser to the FGG Independent Board Committee and the FGG Independent Shareholders in respect of the Special Deals, the Offers and the respective transactions contemplated thereunder; and (vi) a notice convening the FGG SGM is expected to be despatched to the FGG Shareholders on or before 28 May 2014.

### **FGG Independent Financial Adviser**

Shenyin Wanguo has been appointed as the FGG Independent Financial Adviser to advise the FGG Independent Board Committee and the FGG Independent Shareholders in respect of the Special Deals, the Offers and the respective transactions contemplated thereunder. The appointment of Shenyin Wanguo as the FGG Independent Financial Adviser has been approved by the FGG Independent Board Committee.

The advice of Shenyin Wanguo and the recommendation of the FGG Independent Board Committee in respect of the Offers, in particular, as to whether the Offers are, or are not, fair and reasonable and as to its acceptance, will be included in the Offer Document.

### **VC SGM**

The VC SGM will be held for the purpose of considering and, if thought fit, approving the resolutions in respect of the Share Sale Agreement, the Disposal Agreement and the Proposed Connected Transactions. Mr. Choi and his associates shall abstain from voting on all the resolutions approving the Share Sale Agreement, the Disposal Agreement and the Proposed Connected Transactions at the VC SGM.

### **VC Circular**

A circular containing, among other things, (i) details of the Share Sale Agreement and the Disposal Agreement; (ii) details of the provision of Guarantees; (iii) the letter of recommendation from the VC Independent Board Committee; (iv) the letter of advice from the VC Independent Financial Adviser to the VC Independent Board Committee and the VC Independent Shareholders in respect of the Share Sale Agreement, the Disposal Agreement, the Proposed Connected Transactions and the respective transactions contemplated thereunder; and (v) a notice convening the VC SGM is expected to be despatched to the VC Shareholders on or before 28 May 2014.



## **VC Independent Board Committee**

The VC Independent Board Committee, comprising all independent non-executive VC Directors, namely Mr. Kan Ka Hon, Mr. Phaisalakani Vichai and Mr. Kwok Sze Chi, has been formed to advise the VC Independent Shareholders in respect of the Share Sale Agreement, the Disposal Agreement, the Proposed Connected Transactions and the respective transactions contemplated thereunder.

## **VC Independent Financial Adviser**

Halcyon Capital has been appointed as the VC Independent Financial Adviser to advise the VC Independent Board Committee and the VC Independent Shareholders in respect of the Share Sale Agreement, the Disposal Agreement, the Proposed Connected Transactions and the respective transactions contemplated thereunder. The appointment of Halcyon Capital as the VC Independent Financial Adviser has been approved by the VC Independent Board Committee.

## **Waiver of Rule 8.2 of the Takeovers Code**

Pursuant to Rule 8.2 of the Takeovers Code, the Offeror is required to despatch the Offer Document to the FGG Shareholders and the Optionholders within 21 days of the date of this joint announcement, or such later date as the Executive may approve. It is the intention of the respective boards of directors of the Offeror and FGG to combine the offer document and the offeree board circular in respect of the Offers into the Offer Document. The Offer Document setting out, inter alia, details of the Offers and incorporating the respective letters of advice from the FGG Independent Board Committee and the FGG Independent Financial Adviser in respect of the Offers and the Special Deals will be despatched in accordance with the Takeovers Code. Given that Share Sale Completion is subject to, inter alia, the passing of resolutions in relation to the Share Premium Cancellation and the Special Deals by the FGG Independent Shareholders in the FGG SGM and/or the resolutions in relation to the Share Sale Agreement by the VC Independent Shareholders in the VC SGM, it is expected that Share Sale Completion will not take place within 21 days of the date of this joint announcement. As such, an application will be made to the Executive in respect of Note 2 to Rule 8.2 of the Takeovers Code for its consent to extend the date of posting of the Offer Document to the FGG Shareholders and the Optionholders within 7 days of Share Sale Completion or the Long Stop Date, whichever is earlier.

Further announcement(s) regarding the despatch of the Offer Document will be made in due course. The FGG Independent Shareholders and the Optionholders are encouraged to read the Offer Document carefully, including the advice of the FGG Independent Financial Adviser to the FGG Independent Board Committee and the FGG Independent Shareholders, and the recommendation from the FGG Independent Board Committee to the FGG Independent Shareholders and the Optionholders in respect of the Offers, before deciding whether or not to accept the Offers.

## L. DISCLOSURE OF DEALINGS

In accordance with Rule 3.8 of the Takeovers Code, associates of FGG or the Offeror (including persons holding 5% or more of a class of relevant securities of FGG or the Offeror) are reminded to disclose their dealings in the securities of FGG pursuant to the Takeovers Code.

The full text of Note 11 of Rule 22 of the Takeovers Code is reproduced below pursuant to Rule 3.8 of the Takeovers Code:

*“Responsibilities of stockbrokers, banks and other intermediaries*

*Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 of the Takeovers Code and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant rules of the Takeovers Code. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than HK\$1 million.*

*This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.*

*Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”*

### WARNING

**The Offers are possible mandatory unconditional cash offers and will only be made if, among other things, Share Sale Completion takes place, which is conditional upon satisfaction of the conditions set out in the sub-paragraph headed “Conditions precedent” in the paragraph headed “A. The Share Sale Agreement” above which include, but are not limited to, completion of the Group Reorganisation, completion of the Disposal and the Share Premium Cancellation having become effective pursuant to applicable laws. Accordingly, Share Sale Completion may or may not take place and the Offers may or may not proceed. FGG Shareholders, the Optionholders and potential investors of FGG are advised to exercise caution in dealing in the FGG Shares.**

## **M. SUSPENSION AND RESUMPTION OF TRADING IN SHARES**

At the request of FGG, trading in the FGG Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 17 March 2014 pending the release of this joint announcement. Application has been made by FGG for resumption of trading in the FGG Shares on the Stock Exchange with effect from 9:00 a.m. on 8 May 2014.

At the request of VC, trading in the VC Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 17 March 2014 pending the release of this joint announcement. Application has been made by VC for resumption of trading in the VC Shares on the Stock Exchange with effect from 9:00 a.m. on 8 May 2014.

## **DEFINITIONS**

In this joint announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“acting in concert”	has the meaning ascribed thereto in the Takeovers Code
“ANZ”	Australia and New Zealand Banking Group Limited
“ANZ Facilities”	the facilities of up to HK\$50,000,000 offered by ANZ to FG International on 21 September 2011
“ANZ-FGG Guarantee”	the guarantee and indemnity given by FGG for HK\$50,000,000 and an amount equal to the aggregate of all interest, costs and expenses accrued thereon in favour of ANZ to secure for the ANZ Facilities on 20 October 2011
“ANZ-VC Guarantee”	the guarantee and indemnity to be given by VC for HK\$50,000,000 and an amount equal to the aggregate of all interest, costs and expenses accrued thereon in favour of ANZ to secure for the ANZ Facilities in place of the ANZ-FGG Guarantee
“associate”	has the meaning ascribed thereto in the Takeovers Code or the Listing Rules (as appropriate)
“Best Keen”	Best Keen International Limited, a company incorporated in BVI with limited liability and a wholly-owned subsidiary of FGG as at the date of this joint announcement

“Business Day”	any day (other than Saturday or Sunday and days on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are open for general banking business
“BVI”	the British Virgin Islands
“CIT”	The CIT Group/Commercial Services, Inc., an independent third party to the FGG Group and the VC Group
“CITIC”	China CITIC Bank International Limited or China CITIC Bank International Limited, Macau Branch (as the case may be)
“CITIC Facilities”	CITIC-FGI Facilities and CITIC-VP Facilities
“CITIC-FGG-FGI Guarantee”	the guarantee and indemnity given by FGG for HK\$130,000,000 in favour of CITIC to secure the CITIC-FGI Facilities on 18 February 2013
“CITIC-FGG-VP Guarantee”	the guarantee and indemnity given by FGG for HK\$20,000,000 in favour of CITIC to secure the CITIC-VP Facilities on 14 February 2012
“CITIC-FGI Facilities”	the facilities of up to HK\$50,000,000 offered by CITIC to FG International on 10 December 2013
“CITIC Guarantees”	CITIC-VC-FGI Guarantee and CITIC-VC-VP Guarantee
“CITIC-VC-FGI Guarantee”	the guarantee and indemnity to be given by VC for HK\$130,000,000 in favour of CITIC to secure the CITIC-FGI Facilities in place of the CITIC-FGG-FGI Guarantee
“CITIC-VC-VP Guarantee”	the guarantee and indemnity to be given by VC for HK\$20,000,000 in favour of CITIC to secure the CITIC-VP Facilities in place of the CITIC-FGG-VP Guarantee
“CITIC-VP Facilities”	the facilities of up to HK\$20,000,000 offered by CITIC to Value Plus on 18 January 2012 (as supplemented on 11 January 2013 and 9 April 2014)
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“DBS”	DBS Bank (Hong Kong) Limited or DBS (Hong Kong) Limited, Macau Branch (as the case may be)

“DBS Facilities”	DBS-FGI Facilities and DBS-VP Facilities
“DBS-FGG-FGI Guarantee”	the guarantee and indemnity given by FGG for all monies obligations and liabilities (actual or contingent) owed by FG International in favour of DBS to secure the DBS-FGI Facilities on 31 May 2011
“DBS-FGG-VP Guarantees”	the guarantee and indemnity given by each of FGG and FG International for HK\$55,000,000 in favour of DBS to secure the DBS-VP Facilities on 24 May 2012
“DBS-FGI Facilities”	the facilities of up to HK\$75,000,000 offered by DBS to FG International on 21 February 2012
“DBS Guarantees”	DBS-VC-FGI Guarantee and DBS-VC-VP Guarantee
“DBS-VC-FGI Guarantee”	the guarantee and indemnity to be given by VC for all monies obligations and liabilities (actual or contingent) owed by FG International in favour of DBS to secure the DBS-FGI Facilities in place of DBS-FGG-FGI Guarantee
“DBS-VC-VP Guarantee”	the guarantee and indemnity to be given by VC for HK\$55,000,000 in favour of DBS to secure the DBS-VP Facilities in place of DBS-FGG-VP Guarantees
“DBS-VP Facilities”	the facilities of up to HK\$50,000,000 offered by DBS to Value Plus on 7 March 2012, whereby such facility amounts shall be limited by DBS-FGI Facilities and shall be jointly utilised by Value Plus and FG International
“Disposal”	the sale of the Disposal Shares by FGG to Sure Strategy pursuant to the Disposal Agreement
“Disposal Agreement”	the conditional agreement dated 14 March 2014 entered into between FGG and Sure Strategy in relation to the sale and purchase of the Disposal Shares
“Disposal Group”	FG Holdings and its subsidiaries, but excluding Top Value

“Disposal Group Entities”	the entities of the FGG Group except for the Remaining Group Entities including FG Holdings, FG International, Brilliant Fashion Inc., Ford Glory (Cambodia) Manufacturing Limited, Ford Glory Inc. (a company which FGG is interested in as to 51%), Global Trend Investments Limited, Glory Time Limited (a company which FGG is interested in as to 70%), Gojifashion Inc. (a company which FGG is interested in as to 50%), Green Expert Global Limited (a company which FGG is interested in as to 51%), Happy Noble Holdings Limited (a company which FGG is interested in as to 70%), Jerash Garments & Fashions Manufacturing Company Ltd., Jiangmen V-Apparel Manufacturing Ltd. (江門冠暉制衣有限公司), Just Perfect Holdings Limited, Major Time Limited (a company which FGG is interested in as to 51%), MT Studio Inc. (a company which FGG is interested in as to 51%), One Sino Limited, PT. Victory Apparel Semarang, Rocwide Limited, Sky Winner Investment Limited (a company which FGG is interested in as to 70%), Surefaith Limited, Talent Partner Holdings Limited (a company which FGG is interested in as to 51%), 藝田貿易(上海)有限公司(Teelocker Limited*)(a company which FGG is interested in as to 70%), Value Plus, Victory Apparel (Jordan) Manufacturing Company Limited, Wealth Choice Limited, 福之源貿易(上海)有限公司(Ford Glory Trading (Shanghai) Limited*), 福源創業信息諮詢服務(深圳)有限公司(Ford Glory Trading (Shanghai) Limited*) and Mayer Apparel Limited (a company which FGG is interested in as to 51%)
“Disposal Shares”	the entire issued share capital of FG Holdings
“Excluded Share Option(s)”	the 2,261,740 Share Options with an exercise price of HK\$0.600 per Option Share held by Mr. Ng, which are proposed to be exercised prior to the closing date of the Offers as set out in the Offer Document pursuant to the Option Undertaking
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“Facilities”	the DBS Facilities, the Hang Seng Facilities the HSBC Facilities, the CITIC Facilities, the Wing Hang Facilities and the ANZ Facilities
“FG Holdings”	Ford Glory Holdings Limited, a company incorporated in BVI with limited liability and a wholly-owned subsidiary of FGG as at the date of this joint announcement
“FG International”	Ford Glory International Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of FG Holdings as at the date of this joint announcement

\* For identification purpose only

“FGG”	Ford Glory Group Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1682)
“FGG Board”	the board of FGG Directors
“FGG Director(s)”	director(s) of FGG from time to time
“FGG Group”	FGG and its subsidiaries
“FGG Independent Board Committee”	the independent board committee of the FGG Board, comprising all independent non-executive FGG Directors, formed to advise the FGG Independent Shareholders in respect of the Offers, the Special Deals and the respective transactions contemplated thereunder
“FGG Independent Financial Adviser” or “Shenyin Wanguo”	Shenyin Wanguo Capital (H.K.) Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“FGG Independent Shareholders”	FGG Shareholders, other than Sure Strategy, VC, Mr. Choi, Mr. Chen, Mr. Li, Mr. Ng, the Retained Employees and their respective associates and parties acting in concert with them
“FGG SGM”	special general meeting of FGG to be convened to seek the approval of the FGG Shareholders in respect of, amongst other things, the Share Premium Cancellation, the Special Cash Dividend and the Proposed Change of Name, and the approval of the FGG Independent Shareholders in respect of the Special Deals and the transactions contemplated thereunder
“FGG Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of FGG
“FGG Shareholder(s)”	holder(s) of FGG Share(s)
“Garment Sourcing Business”	the comprehensive range of sourcing management services and expertise, including product design and product development, sampling, product offering, sourcing, outsourcing, logistics and delivery and overseas sales capabilities, currently carried out by FG International and Top Value
“Group Reorganisation”	the proposed reorganisation of the FGG Group, details of which are set out in the paragraph headed “B. Group Reorganisation” in this joint announcement



“Guarantees”	the DBS Guarantees, the Hang Seng Guarantees, the HSBC Guarantees, the CITIC Guarantees, the WH-VC Guarantee and the ANZ-VC Guarantee
“Hang Seng”	Hang Seng Bank Limited or Hang Seng Bank Limited, Macau Branch (as the case may be)
“Hang Seng Facilities”	HS-FGI Facilities and HS-VP Facilities
“Hang Seng Guarantees”	HS-VC-FGI Guarantee and HS-VC-VP Guarantee
“Highlight Vision PRC”	高銳視訊有限公司 (Highlight Vision Co., Ltd.*), an indirect subsidiary of the Offeror
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HK Garment Sourcing Business”	the comprehensive range of sourcing management services and expertise, including product design and product development, sampling, product offering, sourcing, outsourcing, logistics and delivery and overseas sales capabilities, currently carried out by FG International in Hong Kong
“HK Lease Agreement”	the lease agreement to be entered into between FG International and United Gainer for the leasing of the Office Premises
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HS-FGG-FGI Guarantee”	the guarantee given by FGG for HK\$127,000,000 in favour of Hang Seng to secure the HS-FGI Facilities on 22 August 2011
“HS-FGG-VP Guarantee”	the deed of guarantee given by FGG for all monies obligations and liabilities (actual or contingent) owed by Value Plus in favour of Hang Seng to secure the HS-VP Facilities on 30 May 2012
“HS-FGI Facilities”	the facilities of up to HK\$198,000,000 offered by Hang Seng to FG International on 8 January 2014
“HS-VC-FGI Guarantee”	the guarantee to be given by VC for HK\$127,000,000 in favour of Hang Seng to secure the HS-FGI Facilities in place of HS-FGG-FGI Guarantee
“HS-VC-VP Guarantee”	the deed of guarantee to be given by VC for all monies obligations and liabilities (actual or contingent) owed by Value Plus in favour of Hang Seng to secure the HS-VP Facilities in place of HS-FGG-VP Guarantee

“HS-VP Facilities”	the facilities of up to HK\$40,000,000 offered by Hang Seng to Value Plus on 28 February 2014
“HSBC”	The Hongkong and Shanghai Banking Corporation Limited
“HSBC Facilities”	HSBC-FGI Facilities and HSBC-VP Facilities
“HSBC-FGG-FGI Guarantees”	the guarantees given by FGG for an aggregate of HK\$120,000,000 in favour of HSBC to secure the HSBC-FGI Facilities on 7 March 2011 and 13 May 2011
“HSBC-FGG-VP Guarantee”	the guarantee given by FGG for HK\$65,000,000 in favour of HSBC to secure the HSBC-VP Facilities on 6 August 2012
“HSBC-FGI Facilities”	the facilities with a combine limit of up to approximately HK\$93,000,000 offered by HSBC to FG International on 7 April 2014
“HSBC Guarantees”	HSBC-VC-FGI Guarantees and HSBC-VC-VP Guarantee
“HSBC-VC-FGI Guarantees”	the guarantees to be given by VC for an aggregate of HK\$120,000,000 in favour of HSBC to secure the HSBC-FGI Facilities in place of the HSBC-FGG-FGI Guarantees
“HSBC-VC-VP Guarantee”	the guarantee to be given by VC for HK\$65,000,000 in favour of HSBC to secure the HSBC-VP Facilities in place of the HSBC-FGG-VP Guarantee
“HSBC-VP Facilities”	the facilities of up to HK\$50,000,000 import facilities and HK\$2,000,000 clean cheque purchase line offered by HSBC to Value Plus on 16 April 2014
“Included Share Option(s)”	the 67,253,260 Share Options, of which 29,788,260 Share Options and 37,465,000 Share Options are at an exercise price of HK\$0.600 per Option Share and HK\$0.844 per Option Share respectively, representing 69,515,000 outstanding Share Options as at the date of this joint announcement less the 2,261,740 Excluded Share Options
“IoT”	Internet of Things, a proposed development of the internet in which everyday objects have network connectivity, allowing them to send and receive data
“Kingston CF”	Kingston Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the financial adviser to the Offeror in respect of the Offers

“Kingston Securities”	Kingston Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities) regulated activity under the SFO which shall make the Offers on behalf of the Offeror
“Last Trading Date”	14 March 2014, being the last full trading day immediately prior to suspension of trading in the FGG Shares pending the release of this joint announcement
“Lenders”	DBS, Hang Seng, HSBC, CITIC, Wing Hang and ANZ
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 June 2014 (or such later date as the Offeror and the Vendors may agree in writing)
“Manufacturing Business”	the principal business to be carried by the Disposal Group upon completion of the Group Reorganisation and the Disposal, which mainly comprises the manufacturing and sales of garment products
“Merlotte Enterprise”	Merlotte Enterprise Limited, a company incorporated in BVI with limited liability and wholly-owned by Mr. Choi as at the date of this joint announcement
“MOU”	the non-legally binding memorandum of understanding entered into between Sure Strategy and the Offeror on 18 December 2013
“Mr. Chen”	Mr. Chen Tien Tui, the chief executive officer of VC, an executive VC Director, a non-executive FGG Director, and an ultimate beneficial owner of 3,821,080 FGG Shares as at the date of this joint announcement
“Mr. Choi”	Mr. Choi Lin Hung, the chairman of FGG, an executive FGG Director, an executive VC Director, and a beneficial owner of the entire issued share capital of Merlotte Enterprise and 49% interest in Sure Strategy as at the date of this joint announcement
“Mr. Li”	Mr. Li Ming Hung, the chairman of VC, an executive VC Director, a non-executive FGG Director, and an ultimate beneficial owner of 3,789,440 FGG Shares as at the date of this joint announcement
“Mr. Ng”	Mr. Ng Tsze Lun, an employee of FGG Group and a brother of Mr. Ng Tze On, an executive FGG Director, a beneficial owner of 341,000 FGG Shares, and a beneficial owner of Share Options conferring the right to subscribe for 58,000,000 Share as at the date of this joint announcement

“Offer Document”	the offer and response document (in either composite or separate form) together with (i) the form of acceptance and transfer and (ii) the form of acceptance of cancellation to be despatched to the FGG Shareholders pursuant to the Offers
“Offer Share(s)”	130,262,000 FGG Shares that are subject to the Share Offer and “Offer Share” means any of them
“Offeror” or “Unitech Enterprises”	Unitech Enterprises Group Limited (卓科企業集團有限公司), a company incorporated in BVI with limited liability
“Offers”	the Share Offer and the Option Offer
“Office Premises”	the office premises of the Remaining Group, which is a portion of the property located at 19/F., Ford Glory Plaza, 37-39 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong with a total gross floor area of approximately 3,900 square feet
“Optionholder(s)”	holder(s) of the Share Options
“Option Offer”	the possible mandatory unconditional cash offer to be made by Kingston Securities on behalf of the Offeror for the cancellation of all outstanding Share Options in accordance with the Takeovers Code
“Option Offer Price(s)”	the respective offer prices for cancellation of each outstanding Share Option as stated under the sub-paragraph headed “The Option Offer” in the paragraph headed “H. Possible Mandatory Unconditional Cash Offers” in this joint announcement
“Option Share(s)”	69,515,000 new FGG Shares to be issued upon exercise of the outstanding Share Options
“Option Undertaking”	the irrevocable undertaking given by Mr. Ng on 14 March 2014 to (i) exercise no less than 2,261,740 Share Options granted to him at an exercise price of HK\$0.600 per Option Share into FGG Shares; and (ii) accept the Share Offer to be made by the Offeror in respect of such number of his FGG Shares
“Other Disposal Group Entities”	the entities of the FGG Group except for the Remaining Group Entities, FG Holdings, FG International and Value Plus
“Overseas FGG Shareholder(s)”	Shareholder(s) whose registered addresses, as shown on the register of members of FGG, are outside Hong Kong

“PRC”	the People’s Republic of China (for the purpose of this joint announcement, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan)
“Preliminary Announcement”	the joint announcement issued by FGG and VC dated 24 July 2013 pursuant to Rule 3.2 and Rule 3.7 of the Takeovers Code and Rule 13.09 of the Listing Rules and Inside Information Provisions under Part XIVA of the SFO
“Proposed Change of Name”	the proposal by the FGG Board to change the English name of FGG from “Ford Glory Group Holdings Limited” to “Highlight China IoT International Limited” and to adopt the Chinese name of “高銳中國物聯網國際有限公司” as the secondary name to replace “福源集團控股有限公司” which has been used for identification purposes only
“Proposed Connected Transactions”	the proposed provision of financial assistance by VC to FG International and Value Plus under the Guarantees
“Qualifying FGG Shareholders”	FGG Shareholder(s) whose name(s) appear(s) on the register of members of FGG at the close of business on the Record Date
“Record Date”	the record date to determine entitlements of the FGG Shareholders to the Special Cash Dividend, which will be determined and announced by FGG
“Remaining Group”	the FGG Group excluding the Disposal Group
“Remaining Group Entities”	FGG, Best Keen, United Gainer and Top Value
“Retained Employees”	being Ms. Cheng Sylvia, Ms. Ching Chor Bik and Mr. Yick Chong San, all of whom are employees of FGG Group as at the date of this joint announcement
“Retained Employees Arrangement”	the appointment of the Retained Employees by the Remaining Group for a period of not less than one year from the Share Sale Completion Date
“Sale Share(s)”	320,000,000 FGG Shares to be acquired by the Offeror from the Vendors pursuant to the Share Sale Agreement, which represents approximately 71.07% of the entire issued share capital of FGG as at the date of the Share Sale Agreement, and “Sale Share” means any of them
“SFC”	the Securities and Futures Commission of Hong Kong

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Offer”	the possible mandatory unconditional cash offer to be made by Kingston Securities on behalf of the Offeror, to acquire all the issued FGG Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) and in accordance with the Takeovers Code
“Share Offer Price”	the price at which the Share Offer will be made, being HK\$0.808 per FGG Share
“Share Option(s)”	option(s) granted under the share option scheme of FGG adopted by the shareholder of FGG on 2 June 2010
“Share Premium Cancellation”	the proposed cancellation of the entire amount standing to the credit of the share premium account of FGG
“Share Sale”	acquisition of the Sale Shares by the Offeror from the Vendors in accordance with the terms and conditions of the Share Sale Agreement
“Share Sale Agreement”	the conditional agreement dated 14 March 2014 entered into between the Offeror and the Vendors in relation to the sale and purchase of the Sale Shares
“Share Sale Completion”	completion of the Share Sale Agreement in accordance with the terms and conditions thereof
“Share Sale Completion Date”	the day on which all the conditions precedent to the Share Sale Agreement have been fulfilled or effectively waived or such other later date as the Offeror and the Vendors may agree in writing
“Special Cash Dividend”	subject to, among other things, and following completion of the Disposal, the proposed cash dividend of not less than approximately HK\$0.481 per FGG Share and not more than HK\$0.770 per FGG Share (subject to finalisation) by FGG to be declared and distributed to the Qualifying FGG Shareholders on a pro rata basis
“Special Deals”	collectively, the Disposal Agreement, the HK Lease Agreement and the Retained Employees Arrangement, which will constitute special deals for FGG under Rule 25 of the Takeovers Code



“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sure Strategy”	Sure Strategy Limited, a company incorporated in BVI with limited liability and beneficially owned as to 51% by Victory City Investments and 49% by Merlotte Enterprise as at the date of this joint announcement
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Top Value”	Top Value Inc., a company incorporated in the U.S. with limited liability and an indirect wholly-owned subsidiary of FG Holdings as at the date of this joint announcement
“Tri-Network Integration”	integration of telecommunication network, broadcasting network and the internet
“U.S.”	United States of America
“United Gainer”	United Gainer Investment Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of FGG as at the date of this joint announcement
“Value Plus”	Value Plus (Macao Commercial Offshore Limited), a company incorporated in Macau and an indirect wholly-owned subsidiary of FGG as at the date of this joint announcement
“VC”	Victory City International Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 539) and FGG’s ultimate holding company
“VC Board”	the board of VC Directors
“VC Director(s)”	director(s) of VC from time to time
“VC Group”	VC and its subsidiaries
“VC Independent Board Committee”	the independent board committee of the VC Board, comprising all independent non-executive VC Directors, formed to advise the VC Independent Shareholders in respect of the Share Sale, the Disposal and the Proposed Connected Transactions

“VC Independent Financial Adviser” or “Halcyon Capital”	Halcyon Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
“VC Independent Shareholders”	VC Shareholders, other than VC Shareholders who are involved or interested in the Share Sale, the Disposal, the Proposed Connected Transactions and the transactions contemplated thereunder (i.e. VC Shareholders other than Mr. Choi, Mr. Chen and Mr. Li and their respective associates in respect of the Share Sale and the Disposal; and VC Shareholders other than Mr. Choi and his respective associates in respect of the Proposed Connected Transactions)
“VC SGM”	a special general meeting of VC to be convened to seek the approval of the VC Independent Shareholders in respect of the Share Sale, the Disposal, the Proposed Connected Transactions and the transactions contemplated thereunder
“VC Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of VC
“VC Shareholder(s)”	holder(s) of VC Share(s)
“Vendors”	Sure Strategy, Merlotte Enterprise and Victory City Investments, being the vendors of the Sale Shares pursuant to the Share Sale Agreement
“Victory City Investments”	Victory City Investments Limited, a company incorporated in BVI with limited liability and a direct wholly-owned subsidiary of VC as at the date of this joint announcement
“WH-FGG Guarantee”	the guarantee given by FGG in favour of Wing Hang for all monies obligations and liabilities (actual or contingent) owed by FG International to secure the Wing Hang Facilities on 19 November 2010
“WH-VC Guarantee”	the guarantee to be given by VC in favour of Wing Hang for all monies obligations and liabilities (actual or contingent) owed by FG International to secure the Wing Hang Facilities in place of the WH-FGG Guarantee
“Wing Hang”	Wing Hang Bank, Limited
“Wing Hang Facilities”	the facilities of up to HK\$25,000,000 offered by Wing Hang to FG International on 25 March 2013

By order of the board of  
**Unitech Enterprises  
Group Limited**  
**Gao Zhiyin**  
*Director*

By order of the board of  
**Ford Glory Group  
Holdings Limited**  
**Choi Lin Hung**  
*Chairman and Executive  
Director*

By order of the board of  
**Victory City International  
Holdings Limited**  
**Li Ming Hung**  
*Chairman and Executive  
Director*

Hong Kong, 7 May 2014

*The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement, other than that relating to the FGG Group and the VC Group, and confirm that, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statements in this joint announcement misleading.*

*The FGG Directors jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement, other than that relating to the Offeror and the VC Group, and confirm that, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statements in this joint announcement misleading.*

*The VC Directors jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement, other than that relating to the Offeror and the FGG Group, and confirm that, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statements in this joint announcement misleading.*

*As at the date of this joint announcement, the directors of the Offeror are Mr. Gao Zhiyin and Mr. Gao Zhiping.*

*As at the date of this joint announcement, the FGG Board comprises Mr. Choi Lin Hung, Mr. Lau Kwok Wa, Stanley and Mr. Ng Tze On as executive FGG Directors; Mr. Chen Tien Tui and Mr. Li Ming Hung as non-executive FGG Directors; and Mr. Lau Chi Kit, Mr. Mak Chi Yan, Mr. Wong Wai Kit, Louis and Mr. Yuen Kin Kei as independent non-executive FGG Directors.*

*As at the date of this joint announcement, the VC Board comprises Mr. Li Ming Hung, Mr. Chen Tien Tui, Mr. Lee Yuen Chiu Andy and Mr. Choi Lin Hung as executive VC Directors; and Mr. Kan Ka Hon, Mr. Phaisalakani Vichai and Mr. Kwok Sze Chi as independent non-executive VC Directors.*